

RITE AID CORP

FORM 10-Q (Quarterly Report)

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Address	30 HUNTER LANE CAMP HILL OWN, PA 17011
Telephone	7177612633
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Industry	Retail (Drugs)
Sector	Services
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended November 28, 2015

OR

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

For the transition period from _____ to _____

Commission File Number: 1-5742

RITE AID CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

23-1614034
(I.R.S. Employer
Identification No.)

**30 Hunter Lane,
Camp Hill, Pennsylvania**
(Address of principal executive offices)

17011
(Zip Code)

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

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report):
Not Applicable

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The registrant had 1,046,463,323 shares of its \$1.00 par value common stock outstanding as of December 17, 2015.

RITE AID CORPORATION

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

Factors that could cause actual results to differ materially from those expressed or implied in such forward-looking statements include, but are not limited to:

- our high level of indebtedness;
- our ability to make interest and principal payments on our debt and satisfy the other covenants contained in our credit facilities and other debt agreements;
- the continued impact of private and public third party payors reduction in prescription drug reimbursement and their efforts to limit access to payor networks, including mail order;
- our ability to achieve the benefits of our efforts to reduce the costs of our generic and other drugs;
- our ability to continue to improve the operating performance of our stores in accordance with our long term strategy;
- our ability to maintain or grow prescription count and realize front-end sales growth;
- our ability to hire and retain qualified personnel;
- competitive pricing pressures, including aggressive promotional activity from our competitors;
- decisions to close additional stores and distribution centers or undertake additional refinancing activities, which could result in further charges to our operating statement;
- our ability to manage expenses and working capital;
- continued consolidation of the drugstore and the pharmacy benefit management (“PBM”) industries;
- changes in state or federal legislation or regulations, and the continued impact from the ongoing implementation of the Patient Protection and Affordable Care Act as well as other healthcare reform;
- risks related to compromises of our information or payment systems or unauthorized access to confidential or personal information of our associates or customers;
- our ability to realize the benefits of our recent acquisition of EnvisionRx (the “Acquisition”);
- our ability to maintain our current pharmacy services business and obtain new pharmacy services business, including maintaining renewals of expiring contracts, avoiding contract termination rights that may permit certain of our clients to terminate their contracts prior to their expiration and early price renegotiations prior to contract expirations;
- the continued impact of declining gross margins in the PBM industry due to increased market competition and client demand for lower prices while providing enhanced service offerings,
- our ability to maintain our current Medicare Part D business and obtain new Medicare Part D business, as a result of the annual Medicare Part D competitive bidding process;
- the expiration or termination of our Medicare or Medicaid managed care contracts by federal or state governments and related tax matters;
- the inability to complete the proposed acquisition (the “Merger”) of us by Walgreens Boots Alliance, Inc., a Delaware corporation (“WBA”), due to the failure to obtain stockholder approval to adopt the Merger Agreement (as defined herein) or failure to satisfy the other conditions to the completion of the Merger, including receipt of required regulatory approvals:
- the risk that the Merger Agreement may be terminated in certain circumstances that require us to pay WBA a termination fee of \$325 million and/or reimburse WBA’s expenses of \$45 million, which reimbursement would be deducted from any termination fee owed to WBA;
- risks that the proposed Merger disrupts our current plans and operations or affects our ability to retain or recruit key employees;
- the effect of the announcement of the Merger on Rite Aid’s business relationships (including, without limitation customers and suppliers), operating results and business generally;

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- the amount of the costs, fees, expenses and charges related to the Merger Agreement or the Merger;
- risks related to the Merger diverting management's or employees' attention from ongoing business operations;
- risks associated with the financing of the Merger transaction;
- the risk that our stock price may decline significantly if the Merger is not completed;
- risks related to obtaining the requisite consents to the Merger, including, without limitation, the timing (including possible delays) and expiration or termination of the applicable waiting periods under the HSR Act and other applicable antitrust laws, and the risk that such consents might not be received;
- the risk that the Merger may not be completed in a timely manner, if at all;
- risks related to other business effects, including the effects of industry, market, economic, political or regulatory conditions, future exchange or interest rates or credit ratings, changes in tax laws, regulations, rates and policies or competitive development;
- the nature, cost and outcome of pending and future litigation and other legal proceedings or governmental investigations, including any such proceedings related to the Merger and instituted against us and others; and
- other risks and uncertainties described from time to time in our filings with the Securities and Exchange Commission (the "SEC").

We undertake no obligation to update or revise the forward-looking statements included in this report, whether as a result of new information, future events or otherwise, after the date of this report. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences are discussed in the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" either included herein or in our Annual Report on Form 10-K for the fiscal year ended February 28, 2015 (the "Fiscal 2015 10-K"), which we filed with the SEC on April 23, 2015, our Quarterly Report on Form 10-Q for the thirteen weeks ended May 30, 2015 (the "First Quarter 2016 10-Q"), which we filed on June 22, 2015, and our Quarterly Report on Form 10-Q for the thirteen weeks ended August 29, 2015 (the "Second Quarter 2016 10-Q"), which we filed on October 6, 2015. These documents are available on the SEC's website at www.sec.gov.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

RITE AID CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

(unaudited)

	November 28, 2015	February 28, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 226,252	\$ 115,899
Accounts receivable, net	1,555,352	980,904
Inventories, net of LIFO reserve of \$1,015,487 and \$997,528	2,871,929	2,882,980
Deferred tax assets	17,823	17,823
Prepaid expenses and other current assets	133,811	224,152
Total current assets	4,805,167	4,221,758
Property, plant and equipment, net	2,264,251	2,091,369
Goodwill	1,554,747	76,124
Other intangibles, net	1,206,105	421,480
Deferred tax assets	1,573,295	1,766,349
Other assets	314,515	286,172
Total assets	<u>\$ 11,718,080</u>	<u>\$ 8,863,252</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	\$ 29,135	\$ 100,376
Accounts payable	1,663,483	1,133,520
Accrued salaries, wages and other current liabilities	1,412,694	1,193,419
Deferred tax liabilities	57,685	57,685
Total current liabilities	3,162,997	2,485,000
Long-term debt, less current maturities	7,287,911	5,483,415
Lease financing obligations, less current maturities	50,434	61,152
Other noncurrent liabilities	715,910	776,629
Total liabilities	11,217,252	8,806,196
Commitments and contingencies	—	—
Stockholders' equity:		
Common stock, par value \$1 per share; 1,500,000 shares authorized; shares issued and outstanding 1,046,469 and 988,558	1,046,469	988,558
Additional paid-in capital	4,805,243	4,521,023
Accumulated deficit	(5,306,826)	(5,406,675)
Accumulated other comprehensive loss	(44,058)	(45,850)
Total stockholders' equity	500,828	57,056
Total liabilities and stockholders' equity	<u>\$ 11,718,080</u>	<u>\$ 8,863,252</u>

See accompanying notes to condensed consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(unaudited)

	Thirteen Week Period Ended	
	November 28, 2015	November 29, 2014
Revenues	\$ 8,154,184	\$ 6,692,333
Costs and expenses:		
Cost of revenues	6,151,305	4,769,020
Selling, general and administrative expenses	1,777,647	1,692,437
Lease termination and impairment charges	7,011	8,702
Interest expense	106,879	97,400
Loss on debt retirements, net	—	18,512
Loss (gain) on sale of assets, net	3,331	(455)
	<u>8,046,173</u>	<u>6,585,616</u>
Income before income taxes	108,011	106,717
Income tax expense	48,468	1,871
Net income	<u>\$ 59,543</u>	<u>\$ 104,846</u>
Computation of income attributable to common stockholders:		
Net income	\$ 59,543	\$ 104,846
Add back — interest on convertible notes	—	1,364
Income attributable to common stockholders—diluted	<u>\$ 59,543</u>	<u>\$ 106,210</u>
Basic income per share	<u>\$ 0.06</u>	<u>\$ 0.11</u>
Diluted income per share	<u>\$ 0.06</u>	<u>\$ 0.10</u>

See accompanying notes to condensed consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	<u>Thirteen Week Period Ended</u>	
	<u>November 28, 2015</u>	<u>November 29, 2014</u>
Net income	\$ 59,543	\$ 104,846
Other comprehensive income:		
Defined benefit pension plans:		
Amortization of prior service cost, net transition obligation and net actuarial losses included in net periodic pension cost, net of \$398 and \$0 tax expense	597	660
Total other comprehensive income	<u>597</u>	<u>660</u>
Comprehensive income	<u>\$ 60,140</u>	<u>\$ 105,506</u>

See accompanying notes to condensed consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(unaudited)

	Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014
Revenues	\$ 22,466,521	\$ 19,680,448
Costs and expenses:		
Cost of revenues	16,681,822	14,059,577
Selling, general and administrative expenses	5,203,058	4,977,315
Lease termination and impairment charges	21,670	20,661
Interest expense	345,895	299,170
Loss on debt retirements, net	33,205	18,512
Loss (gain) on sale of assets, net	3,651	(2,540)
	<u>22,289,301</u>	<u>19,372,695</u>
Income before income taxes	177,220	307,753
Income tax expense	77,372	33,612
Net income	<u>\$ 99,848</u>	<u>\$ 274,141</u>
Computation of income attributable to common stockholders:		
Net income	\$ 99,848	\$ 274,141
Add back — interest on convertible notes	—	4,092
Income attributable to common stockholders—diluted	<u>\$ 99,848</u>	<u>\$ 278,233</u>
Basic income per share	<u>\$ 0.10</u>	<u>\$ 0.28</u>
Diluted income per share	<u>\$ 0.10</u>	<u>\$ 0.27</u>

See accompanying notes to condensed consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

(unaudited)

	<u>Thirty-Nine Week Period Ended</u>	
	<u>November 28, 2015</u>	<u>November 29, 2014</u>
Net income	\$ 99,848	\$ 274,141
Other comprehensive income:		
Defined benefit pension plans:		
Amortization of prior service cost, net transition obligation and net actuarial losses included in net periodic pension cost, net of \$1,194 and \$0 tax expense	1,792	1,979
Total other comprehensive income	<u>1,792</u>	<u>1,979</u>
Comprehensive income	<u>\$ 101,640</u>	<u>\$ 276,120</u>

See accompanying notes to condensed consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014
Operating activities:		
Net income	\$ 99,848	\$ 274,141
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	373,782	309,203
Lease termination and impairment charges	21,670	20,661
LIFO charges	17,959	4,632
Loss (gain) on sale of assets, net	3,651	(2,540)
Stock-based compensation expense	26,529	16,932
Loss on debt retirements, net	33,205	18,512
Changes in deferred taxes	50,696	—
Excess tax benefit on stock options and restricted stock	(21,436)	(27,647)
Changes in operating assets and liabilities:		
Accounts receivable	315,898	(41,493)
Inventories	339	(8,038)
Accounts payable	89,630	(45,047)
Other assets and liabilities, net	(342,234)	(45,357)
Net cash provided by operating activities	<u>669,537</u>	<u>473,959</u>
Investing activities:		
Payments for property, plant and equipment	(414,338)	(324,938)
Intangible assets acquired	(97,612)	(79,609)
Acquisition of businesses, net of cash acquired	(1,778,377)	(69,793)
Proceeds from dispositions of assets and investments	8,697	10,559
Net cash used in investing activities	<u>(2,281,630)</u>	<u>(463,781)</u>
Financing activities:		
Proceeds from issuance of long-term debt	1,800,000	1,152,293
Net proceeds from revolver	655,000	380,000
Principal payments on long-term debt	(666,967)	(1,443,812)
Change in zero balance cash accounts	(35,011)	(39,934)
Net proceeds from issuance of common stock	8,625	15,523
Financing fees paid for early debt redemption	(26,003)	(13,841)
Excess tax benefit on stock options and restricted stock	21,436	27,647
Deferred financing costs paid	(34,634)	(1,506)
Net cash provided by financing activities	<u>1,722,446</u>	<u>76,370</u>
Increase in cash and cash equivalents	110,353	86,548
Cash and cash equivalents, beginning of period	115,899	146,406
Cash and cash equivalents, end of period	<u>\$ 226,252</u>	<u>\$ 232,954</u>
Supplementary cash flow data:		
Cash paid for interest (net of capitalized amounts of \$128 and \$120, respectively)	\$ 239,869	\$ 284,134
Cash payments of income taxes, net of refunds	\$ 5,808	\$ 5,336
Equipment financed under capital leases	\$ 3,499	\$ 4,749
Equipment received for noncash consideration	\$ 2,011	\$ 1,600
Stock consideration issued in connection with business acquisitions	\$ 240,907	\$ —
Conversion of the 8.5% convertible notes to common stock	\$ 64,089	\$ —
Gross borrowings from revolver	\$ 3,983,000	\$ 2,864,000
Gross payments to revolver	<u>\$ 3,328,000</u>	<u>\$ 2,484,000</u>

See accompanying notes to condensed consolidated financial statements.

RITE AID CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Thirteen and Thirty-Nine Week Periods Ended November 28, 2015 and November 29, 2014

(Dollars and share information in thousands, except per share amounts)

(unaudited)

1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X and therefore do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete annual financial statements. The accompanying financial information reflects all adjustments which are of a recurring nature and, in the opinion of management, are necessary for a fair presentation of the results for the interim periods. The results of operations for the thirteen and thirty-nine week periods ended November 28, 2015 are not necessarily indicative of the results to be expected for the full year. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Rite Aid Corporation (“Rite Aid”) and Subsidiaries (together with Rite Aid, the “Company”) Fiscal 2015 10-K.

In addition to the significant accounting policies discussed in the Company’s Fiscal 2015 10-K, the Company has added the following significant accounting policies as a result of its June 24, 2015 acquisition of EnvisionRx (the “Acquisition”), and the related addition of the new Pharmacy Services segment (please see Note 2. Acquisition and Note 14. Segment Reporting for additional details):

Revenue Recognition — Pharmacy Services Segment

The Pharmacy Services segment (“Pharmacy Services”) sells prescription drugs indirectly through its retail pharmacy network and directly through its mail service dispensing pharmacy. The Pharmacy Services segment recognizes revenue from prescription drugs sold by (i) its mail service dispensing pharmacy and (ii) under retail pharmacy network contracts where it is the principal using the gross method at the contract prices negotiated with its clients, primarily employers, insurance companies, unions, government employee groups, health plans, Managed Medicaid plans, Medicare plans, and other sponsors of health benefit plans, and individuals throughout the United States. Revenues include: (i) the portion of the price the client pays directly to the Pharmacy Services segment, net of any volume-related or other discounts paid back to the client (see “Drug Discounts” on the following page), (ii) the price paid to the Pharmacy Services segment by client plan members for mail order prescriptions (“Mail Co-Payments”), and (iii) administrative fees. Sales taxes are not included in revenue. Revenue is recognized when: (i) persuasive evidence that the prescription drug sale has occurred or a contractual arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the seller’s price to the buyer is fixed or determinable, and (iv) collectability is reasonably assured. The following revenue recognition policies have been established for the Pharmacy Services segment:

- Revenues generated from prescription drugs sold by third party pharmacies in the Pharmacy Services segment’s retail pharmacy network and associated administrative fees are recognized at the Pharmacy Services segment’s point-of-sale, which is when the claim is adjudicated by the Pharmacy Services segment’s online claims processing system.
- Revenues generated from prescription drugs sold by the Pharmacy Services segment’s mail service dispensing pharmacy are recognized when the prescription is delivered. At the time of delivery, the Pharmacy Services segment has performed substantially all of its obligations under its client contracts and does not experience a significant level of returns or reshipments.
- Revenues generated from administrative fees based on membership or claims volume are recognized monthly upon active membership in the plan or actual claims volume.

The Pharmacy Services segment determines whether it is the principal or agent for its retail pharmacy network transactions on a contract by contract basis. In the majority of its contracts, the Pharmacy Services segment has determined it is the principal due to it: (i) being the primary obligor in the arrangement, (ii) having discretion in supplier selection, (iii) having involvement in the determination of product or service specifications, and (iv) having credit risk. The Pharmacy Services segment’s obligations under its client contracts for which revenues are reported using the gross method are separate and distinct from its obligations to the third party pharmacies included in its retail pharmacy network contracts. Pursuant to these contracts, the Pharmacy Services segment is contractually required to pay the third party pharmacies in its retail pharmacy network for products sold, regardless of whether the

Pharmacy Services segment is paid by its clients. The Pharmacy Services segment's responsibilities under its client contracts typically include validating eligibility and coverage levels, communicating the prescription price and the co-payments due to the third party retail pharmacy, identifying possible adverse drug interactions for the pharmacist to address with the prescriber prior to dispensing, suggesting generic alternatives where clinically appropriate and approving the prescription for dispensing. Although the Pharmacy Services segment does not have credit risk with respect to retail co-payments, management believes that all of the other applicable indicators of gross revenue reporting are present.

Drug Discounts — The Pharmacy Services segment deducts from its revenues that are generated from prescription drugs sold by third party pharmacies any rebates, inclusive of discounts and fees, earned by its clients. Rebates are paid to clients in accordance with the terms of client contracts.

Medicare Part D — The Pharmacy Services segment, through its Envision Insurance Company ("EIC") subsidiary, participates in the federal government's Medicare Part D program as a Prescription Drug Plan ("PDP"). Net revenues include insurance premiums earned by the PDP, which are determined based on the PDP's annual bid and related contractual arrangements with the Centers for Medicare and Medicaid Services ("CMS"). The insurance premiums include a direct premium paid by CMS and a beneficiary premium, which is the responsibility of the PDP member, but is subsidized by CMS in the case of low-income members. Premiums collected in advance are initially deferred in accrued expenses and are then recognized in net revenues over the period in which members are entitled to receive benefits.

See Note 14 for additional information about the revenues of the Company's business segments.

Cost of Revenues — Pharmacy Services Segment

The Pharmacy Services segment's cost of revenues includes the cost of prescription drugs sold during the reporting period indirectly through its retail pharmacy network and directly through its mail service dispensing pharmacy. The cost of prescription drugs sold component of cost of revenues includes: (i) the cost of the prescription drugs purchased from manufacturers or distributors and shipped to members in clients' benefit plans from the Pharmacy Services segment's mail service dispensing pharmacy, net of any volume-related or other discounts (see "Vendor allowances and purchase discounts" below) and (ii) the cost of prescription drugs sold through the Pharmacy Services segment's retail pharmacy network under contracts where it is the principal, net of any volume-related or other discounts.

As a result of the Acquisition, and the related addition of the Pharmacy Services segment, the Company now refers to its cost of goods sold as its cost of revenues, as these costs are now inclusive of the cost of prescription drugs sold through the Pharmacy Services segment's retail pharmacy network under contracts where it is the principal.

See Note 14 for additional information about the cost of revenues of the Company's business segments.

Vendor Allowances and Purchase Discounts — Pharmacy Services Segment

The Company accounts for vendor allowances and purchase discounts as follows:

The Pharmacy Services segment receives purchase discounts on products purchased. The Pharmacy Services segment's contractual arrangements with vendors, including manufacturers, wholesalers and retail pharmacies, normally provide for the Pharmacy Services segment to receive purchase discounts from established list prices in one, or a combination, of the following forms: (i) a direct discount at the time of purchase, or (ii) a discount (or rebate) paid subsequent to dispensing when products are purchased indirectly from a manufacturer (e.g., through a wholesaler or retail pharmacy). These rebates are recognized when prescriptions are dispensed and are generally calculated and billed to manufacturers within 30 days of the end of each completed quarter. Historically, the effect of adjustments resulting from the reconciliation of rebates recognized to the amounts billed and collected has not been material to the Pharmacy Services segment's results of operations. The Pharmacy Services segment accounts for the effect of any such differences as a change in accounting estimate in the period the reconciliation is completed. The Pharmacy Services segment also receives additional discounts under its wholesaler contracts. In addition, the Pharmacy Services segment receives fees from pharmaceutical manufacturers for administrative services. Purchase discounts and administrative service fees are recorded as a reduction of "Cost of revenues".

New Accounting Pronouncements

In May 2013, the FASB issued a proposed Accounting Standards Update, *Leases* (Topic 842): a revision of the 2010 proposed Accounting Standards Update, *Leases* (Topic 840), that would require an entity to recognize assets and liabilities arising under lease contracts on the balance sheet. The proposed standard, as currently drafted, will have a material impact on the Company's reported results of operations and financial position.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This ASU supersedes the revenue recognition requirements in Accounting Standards Codification 605—Revenue Recognition and most industry-specific guidance throughout the Codification. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective for fiscal years beginning after December 15, 2017, and for interim periods within those fiscal years. The Company is in the process of assessing the impact of the adoption of ASU 2014-09 on its financial position, results of operations and cash flows.

In February 2015, the FASB issued ASU No. 2015-02, *Consolidation—Amendments to the Consolidation Analysis* (Topic 810). This ASU requires reporting entities to reevaluate whether they should consolidate certain legal entities under the revised consolidation model. This standard modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities (VIEs), eliminates the presumption that a general partner should consolidate a limited partnership, and affects the consolidation analysis of reporting entities that are involved with VIEs, especially those that have fee arrangements and related party relationships. This ASU is effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years. The Company is in the process of assessing the impact of the adoption of ASU 2015-02 on its financial position, results of operations and cash flows.

In April 2015, the FASB issued ASU No. 2015-03, *Interest—Imputation of Interest* (Subtopic 835-30). This ASU simplifies the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of the debt liability, which is consistent with the treatment of debt discounts. The new guidance should be applied on a retrospective basis, and upon transition, an entity is required to comply with the applicable disclosures necessary for a change in accounting principle. This ASU is effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years. The Company is in the process of assessing the impact of the adoption of ASU 2015-03 on its financial position.

In July 2015, the FASB issued ASU No. 2015-12, *Plan Accounting—Defined Benefit Pension Plans* (Topic 960), *Defined Contribution Pension Plans* (Topic 962) *Health and Welfare Benefit Plans* (Topic 965). There are three parts to the ASU that aim to simplify the accounting and presentation of plan accounting. Part I of this ASU requires fully benefit-responsive investment contracts to be measured at contract value instead of the current fair value measurement. Part II of this ASU requires investments (both participant-directed and nonparticipant-directed investments) of employee benefit plans be grouped only by general type, eliminating the need to disaggregate the investments in multiple ways. Part III of this ASU provides a similar measurement date practical expedient for employee benefit plans as available in ASU No. 2015-04, which allows employers to measure defined benefit plan assets on a month-end date that is nearest to the year's fiscal year-end when the fiscal period does not coincide with a month-end. Parts I and II of the new guidance should be applied on a retrospective basis. Part III of the new guidance should be applied on a prospective basis. This ASU is effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years. The Company is in the process of assessing the impact of the adoption of ASU 2015-12 on its financial position and results of operations.

In September 2015, the FASB issued ASU No. 2015-16, *Business Combinations* (Topic 805)—*Simplifying the Accounting for Measurement-Period Adjustments*. This ASU requires an acquirer to recognize provisional adjustments identified during the measurement period in the reporting period in which the adjustment amounts are determined. This amendment requires an acquirer to record the income statement effects, if any, as a result of the change in provisional amounts in the period's financial statements when the adjustment is determined, calculated as if the accounting had been completed at the acquisition date. This amendment eliminates the requirement to retrospectively account for provisional adjustments. This ASU is effective for fiscal years beginning after December 15, 2015, and for interim periods within those fiscal years. The Company is in the process of assessing the impact of the adoption of ASU 2015-16 on its financial position, results of operations and cash flows.

In November 2015, the FASB issued ASU No. 2015-17, *Income Taxes* (Topic 740)—*Balance Sheet Classification of Deferred Taxes*. This ASU requires an entity to classify deferred income tax assets and liabilities as noncurrent on the entity's classified statement of financial position. This amendment eliminates the current requirement to classify deferred tax assets and liabilities as either current or noncurrent on the entity's statement of financial position. This amendment may be applied either prospectively to all deferred tax liabilities and assets or retrospective to all periods presented. If applied prospectively, the entity

should disclose in the first interim and first annual period of change, the nature of and the reason for the change in accounting principle and a statement that prior periods were not retrospectively adjusted. If applied retrospectively, the entity should disclose in the first interim and first annual period of change, the nature of and reason for the change in accounting principle and quantitative information about the effects of the accounting change on prior periods. This ASU is effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. Earlier application is permitted as of the beginning of an interim or annual reporting period. The Company is in the process of assessing the impact of the adoption of ASU 2015-17 on its financial position.

2. Acquisition

On June 24, 2015, the Company completed its previously announced acquisition of TPG VI Envision BL, LLC and Envision Topco Holdings, LLC (“EnvisionRx”), pursuant to the terms of an agreement (“Agreement”) dated February 10, 2015. EnvisionRx, which was a portfolio company of TPG Capital L.P. prior to its acquisition by the Company, is a full-service pharmacy services provider. EnvisionRx provides both transparent and traditional pharmacy benefit manager (“PBM”) options through its EnvisionRx and MedTrak PBMs, respectively. EnvisionRx also offers fully integrated mail-order and specialty pharmacy services through Orchard Pharmaceutical Services; access to the nation’s largest cash pay infertility discount drug program via Design Rx; an innovative claims adjudication software platform in Laker Software; and a national Medicare Part D prescription drug plan through EIC’s EnvisionRx Plus Silver product for the low income auto-assign market and its Clear Choice product for the chooser market. EnvisionRx is headquartered in Twinsburg, Ohio and operates as a 100 percent owned subsidiary of the Company.

Pursuant to the terms of the Agreement, as consideration for the Acquisition, the Company paid \$1,882,211 in cash and issued 27,754 shares of Rite Aid common stock. The Company financed the cash portion of the Acquisition with borrowings under its senior secured revolving credit facility, and the net proceeds from the April 2, 2015 issuance of \$1,800,000 aggregate principal amount of 6.125% senior notes due 2023 (the “6.125% Notes”). The consideration associated with the common stock was \$240,907 based on a stock price of \$8.68 per share, representing the closing price of the Company’s common stock on the closing date of the Acquisition. The closing balance sheet has not yet been finalized, as the Company is still in process of finalizing the valuation, and therefore, the final purchase price and related purchase price allocation of the Acquisition is subject to change.

The Company’s consolidated financial statements for the thirteen and thirty-nine week periods ended November 28, 2015 include EnvisionRx results of operations from the Acquisition date of June 24, 2015 through November 28, 2015 (please see Note 14 Segment Reporting for the Pharmacy Services segment results included within the consolidated financial statements for the thirteen and thirty-nine week periods ended November 28, 2015, which reflects the results of EnvisionRx). The Company’s financial statements reflect preliminary purchase accounting adjustments in accordance with ASC 805 “Business Combinations”, whereby the purchase price was preliminarily allocated to the assets acquired and liabilities assumed based upon their estimated fair values on the Acquisition date.

The following allocation of the purchase price and the estimated transaction costs is preliminary and is based on information available to the Company’s management at the time the consolidated financial statements were prepared. Accordingly, the allocation is subject to change and the impact of such changes may be material.

<i>Preliminary purchase price</i>	
Cash consideration	\$ 1,882,211
Stock consideration	240,907
Total	<u>\$ 2,123,118</u>
<i>Preliminary purchase price allocation</i>	
Cash and cash equivalents	\$ 103,834
Accounts receivable	896,473
Inventories	7,276
Deferred tax assets	516
Prepaid expenses and other current assets	13,820
Total current assets	<u>1,021,919</u>
Property and equipment	13,196
Intangible assets(1)	825,100
Goodwill	1,478,623
Other assets	8,919
Total assets acquired	<u>3,347,757</u>
Accounts payable	491,672
Reinsurance funds held	381,225
Other current liabilities(2)	208,352
Total current liabilities	<u>1,081,249</u>
Other long term liabilities(3)	143,390
Total liabilities assumed	<u>1,224,639</u>
<i>Net assets acquired</i>	<u><u>\$ 2,123,118</u></u>

- (1) Intangible assets are recorded at estimated fair value, as determined by management based on available information which includes a preliminary valuation prepared by an independent third party. The fair values assigned to identifiable intangible assets were determined through the use of the income approach, specifically the relief from royalty and the multi-period excess earnings methods. The major assumptions used in arriving at the estimated identifiable intangible asset values included management's preliminary estimates of future cash flows, discounted at an appropriate rate of return which are based on the weighted average cost of capital for both the Company and other market participants, projected customer attrition rates, as well as applicable royalty rates for comparable assets. The useful lives for intangible assets were determined based upon the remaining useful economic lives of the intangible assets that are expected to contribute directly or indirectly to future cash flows. The estimated fair value of intangible assets and related useful lives as included in the preliminary purchase price allocation include:

	Estimated Fair Value	Estimated Useful Life (In Years)
Customer relationships	\$ 585,500	17
CMS license	108,000	25
Claims adjudication and other developed software	59,500	7
Trademarks	15,600	10
Backlog	12,500	3
Trademarks	44,000	Indefinite
Total	\$ 825,100	

(2) Other current liabilities includes \$116,500 due to TPG under the terms of the Agreement, representing the amounts due to EnvisionRx from CMS, less corresponding amounts due to various reinsurance providers under certain reinsurance programs, for CMS activities that relate to the year ended December 31, 2014. This liability was satisfied with a payment to TPG on November 5, 2015.

(3) Primarily relates to deferred tax liabilities.

The above goodwill represents future economic benefits expected to be recognized from the Company's expansion into the pharmacy services market, as well as expected future synergies and operating efficiencies from combining operations with EnvisionRx. Goodwill resulting from the Acquisition has been allocated to the Pharmacy Services segment and should be deductible for tax purposes. At the time the financial statements were issued, initial accounting for the business combination related to tax matters were preliminary and may be adjusted during the measurement period.

During the thirteen and thirty-nine weeks periods ended November 28, 2015, acquisition costs of \$0, and \$27,072, respectively, were expensed as incurred. The following unaudited pro forma combined financial data gives effect to the Acquisition as if it had occurred as of March 1, 2014.

These unaudited pro forma combined results have been prepared by combining the historical results of the Company and historical results of EnvisionRx. The unaudited pro forma combined financial data for all periods presented were adjusted to give effect to proforma events that 1) are directly attributable to the aforementioned transaction, 2) factually supportable, and 3) expected to have a continuing impact on the consolidated results of operations. Specifically, these adjustments reflect:

- Incremental interest expense relating to the \$1,800,000 6.125% Notes issued on April 2, 2015, the net proceeds of which were used finance the cash portion of the Acquisition.
- Incremental amortization resulting from increased fair value of the identifiable intangible assets as noted in the preliminary purchase price allocation.
- Removal of costs incurred in connection with the Acquisition by both the Company and EnvisionRx, including bridge loan commitment fees of \$15,375.
- Removal of interest expense incurred by EnvisionRx as the underlying debt was repaid upon the acquisition date.
- Removal of debt extinguishment charges incurred by EnvisionRx.
- Inclusion of the 27,754 shares of Rite Aid common stock issued to fund the stock portion of the purchase price in the basic and diluted share calculation.

The unaudited pro forma combined results do not include any incremental cost savings that may result from the integration. The adjustments are based on information available to the Company at this time. Accordingly, the adjustments are subject to change and the impact of such changes may be material.

The unaudited pro forma combined information is for informational purposes only. The unaudited pro forma combined information is not necessarily indicative of what the combined company's results actually would have been had the Acquisition been completed as of the beginning of the periods as indicated. In addition, the unaudited pro forma combined information does not purport to project the future results of the combined company.

	Thirteen week Periods Ended		Thirty-Nine week Periods Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
	Pro forma	Pro forma	Pro forma	Pro forma
Net revenues as reported	\$ 8,154,184	\$ 6,692,333	\$ 22,466,521	\$ 19,680,448
EnvisionRx revenue, prior to the acquisition	—	1,080,693	1,735,635	3,067,017
Less pre-acquisition intercompany revenue	—	(68,154)	(104,731)	(199,567)
Pro forma combined revenues	\$ 8,154,184	\$ 7,704,872	\$ 24,097,425	\$ 22,547,898
Net income as reported	\$ 59,543	\$ 104,846	\$ 99,848	\$ 274,141
EnvisionRx net income (loss) before income taxes, prior to the acquisition	—	1,922	(45,307)	9,320
Incremental interest expense on the 6.125% Notes issued on April 2, 2015	—	(28,852)	(11,097)	(86,555)
Incremental amortization resulting from fair value adjustments of the identifiable intangible assets	—	(13,088)	(16,509)	(39,618)
Transaction expenses incurred by both the Company and EnvisionRx	—	—	55,864	—
Interest expense incurred by EnvisionRx	—	14,678	21,984	37,382
Debt extinguishment charges incurred by EnvisionRx	—	—	31,601	—
Income tax expense relating to pro forma adjustments	—	—	(15,601)	—
Pro forma net income	\$ 59,543	\$ 79,506	\$ 120,783	\$ 194,670
Basic income per share	\$ 0.06	\$ 0.08	\$ 0.12	\$ 0.20
Diluted income per share	\$ 0.06	\$ 0.08	\$ 0.12	\$ 0.19

The unaudited pro forma combined information for the thirteen weeks ended November 28, 2015 is identical to the actual results reported by the Company as EnvisionRx results were included in the consolidated operations of the Company for the entire period.

3. Pending Merger

On October 27, 2015, Rite Aid entered into an Agreement and Plan of Merger (the “Merger Agreement”) with WBA, and Victoria Merger Sub, Inc., a Delaware corporation and a wholly-owned direct subsidiary of WBA (“Victoria Merger Sub”). Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, Victoria Merger Sub will merge with and into Rite Aid (the “Merger”), with Rite Aid surviving the Merger as a 100 percent owned direct subsidiary of WBA. Completion of the Merger is subject to various closing conditions, including but not limited to (i) approval of the Merger Agreement by holders of a majority of the outstanding shares of Rite Aid’s common stock entitled to vote on the Merger, (ii) the expiration or earlier termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (iii) the absence of any law or order prohibiting the Merger, and (iv) the absence of a material adverse effect on Rite Aid, as defined in the Merger Agreement. Under the terms of the Merger Agreement, at the effective time of the Merger, each share of Rite Aid’s common stock, par value \$1.00 per share, issued and outstanding immediately prior to the effective time (other than shares owned by (i) WBA, Victoria Merger Sub or Rite Aid (which will be cancelled), (ii) stockholders who have properly exercised and perfected appraisal rights under Delaware law, or (iii) any direct or indirect wholly owned subsidiary of Rite Aid or WBA (which will be converted into shares of common stock of the surviving corporation)) will be converted into the right to receive \$9.00 per share in cash, without interest.

Rite Aid and WBA and Victoria Merger Sub have each made customary representations, warranties and covenants in the Merger Agreement, including, among other things, that (i) Rite Aid and its subsidiaries will continue to conduct their business in the ordinary course consistent with past practice between the execution of the Merger Agreement and the closing of the Merger and (ii) Rite Aid will not solicit proposals relating to alternative transactions to the Merger or engage in discussions or negotiations with respect thereto, subject to certain exceptions. The Company currently anticipates that the Merger will close in the second half of calendar 2016.

4. Income Per Share

Basic income per share is computed by dividing income available to common stockholders by the weighted average number of shares of common stock outstanding for the period. Diluted income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the income of the Company subject to anti-dilution limitations.

	Thirteen Week Period Ended		Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
Numerator for income per share:				
Net income	\$ 59,543	\$ 104,846	\$ 99,848	\$ 274,141
Add back—interest on convertible notes	—	1,364	—	4,092
Income attributable to common stockholders—diluted	<u>\$ 59,543</u>	<u>\$ 106,210</u>	<u>\$ 99,848</u>	<u>\$ 278,233</u>
Denominator:				
Basic weighted average shares	1,039,867	972,688	1,018,783	968,897
Outstanding options and restricted shares, net	17,411	22,793	18,765	25,330
Convertible notes	—	24,796	—	24,796
Diluted weighted average shares	<u>1,057,278</u>	<u>1,020,277</u>	<u>1,037,548</u>	<u>1,019,023</u>
Basic income per share	<u>\$ 0.06</u>	<u>\$ 0.11</u>	<u>\$ 0.10</u>	<u>\$ 0.28</u>
Diluted income per share	<u>\$ 0.06</u>	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.27</u>

Due to their antidilutive effect, the following potential common shares have been excluded from the computation of diluted income per share as of November 28, 2015 and November 29, 2014:

	Thirteen Week Period Ended		Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
Stock options	<u>3,534</u>	<u>4,593</u>	<u>3,534</u>	<u>3,251</u>

During May 2015, \$64,089 of the Company's 8.5% convertible notes due 2015 were converted into 24,762 shares of common stock, pursuant to their terms.

5. Lease Termination and Impairment Charges

Lease termination and impairment charges consist of amounts as follows:

	Thirteen Week Period Ended		Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
Impairment charges	\$ 540	\$ 1,050	\$ 818	\$ 1,333
Lease termination charges	6,471	7,652	20,852	19,328
	<u>\$ 7,011</u>	<u>\$ 8,702</u>	<u>\$ 21,670</u>	<u>\$ 20,661</u>

Impairment Charges

These amounts include the write-down of long-lived assets at locations that were assessed for impairment because of management's intention to relocate or close the location or because of changes in circumstances that indicated the carrying value of an asset may not be recoverable.

Lease Termination Charges

As part of the Company's ongoing business activities, the Company assesses stores and distribution centers for potential closure or relocation. Decisions to close or relocate stores or distribution centers in future periods would result in lease termination charges, lease exit costs and inventory liquidation charges, as well as impairment of assets at these locations. The following table reflects the closed store and distribution center charges that relate to new closures, changes in assumptions and interest accretion:

	Thirteen Week Period Ended		Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
Balance—beginning of period	\$ 223,667	\$ 261,130	\$ 241,047	\$ 284,270
Provision for present value of noncancellable lease payments of closed stores	438	569	6,410	1,005
Changes in assumptions about future sublease income, terminations and changes in interest rates	2,000	2,418	2,434	3,835
Interest accretion	4,033	4,665	12,553	14,492
Cash payments, net of sublease income	(15,502)	(17,431)	(47,808)	(52,251)
Balance—end of period	<u>\$ 214,636</u>	<u>\$ 251,351</u>	<u>\$ 214,636</u>	<u>\$ 251,351</u>

6. Fair Value Measurements

The Company utilizes the three-level valuation hierarchy for the recognition and disclosure of fair value measurements. The categorization of assets and liabilities within this hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The three levels of the hierarchy consist of the following:

- Level 1—Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.
- Level 2—Inputs to the valuation methodology are quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument.
- Level 3—Inputs to the valuation methodology are unobservable inputs based upon management’s best estimate of inputs market participants could use in pricing the asset or liability at the measurement date, including assumptions about risk.

Non-Financial Assets Measured on a Non-Recurring Basis

Long-lived non-financial assets are measured at fair value on a nonrecurring basis for purposes of calculating impairment using Level 2 and Level 3 inputs as defined in the fair value hierarchy. The fair value of long-lived assets using Level 2 inputs is determined by evaluating the current economic conditions in the geographic area for similar use assets. The fair value of long-lived assets using Level 3 inputs is determined by estimating the amount and timing of net future cash flows (which are unobservable inputs) and discounting them using a risk-adjusted rate of interest (which is Level 1). The Company estimates future cash flows based on its experience and knowledge of the market in which the store is located. Significant increases or decreases in actual cash flows may result in valuation changes. During the thirty-nine week period ended November 28, 2015, long-lived assets from continuing operations with a carrying value of \$5,125, primarily store assets, were written down to their fair value of \$4,307, resulting in an impairment charge of \$818 of which \$540 relates to the thirteen week period ended November 28, 2015. During the thirty-nine week period ended November 29, 2014, long-lived assets from continuing operations with a carrying value of \$6,060, primarily store assets, were written down to their fair value of \$4,727, resulting in an impairment charge of \$1,333 of which \$1,050 relates to the thirteen-week period ended November 29, 2014. If our actual future cash flows differ from our projections materially, certain stores that are either not impaired or partially impaired in the current period may be further impaired in future periods.

The following table presents fair values for those assets measured at fair value on a non-recurring basis at November 28, 2015 and November 29, 2014:

Fair Value Measurement Using

	Level 1	Level 2	Level 3	Total as of November 28, 2015
Long-lived assets held for use	\$ —	\$ —	\$ 1,747	\$ 1,747
Long-lived assets held for sale	\$ —	\$ 2,371	\$ 189	\$ 2,560
Total	\$ —	\$ 2,371	\$ 1,936	\$ 4,307

	Level 1	Level 2	Level 3	Total as of November 29, 2014
Long-lived assets held for use	\$ —	\$ —	\$ 1,685	\$ 1,685
Long-lived assets held for sale	\$ —	\$ 3,042	\$ —	\$ 3,042
Total	\$ —	\$ 3,042	\$ 1,685	\$ 4,727

As of November 28, 2015 and November 29, 2014, the Company did not have any financial assets measured on a recurring basis.

Other Financial Instruments

Financial instruments other than long-term indebtedness include cash and cash equivalents, accounts receivable and accounts payable. These instruments are recorded at book value, which we believe approximate their fair values due to their short term nature. In addition, the Company has \$6,362 of investments, carried at amortized cost as these investments are being held to maturity, which are included as a component of other assets as of November 28, 2015. The Company believes the carrying value of these investments approximates their fair value.

The fair value for LIBOR-based borrowings under the Company’s senior secured credit facility and first and second lien term loans are estimated based on the quoted market price of the financial instrument which is considered Level 1 of the fair value hierarchy. The fair values of substantially all of the Company’s other long-term indebtedness are estimated based on quoted market prices of the financial instruments which are considered Level 1 of the fair value hierarchy. The carrying amount and estimated fair value of the Company’s total long-term indebtedness was \$7,288,001 and \$7,550,055, respectively, as of November 28, 2015. There were no outstanding derivative financial instruments as of November 28, 2015 and February 28, 2015.

7. Income Taxes

The Company recorded an income tax expense of \$48,468 and \$1,871 for the thirteen week periods ended November 28, 2015 and November 29, 2014, respectively, and an income tax expense of \$77,372 and \$33,612 for the thirty-nine week periods ended November 28, 2015 and November 29, 2014, respectively. The income tax expense for the thirteen and thirty-nine week periods ended November 28, 2015 was based on an estimated effective tax rate resulting in an overall tax rate of 44.9% and 43.7%, respectively.

The income tax expense for the thirteen week period ended November 29, 2014 is primarily attributable to the accrual of federal, state and local taxes and adjustments to unrecognized tax benefits offset by an adjustment to the valuation allowance. The income tax expense for the thirty-nine week period ended November 29, 2014 is primarily attributable to an increase in the deferred tax valuation allowance to offset the windfall tax benefits recorded in Additional Paid in Capital (“APIC”) pursuant to the tax law ordering approach.

The Company recognizes tax liabilities in accordance with the guidance for uncertain tax positions and management adjusts these liabilities with changes in judgment as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities.

While it is expected that the amount of unrecognized tax benefits will change in the next twelve months, the Company does not expect the change to have a significant impact on the results of operations or the financial position of the Company.

The Company regularly evaluates valuation allowances established for deferred tax assets for which future realization is uncertain. Management will continue to monitor all available evidence related to the net deferred tax assets that may change the most recent assessment, including events that have occurred or are anticipated to occur. As a result of the Company's historical operating performance and the more favorable near term outlook for profitability, the Company released \$1,841,304 of valuation allowance in the fourth quarter of fiscal year 2015. The Company continues to maintain a valuation allowance against net deferred tax assets of \$233,361 and \$231,679, which relates primarily to state deferred tax assets at November 28, 2015 and February 28, 2015, respectively.

8. Medicare Part D

The Company offers Medicare Part D benefits through EIC, which has contracted with CMS to be a PDP and, pursuant to the Medicare Prescription Drug, Improvement and Modernization Act of 2003, must be a risk-bearing entity regulated under state insurance laws or similar statutes.

EIC is a licensed domestic insurance company under the applicable laws and regulations. Pursuant to these laws and regulations, EIC must file quarterly and annual reports with the National Association of Insurance Commissioners ("NAIC") and certain state regulators, must maintain certain minimum amounts of capital and surplus under formulas established by certain states and must, in certain circumstances, request and receive the approval of certain state regulators before making dividend payments or other capital distributions to the Company. The Company does not believe these limitations on dividends and distributions materially impact its financial position. EIC is subject to minimum capital and surplus requirements in certain states. The minimum amount of capital and surplus required to satisfy regulatory requirements in these states is \$48,985 as of September 30, 2015. EIC was in excess of the minimum required amounts in these states as of November 28, 2015.

The Company has recorded estimates of various assets and liabilities arising from its participation in the Medicare Part D program based on information in its claims management and enrollment systems. Significant estimates arising from its participation in this program include: (i) estimates of low-income cost subsidies, reinsurance amounts, and coverage gap discount amounts ultimately payable to CMS based on a detailed claims reconciliation that will occur in the following year; (ii) an estimate of amounts receivable from CMS under a risk-sharing feature of the Medicare Part D program design, referred to as the risk corridor and (iii) estimates for claims that have been reported and are in the process of being paid or contested and for our estimate of claims that have been incurred but have not yet been reported.

As of November 28, 2015, accounts receivable, net included \$227,637 due from CMS and accrued salaries, wages and other current liabilities included \$142,835 of EIC liabilities under certain reinsurance contracts. EIC limits its exposure to loss and recovers a portion of benefits paid by utilizing quota-share reinsurance with a commercial reinsurance company.

9. Goodwill and Other Intangible Assets

Goodwill and indefinitely-lived intangible assets, such as certain trademarks acquired in connection with acquisition transactions, are not amortized, but are instead evaluated for impairment on an annual basis at the end of the fiscal year, or more frequently if events or circumstances indicate that impairment may be more likely. During the thirty-nine weeks ended November 28, 2015 and the fifty-two weeks ended February 28, 2015, no impairment charges have been taken against the Company's goodwill or indefinitely-lived intangible assets. Below is a summary of the changes in the carrying amount of goodwill for the thirty-nine week period ended November 28, 2015:

	November 28, 2015		
	Retail Pharmacy	Pharmacy Services	Total
Balance, February 28, 2015	\$ 76,124	\$ —	\$ 76,124
Acquisition (see Note 2. Acquisition)			
Preliminary goodwill acquired as of August 29, 2015	—	1,457,703	1,457,703
Change in goodwill resulting from changes to the preliminary purchase price allocation	—	20,920	20,920
Balance, November 28, 2015	\$ 76,124	\$ 1,478,623	\$ 1,554,747

The Company's other intangible assets are finite-lived and amortized over their useful lives. Following is a summary of the Company's finite-lived and indefinitely-lived intangible assets as of November 28, 2015 and February 28, 2015.

	November 28, 2015				February 28, 2015			
	Gross Carrying Amount	Accumulated Amortization	Net	Remaining Weighted Average Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net	Remaining Weighted Average Amortization Period
Favorable leases and other	\$ 666,635	\$ (505,360)	\$ 161,275	8 years	\$ 653,377	\$ (481,041)	\$ 172,336	8 years
Prescription files	1,518,028	(1,260,081)	257,947	3 years	1,440,154	(1,191,010)	249,144	3 years
Customer relationships(a)	585,500	(30,181)	555,319	17 years	—	—	—	
CMS license	108,000	(1,872)	106,128	25 years	—	—	—	
Claims adjudication and other developed software	59,500	(3,683)	55,817	7 years	—	—	—	
Trademarks	15,600	(676)	14,924	10 years	—	—	—	
Backlog	12,500	(1,805)	10,695	3 years	—	—	—	
Total finite	\$ 2,965,763	\$ (1,803,658)	1,162,105		\$ 2,093,531	\$ (1,672,051)	\$ 421,480	
Trademarks	44,000	—	44,000	Indefinite	—	—	—	
Total	\$ 3,009,763	\$ (1,803,658)	\$ 1,206,105		\$ 2,093,531	\$ (1,672,051)	\$ 421,480	

(a) — Amortized on an accelerated basis which is determined based on the remaining useful economic lives of the customer relationships that are expected to contribute directly or indirectly to future cash flows.

Also included in other non-current liabilities as of November 28, 2015 and February 28, 2015 are unfavorable lease intangibles with a net carrying amount of \$49,649 and \$55,571, respectively. These intangible liabilities are amortized over their remaining lease terms at the time of acquisition.

Amortization expense for these intangible assets and liabilities was \$54,338 and \$134,888 for the thirteen and thirty-nine week periods ended November 28, 2015, respectively. Amortization expense for these intangible assets and liabilities was \$29,399 and \$87,167 for the thirteen and thirty-nine week periods ended November 29, 2014, respectively. The anticipated annual amortization expense for these intangible assets and liabilities is 2016—\$186,981; 2017—\$213,616; 2018—\$173,435; 2019—\$137,411 and 2020—\$107,913.

10. Indebtedness and Credit Agreements

Following is a summary of indebtedness and lease financing obligations at November 28, 2015 and February 28, 2015:

	November 28, 2015	February 28, 2015
Secured Debt:		
Senior secured revolving credit facility due January 2020	\$ 2,380,000	\$ 1,725,000
8.00% senior secured notes (senior lien) due August 2020	—	650,000
Tranche 1 Term Loan (second lien) due August 2020	470,000	470,000
Tranche 2 Term Loan (second lien) due June 2021	500,000	500,000
Other secured	90	5,367
	<u>3,350,090</u>	<u>3,350,367</u>

	November 28, 2015	February 28, 2015
Unsecured Guaranteed Debt:		
9.25% senior notes due March 2020 (\$902,000 face value plus unamortized premium of \$2,911 and \$3,415)	904,911	905,415
6.75% senior notes due June 2021	810,000	810,000
6.125% senior notes due April 2023	1,800,000	—
	<u>3,514,911</u>	<u>1,715,415</u>
Unsecured Unguaranteed Debt:		
8.5% convertible notes due May 2015	—	64,168
7.7% notes due February 2027	295,000	295,000
6.875% fixed-rate senior notes due December 2028	128,000	128,000
	<u>423,000</u>	<u>487,168</u>
Lease financing obligations	79,479	91,993
Total debt	<u>7,367,480</u>	<u>5,644,943</u>
Current maturities of long-term debt and lease financing obligations	(29,135)	(100,376)
Long-term debt and lease financing obligations, less current maturities	<u>\$ 7,338,345</u>	<u>\$ 5,544,567</u>

Credit Facility

On January 13, 2015, the Company amended and restated its senior secured credit facility (“Amended and Restated Senior Secured Credit Facility” or “revolver”), which, among other things, increased borrowing capacity from \$1,795,000 to \$3,000,000 (which further increased to \$3,700,000 upon the redemption of its 8.00% senior secured notes due August 2020 (“8.00% Notes”) on August 15, 2015), and extended the maturity to January 2020 from February 2018. The Company used borrowings under the revolver to repay and retire all of the \$1,143,650 outstanding under its Tranche 7 Senior Secured Term Loan due 2020, along with associated fees and expenses. Borrowings under the revolver bear interest at a rate per annum between LIBOR plus 1.50% and LIBOR plus 2.00% based upon the average revolver availability (as defined in the Amended and Restated Senior Secured Credit Facility). The Company is required to pay fees between 0.250% and 0.375% per annum on the daily unused amount of the revolver, depending on the Average Revolver Availability (as defined in the Amended and Restated Senior Secured Credit Facility). Amounts drawn under the revolver become due and payable on January 13, 2020.

On February 10, 2015, the Company amended the Amended and Restated Senior Secured Credit Facility to, among other things, increase the flexibility of Rite Aid to incur and/or issue unsecured indebtedness, including in connection with the Acquisition, and made certain other modifications to the covenants applicable to Rite Aid and its subsidiaries.

The Company’s ability to borrow under the revolver is based upon a specified borrowing base consisting of accounts receivable, inventory and prescription files. At November 28, 2015, the Company had \$2,380,000 of borrowings outstanding under the revolver and had letters of credit outstanding against the revolver of \$69,301, which resulted in additional borrowing capacity of \$1,250,699.

The Amended and Restated Senior Secured Credit Facility restricts the Company and the Subsidiary Guarantors (as defined herein) from accumulating cash on hand, and under certain circumstances, requires the funds in the Company’s deposit accounts to be applied first to the repayment of outstanding revolving loans under the Amended and Restated Senior Secured Credit Facility and then to be held as collateral for the senior obligations.

The Amended and Restated Senior Secured Credit Facility allows the Company to have outstanding, at any time, up to \$1,500,000 (or \$1,800,000 solely to the extent incurred for the purpose of funding of the Acquisition) in secured second priority debt, split-priority term loan debt, unsecured debt and disqualified preferred stock in addition to borrowings under the Amended and Restated Senior Secured Credit Facility and existing indebtedness, provided that not in excess of \$750,000 of such secured second priority debt, split-priority term loan debt, unsecured debt and disqualified preferred stock shall mature or require scheduled payments of principal prior to 90 days after the latest of (a) the fifth anniversary of the effectiveness of the Amended and Restated Senior Secured Credit Facility and (b) the latest maturity date of any Term Loan or Other Revolving Loan (each as defined in the Amended and Restated Senior Secured Credit Facility) (excluding bridge facilities allowing extensions on customary terms to at least the date that is 90 days after such date and, with respect to any escrow notes issued by Rite Aid, excluding any special mandatory redemption of the type described in clause (iii) of the definition of “Escrow Notes” in the Amended and Restated Senior Secured Credit Facility). Subject to the limitations described in clauses (a) and (b) of the immediately preceding sentence, the Amended and Restated Senior Secured Credit Facility additionally allows the Company to issue or incur an unlimited amount of unsecured debt and disqualified preferred stock so long as a Financial Covenant Effectiveness Period (as defined in the Amended and Restated Senior Secured Credit Facility) is not in effect; provided, however, that certain of the Company’s other outstanding indebtedness limits the amount of

unsecured debt that can be incurred if certain interest coverage levels are not met at the time of incurrence or other exemptions are not available. The Amended and Restated Senior Secured Credit Facility also contains certain restrictions on the amount of secured first priority debt the Company is able to incur. The Amended and Restated Senior Secured Credit Facility also allows for the voluntary repurchase of any debt or other convertible debt, so long as the Amended and Restated Senior Secured Credit Facility is not in default and the Company maintains availability under its revolving credit facility of more than \$365,000.

The Amended and Restated Senior Secured Credit Facility has a financial covenant that requires the Company to maintain a minimum fixed charge coverage ratio of 1.00 to 1.00 (a) on any date on which availability under the revolving credit facility is less than \$200,000 or (b) on the third consecutive business day on which availability under the revolving credit facility is less than \$250,000 and, in each case, ending on and excluding the first day thereafter, if any, which is the 30th consecutive calendar day on which availability under the revolving credit facility is equal to or greater than \$250,000. As of November 28, 2015, the availability was at a level that did not trigger this covenant. The Amended and Restated Senior Secured Credit Facility also contains covenants which place restrictions on the incurrence of debt, the payments of dividends, sale of assets, mergers and acquisitions and the granting of liens.

The Amended and Restated Senior Secured Credit Facility also provides for customary events of default.

The Company also has two second priority secured term loan facilities. The first includes a \$470,000 second priority secured term loan (the “Tranche 1 Term Loan”). The Tranche 1 Term Loan matures on August 21, 2020 and currently bears interest at a rate per annum equal to LIBOR plus 4.75% with a LIBOR floor of 1.00%, if the Company chooses to make LIBOR borrowings, or at Citibank’s base rate plus 3.75%. The second includes a \$500,000 second priority secured term loan (the “Tranche 2 Term Loan”). The Tranche 2 Term Loan matures on June 21, 2021 and currently bears interest at a rate per annum equal to LIBOR plus 3.875% with a LIBOR floor of 1.00%, if the Company chooses to make LIBOR borrowings, or at Citibank’s base rate plus 2.875%.

With the exception of EIC, substantially all of Rite Aid Corporation’s 100 percent owned subsidiaries guarantee the obligations under the Amended and Restated Senior Secured Credit Facility, second priority secured term loan facilities, and unsecured guaranteed notes. The Amended and Restated Senior Secured Credit Facility and second priority secured term loan facilities are secured, on a senior or second priority basis, as applicable, by a lien on, among other things, accounts receivable, inventory and prescription files of the Subsidiary Guarantors. The subsidiary guarantees related to the Company’s Amended and Restated Senior Secured Credit Facility and second priority secured term loan facilities and, on an unsecured basis, the unsecured guaranteed notes, are full and unconditional and joint and several, and there are no restrictions on the ability of the Company to obtain funds from its subsidiaries. The Company has no independent assets or operations. Additionally, prior to the Acquisition, the subsidiaries, including joint ventures, that did not guarantee the Amended and Restated Senior Secured Credit Facility, the credit facility, second priority secured term loan facilities and applicable notes, were minor. Accordingly, condensed consolidating financial information for the Company and subsidiaries is not presented for those periods. Subsequent to the Acquisition, other than EIC, the subsidiaries, including joint ventures, that do not guarantee the credit facility, second priority secured term loan facilities and applicable notes, are minor. As such, condensed consolidating financial information for the Company, its guaranteeing subsidiaries and non-guaranteeing subsidiary, EIC, is presented for those periods subsequent to the Acquisition. See Note 16 “Guarantor and Non-Guarantor Condensed Consolidating Financial Information” for additional disclosure.

Other Transactions

On April 2, 2015, the Company issued \$1,800,000 aggregate principal amount of its 6.125% Notes, the net proceeds of which, along with other available cash and borrowings under its Amended and Restated Senior Secured Credit Facility, were used to finance the cash portion of the Acquisition, which closed on June 24, 2015. The Company’s obligations under the notes are fully and unconditionally guaranteed, jointly and severally, on an unsubordinated basis, by all of its subsidiaries that guarantee the Company’s obligations under the Amended and Restated Senior Secured Credit Facility, second priority secured term loan facilities, the 9.25% senior notes due 2020 (the “9.25% Notes”) and the 6.75% senior notes due 2021 (the “6.75% Notes”) (the “Rite Aid Subsidiary Guarantors”), including EnvisionRx and certain of its domestic subsidiaries other than, among others, EIC (the “EnvisionRx Subsidiary Guarantors” and, together with the Rite Aid Subsidiary Guarantors, the “Subsidiary Guarantors”). The guarantees are unsecured. The 6.125% Notes are unsecured, unsubordinated obligations of Rite Aid Corporation and rank equally in right of payment with all of its other unsecured, unsubordinated indebtedness.

During May 2015, \$64,089 of the Company’s 8.5% convertible notes due 2015 were converted into 24,762 shares of common stock, pursuant to their terms. The remaining \$79 of the Company’s 8.5% convertible notes due 2015 were repurchased by the Company upon maturity.

On August 15, 2015, the Company completed the redemption of all of its outstanding \$650,000 aggregate principal amount of its 8.00% Notes. In connection with the redemption, the Company recorded a loss on debt retirement, including call premium and unamortized debt issue costs, of \$33,205 during the second quarter of fiscal 2016.

On October 15, 2014, the Company completed the redemption of all of its outstanding \$270,000 aggregate principal amount of its 10.25% senior notes due October 2019 at their contractually determined early redemption price of 105.125% of the principal amount, plus accrued interest. The Company recorded a loss on debt retirement of \$18,512 related to this transaction.

Maturities

The aggregate annual principal payments of long-term debt for the remainder of fiscal 2016 and thereafter are as follows: 2016—\$90; 2017—\$0; 2018—\$0; 2019—\$0; 2020—\$2,380,000 and \$4,905,000 thereafter.

11. Stock Options and Stock Awards

The Company recognizes share-based compensation expense over the requisite service period of the award, net of an estimate for the impact of forfeitures. Operating results for the thirty-nine week periods ended November 28, 2015 and November 29, 2014 include \$26,529 and \$16,932, respectively, of compensation costs related to the Company’s stock-based compensation arrangements.

Beginning in fiscal 2015, the Company provided certain of its associates with performance based incentive plans under which the associates will receive a certain number of shares of the Company’s common stock based on the Company meeting certain financial and performance goals. During the thirty-nine week periods ended November 28, 2015 and November 29, 2014, the Company incurred \$7,996 and \$1,116 related to these performance based incentive plans, respectively, which is recorded as a component of stock-based compensation expense.

The total number and type of awarded grants and the related weighted average fair value for the thirty-nine week periods ended November 28, 2015 and November 29, 2014 are as follows:

	November 28, 2015		November 29, 2014	
	Shares	Weighted Average Fair Value	Shares	Weighted Average Fair Value
Stock options granted	3,579	\$ 4.45	3,113	\$ 4.43
Restricted stock awards granted	2,750	\$ 8.60	3,309	\$ 7.01
Total awards	6,329		6,422	

Typically, stock options granted vest, and are subsequently exercisable in equal annual installments over a four-year period for employees. Restricted stock awards typically vest in equal annual installments over a three-year period.

The Company calculates the fair value of stock options using the Black- Scholes-Merton option pricing model. The following assumptions were used in the Black-Scholes-Merton option pricing model:

	Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014
Expected stock price volatility	56%	74%
Expected dividend yield	0%	0%
Risk-free interest rate	1.7%	1.7%
Expected option life	5.5 years	5.5 years

As of November 28, 2015, the total unrecognized pre-tax compensation costs related to unvested stock options and restricted stock awards granted, net of estimated forfeitures and the weighted average period of cost amortization are as follows:

	November 28, 2015		
	Unvested stock options	Unvested restricted stock	Unvested performance shares
Unrecognized pre-tax costs	\$ 24,728	\$ 30,166	\$ 28,999
Weighted average amortization period	2.8 years	2.3 years	2.0 years

12. Reclassifications from Accumulated Other Comprehensive Loss

The following table summarizes the components of accumulated other comprehensive loss and the changes in balances of each component of accumulated other comprehensive loss, net of tax as applicable, for the thirteen and thirty-nine week periods ended November 28, 2015 and November 29, 2014:

	Thirteen Week Period Ended November 28, 2015		Thirteen Week Period Ended November 29, 2014		Thirty-Nine Week Period Ended November 28, 2015		Thirty-Nine Week Period Ended November 29, 2014	
	Defined benefit pension plans	Accumulated other comprehensive loss	Defined benefit pension plans	Accumulated other comprehensive loss	Defined benefit pension plans	Accumulated other comprehensive loss	Defined benefit pension plans	Accumulated other comprehensive loss
Accumulated other comprehensive loss								
Balance-beginning of period	\$ (44,655)	\$ (44,655)	\$ (36,015)	\$ (36,015)	\$ (45,850)	\$ (45,850)	\$ (37,334)	\$ (37,334)
Amounts reclassified from accumulated other comprehensive loss to net income, net of \$398, \$0, \$1,194, and \$0 tax expense	597	597	660	660	1,792	1,792	1,979	1,979
Balance-end of period	\$ (44,058)	\$ (44,058)	\$ (35,355)	\$ (35,355)	\$ (44,058)	\$ (44,058)	\$ (35,355)	\$ (35,355)

The following table summarizes the effects on net income of significant amounts classified out of each component of accumulated other comprehensive loss for the thirteen and thirty-nine week periods ended November 28, 2015 and November 29, 2014:

Details about accumulated other comprehensive loss components	Thirteen Week Periods Ended November 28, 2015 and November 29, 2014		Affected line item in the condensed consolidated statements of operations
	Amount reclassified from accumulated other comprehensive loss		
	November 28, 2015	November 29, 2014	
Defined benefit pension plans			
Amortization of unrecognized prior service cost(a)	\$ (17)	\$ (60)	Selling, general and administrative expenses
Amortization of unrecognized net loss(a)	(978)	(600)	Selling, general and administrative expenses
	(995)	(660)	Total before income tax expense
	398	—	Income tax expense(b)
	\$ (597)	\$ (660)	Net of income tax expense
Details about accumulated other comprehensive loss components	Thirty-Nine Week Periods Ended November 28, 2015 and November 29, 2014		Affected line item in the condensed consolidated statements of operations
	Amount reclassified from accumulated other comprehensive loss		
	November 28, 2015	November 29, 2014	
Defined benefit pension plans			
Amortization of unrecognized prior service cost(a)	\$ (52)	\$ (180)	Selling, general and administrative expenses
Amortization of unrecognized net loss(a)	(2,934)	(1,799)	Selling, general and administrative expenses
	(2,986)	(1,979)	Total before income tax expense
	1,194	—	Income tax expense(b)
	\$ (1,792)	\$ (1,979)	Net of income tax expense

(a) See Note 13, Retirement Plans for additional details.

(b) Income tax expense is \$0 for November 29, 2014 due to the valuation allowance. See Note 7, Income Taxes for additional details.

13. Retirement Plans

Net periodic pension expense recorded in the thirteen and thirty- nine week periods ended November 28, 2015 and November 29, 2014, for the Company’s defined benefit plans includes the following components:

	Defined Benefit Pension Plan		Nonqualified Executive Retirement Plans		Defined Benefit Pension Plan		Nonqualified Executive Retirement Plans	
	Thirteen Week Period Ended				Thirty-Nine Week Period Ended			
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
Service cost	\$ 513	\$ 792	\$ —	\$ —	\$ 1,538	\$ 2,377	\$ —	\$ —
Interest cost	1,634	1,631	119	136	4,901	4,893	356	406
Expected return on plan assets	(1,593)	(1,929)	—	—	(4,779)	(5,787)	—	—
Amortization of unrecognized prior service cost	17	60	—	—	52	180	—	—
Amortization of unrecognized net loss	978	600	—	—	2,934	1,799	—	—
Net pension expense	<u>\$ 1,549</u>	<u>\$ 1,154</u>	<u>\$ 119</u>	<u>\$ 136</u>	<u>\$ 4,646</u>	<u>\$ 3,462</u>	<u>\$ 356</u>	<u>\$ 406</u>

During the thirteen and thirty-nine week periods ended November 28, 2015 the Company contributed \$374 and \$1,146, respectively, to the Nonqualified Executive Retirement Plans and \$0 to the Defined Benefit Pension Plan. During the remainder of fiscal 2016, the Company expects to contribute \$395 to the Nonqualified Executive Retirement Plans and \$0 to the Defined Benefit Pension Plan.

14. Segment Reporting

Prior to June 24, 2015, the Company’s operations were within one reportable segment. As a result of the completion of the Acquisition, the Company has realigned its internal management reporting to reflect two reportable segments, its retail drug stores (“Retail Pharmacy”), and its pharmacy services (“Pharmacy Services”) segments.

The Retail Pharmacy segment’s primary business is the sale of prescription drugs and related consultation to its customers. Additionally, the Retail Pharmacy segment sells a full selection of health and beauty aids and personal care products, seasonal merchandise and a large private brand product line. The Pharmacy Services segment offers a full range of pharmacy benefit management services including plan design and administration, on both a transparent pass-through model and traditional model, formulary management and claims processing. Additionally, the Pharmacy Services segment offers specialty and mail order services, infertility treatment, and drug benefits to eligible beneficiaries under the federal government’s Medicare Part D program.

The Parent Company’s chief operating decision makers are its Parent Company Chief Executive Officer, Parent Company President and CEO - Retail Pharmacy, CEO - Pharmacy Services, Chief Financial Officer and its Senior Executive Vice Presidents (collectively the “CODM”). The CODM has ultimate responsibility for enterprise decisions. The CODM determines, in particular, resource allocation for, and monitors performance of, the consolidated enterprise, the Retail Pharmacy segment and the Pharmacy Services segment. The Retail Pharmacy and Pharmacy Services segment managers have responsibility for operating decisions, allocating resources and assessing performance within their respective segments. The CODM relies on internal management reporting that analyzes enterprise results on certain key performance indicators, namely, revenues, gross profit, and Adjusted EBITDA.

The following table is a reconciliation of the Company’s business segments to the condensed consolidated financial statements:

	Retail Pharmacy	Pharmacy Services	Intersegment Eliminations (1)	Consolidated
Thirteen Week Period Ended				
November 28, 2015:				
Revenues	\$ 6,744,143	\$ 1,500,895	\$ (90,854)	\$ 8,154,184
Gross Profit	1,921,886	80,993	—	2,002,879
Adjusted EBITDA	339,255	33,911	—	373,166
November 29, 2014:				
Revenues	\$ 6,692,333	\$ —	\$ —	\$ 6,692,333
Gross Profit	1,923,313	—	—	1,923,313
Adjusted EBITDA	332,769	—	—	332,769
Thirty-Nine Week Period Ended				
November 28, 2015:				
Revenues	\$ 20,038,947	\$ 2,572,784	\$ (145,210)	\$ 22,466,521
Gross Profit	5,641,929	142,770	—	5,784,699
Adjusted EBITDA	952,120	67,133	—	1,019,253
November 29, 2014:				
Revenues	\$ 19,680,448	\$ —	\$ —	\$ 19,680,448
Gross Profit	5,620,871	—	—	5,620,871
Adjusted EBITDA	979,548	—	—	979,548

- (1) Intersegment eliminations include intersegment revenues and corresponding cost of revenues that occur when Pharmacy Services segment customers use Retail Pharmacy segment stores to purchase covered products. When this occurs, both the Retail Pharmacy and Pharmacy Services segments record the revenue on a stand-alone basis.

The following table reconciles net income to Adjusted EBITDA for the thirteen and thirty-nine week periods ended November 28, 2015 and November 29, 2014:

	Thirteen Week Period Ended		Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
	(dollars in thousands)			
Net income	\$ 59,543	\$ 104,846	\$ 99,848	\$ 274,141
Interest expense	106,879	97,400	345,895	299,170
Income tax expense	48,468	1,871	77,372	33,612
Depreciation and amortization expense	136,434	104,614	373,782	309,203
LIFO charges	5,986	1,543	17,959	4,632
Lease termination and impairment charges	7,011	8,702	21,670	20,661
Loss on debt retirements, net	—	18,512	33,205	18,512
Other	8,845	(4,719)	49,522	19,617
Adjusted EBITDA	<u>\$ 373,166</u>	<u>\$ 332,769</u>	<u>\$ 1,019,253</u>	<u>\$ 979,548</u>

The following is balance sheet information for the Company's reportable segments:

	Retail Pharmacy	Pharmacy Services	Eliminations (2)	Consolidated
November 28, 2015:				
Total Assets	\$ 8,970,944	\$ 2,935,710	\$ (188,574)	\$ 11,718,080
Goodwill	76,124	1,478,623	—	1,554,747
Additions to property and equipment and intangible assets	510,847	1,103	—	511,950
February 28, 2015:				
Total Assets	\$ 8,863,252	\$ —	\$ —	\$ 8,863,252
Goodwill	76,124	—	—	76,124
Additions to property and equipment and intangible assets	539,386	—	—	539,386

- (2) Intersegment eliminations include netting of the Pharmacy Services segment long-term deferred tax liability of \$143,000 against the Retail Pharmacy segment long-term deferred tax asset for consolidation purposes in accordance with ASC 740, and intersegment accounts receivable of \$45,574, as of November 28, 2015, that represents amounts owed from the Pharmacy Services segment to the Retail Pharmacy segment that are created when Pharmacy Services segment customers use Retail Pharmacy segment stores to purchase covered products.

15. Commitments and Contingencies

Legal Matters

The Company is a party to legal proceedings, investigations and claims in the ordinary course of its business, including the matters described below. The Company records accruals for outstanding legal matters when it believes it is probable that a loss will be incurred and the amount can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal matters that could affect the amount of any accrual and developments that would make a loss contingency both probable and reasonably estimable. If a loss contingency is not both probable and estimable, the Company does not establish an accrued liability.

The Company's contingencies are subject to significant uncertainties, including, among other factors: (i) proceedings are in early stages; (ii) whether class or collective action status is sought and the likelihood of a class being certified; (iii) the outcome of pending appeals or motions; (iv) the extent of potential damages, fines or penalties, which are often unspecified or indeterminate; (v) the impact of discovery on the matter; (vi) whether novel or unsettled legal theories are at issue; (vii) there are significant factual issues to be resolved; and/or (viii) in the case of certain government agency investigations, whether a sealed *qui tam* lawsuit ("whistleblower" action) has been filed and whether the government agency makes a decision to intervene in the lawsuit following investigation.

As of November 30, 2015, the Company was aware of eight (8) putative class action lawsuits (the "Complaints") that were filed by purported Company stockholders, against the Company, its directors, Walgreens Boots Alliance, Inc. ("WBA") and Victoria Merger Sub Inc., ("Victoria") challenging the transactions contemplated by the Merger agreement between the Company and WBA. Seven (7) of these actions were filed in the Court of Chancery of the State of Delaware (*Smukler v. Rite Aid Corp., et al.*, *Hirschler v. Standley, et al.*, *Catelli v. Rite Aid Corp., et al.*, *Orr v. Rite Aid Corp., et al.*, *DePietro v. Standley, et al.*, *Abadi v. Rite Aid Corp., et al.*, *Mortman v. Rite Aid Corp., et al.*). One (1) action was filed in Pennsylvania in the Court of Common Pleas of Cumberland County (*Wilson v. Rite Aid Corp., et al.*). The Complaints allege primarily that the Company's directors breached their fiduciary duties by, among other things, agreeing to an allegedly unfair and inadequate price, agreeing to deal protection devices that allegedly prevent the directors from obtaining higher offers from other interested buyers for the Company and allegedly failing to protect against certain purported conflicts of interest in connection with the Merger. The Complaints further allege that the Company, WBA and/or Victoria aided and abetted these alleged breaches of fiduciary duty. The Complaints seek, among other things, to enjoin the closing of the Merger as well as money damages and attorneys' and experts' fees.

On December 4, 2015, following the filing of the preliminary proxy statement related to the proposed transaction with WBA (and after the close of the quarter), a ninth complaint was filed in the Court of Chancery of the State of Delaware by purported Company stockholders, Sachs Investment Group, Maurice Cohen and Steven Krol (*Sachs Investment Grp., et al. v. Standley, et al.*), against the Company's directors, WBA and Victoria challenging the transactions contemplated by the Merger agreement between the Company and WBA (the *Sachs* Complaint). The *Sachs* Complaint asserts claims similar to those alleged in the eight (8) earlier-filed Complaints and also includes allegations that the preliminary proxy statement contains material omissions, including with respect to the process that resulted in the Merger agreement and the fairness opinion rendered by the Company's banker. The *Sachs* Complaint seeks, among other things, to enjoin the closing of the Merger, as well as money damages and attorneys' and experts' fees. Plaintiffs in the *Sachs* action also filed a motion for expedited proceedings on December 4, 2015, and on December 7, 2015, they filed a motion to consolidate the eight (8) actions filed in Delaware and to appoint co-lead counsel. On December 22, 2015, the plaintiffs in each of the eight (8) cases then-pending in the Delaware Court of Chancery filed a joint Stipulation and Proposed Order Consolidating the Related Actions and Appointing Co-Lead Counsel and Delaware Counsel, which the Court so ordered on December 23, 2015 (the "Consolidation Order"). The Consolidation Order designates the *Sachs* Complaint as the operative pleading in the consolidated action, captioned *In re Rite Aid Corporation Stockholders Litigation*, Consol. C.A. No. 11663-CB. On December 28, 2015, the plaintiffs in the consolidated action filed an amended motion for expedited proceedings and a motion for preliminary injunction.

On December 18, 2015 (after the close of the quarter), Jerry Herring, a purported Rite Aid stockholder, filed a Direct Shareholder Class Action Complaint for Violations of the Exchange Act with a demand for a jury trial (the *Herring* Complaint), against Rite Aid, the Individual Defendants, WBA and Merger Sub in the United States District Court for the Middle District of Pennsylvania. The *Herring* Complaint alleges a claim for violations of Section 14(a) of the Exchange Act and SEC Rule 14a-9 against all defendants, and a claim for violations of Section 20(a) of the Exchange Act against the Individual Defendants and WBA. The *Herring* Complaint alleges, among other things, that Rite Aid and its Board of Directors disseminated an allegedly false and materially misleading proxy. The *Herring* Complaint seeks to enjoin the shareholder vote on the proposed Merger, a declaration that the proxy was materially false and misleading in violation of federal securities laws, and an award of money damages and attorneys' and experts' fees.

The Company has been named in a collective and class action lawsuit, *Indergit v. Rite Aid Corporation et al* pending in the United States District Court for the Southern District of New York, filed purportedly on behalf of current and former store managers working in the Company's stores at various locations around the country. The lawsuit alleges that the Company failed to pay overtime to store managers as required under the FLSA and under certain New York state statutes. The lawsuit also seeks other relief, including liquidated damages, punitive damages, attorneys' fees, costs and injunctive relief arising out of state and federal claims for overtime pay. On April 2, 2010, the Court conditionally certified a nationwide collective group of individuals who worked for the Company as store managers since March 31, 2007. The Court ordered that Notice of the *Indergit* action be sent to the purported members of the collective group (approximately 7,000 current and former store managers) and approximately 1,550 joined the *Indergit* action. Discovery as to certification issues has been completed. On September 26, 2013, the Court granted Rule 23 class certification of the New York store manager claims as to liability only, but denied it as to damages, and denied the Company's motion for decertification of the nationwide collective action claims. The Company filed a motion seeking reconsideration of the Court's September 26, 2013 decision which motion was denied in June 2014. The Company subsequently filed a petition for an interlocutory appeal of the Court's September 26, 2013 ruling with the U. S. Court of Appeals for the Second Circuit which petition was denied in September 2014. Notice of the Rule 23 class certification as to liability only has been sent to approximately 1,750 current and former store managers in the state of New York. At this time, the Company is not able to either predict the outcome of this lawsuit or estimate a potential range of loss with respect to the lawsuit. The Company's management believes, however, that this lawsuit is without merit and is vigorously defending this lawsuit.

The Company is currently a defendant in several putative class action lawsuits filed in state Courts in California alleging violations of California wage and hour laws, rules and regulations pertaining primarily to failure to pay overtime, pay for missed meals and rest periods, failure to reimburse business expenses and failure to provide employee seating (the "California Cases"). These suits purport to be class actions and seek substantial damages. The Company has aggressively challenged both the merits of the lawsuits and the allegations that the cases should be certified as class or representative actions.

With respect to cases involving pharmacist meal and rest periods (*Chase and Scherwin v. Rite Aid Corporation* pending in Los Angeles County Superior Court and *Kyle v. Rite Aid Corporation* pending in Sacramento County Superior Court), during the period ended March 1, 2014, the Company recorded a legal accrual with respect to these matters. The Company and the attorneys representing the putative class of pharmacists have agreed to a class wide settlement of the case of \$9.0 million subject to final Court approval. The parties are in the process of obtaining Court approval.

In the employee seating case (*Hall v. Rite Aid Corporation, San Diego County Superior Court*), the Court, in October 2011, granted the plaintiff's motion for class certification. The Company filed its motion for decertification, which motion was granted in November 2012. Plaintiff subsequently appealed the Court's order which appeal was granted in May 2014. The Company filed a petition for review of the appellate court's decision with the California Supreme Court, which petition was denied in August 2014. Proceedings in the *Hall* case are stayed pending a decision by the California Supreme Court in two similar cases. With respect to the California Cases (other than *Chase and Scherwin and Kyle*), the Company, at this time, is not able to predict either the outcome of these lawsuits or estimate a potential range of loss with respect to said lawsuits.

The Company was served with a Civil Investigative Demand Subpoena Duces Tecum dated August 26, 2011 by the United States Attorney's Office for the Eastern District of Michigan. The subpoena requests records regarding the relationship of Rite Aid's Rx Savings Program to the reporting of usual and customary charges to publicly funded health programs. In connection with the same investigation, the Company was served with a Civil Subpoena Duces Tecum dated February 22, 2013 by the State of Indiana Office of the Attorney General requesting additional information regarding both Rite Aid's Rx Savings Program and usual and customary charges. The Company has responded to both of the subpoenas. To enable the parties to discuss a possible resolution, the Medicaid Fraud Control Units of the several states, commonwealths and the District of Columbia and Rite Aid have entered into an agreement tolling the statute of limitations until October 7, 2015. The parties agreed to extend the tolling agreement until April 7, 2016. At this stage of the proceedings, Rite Aid is unable to predict the outcome of any review by the government of such information.

On February 28, 2012, the Company received an administrative subpoena from the U.S. Drug Enforcement Administration ("DEA"), Albany, New York District Office, requesting information regarding the Company's sale of products containing pseudoephedrine ("PSE"). In April 2012, it also received a communication from the U.S. Attorney's Office ("USAO") for the Northern District of New York concerning an investigation of possible civil violations of the Combat Methamphetamine Epidemic Act of 2005 ("CMEA"). Additional subpoenas were issued in 2013 and 2014 seeking broader documentation regarding PSE sales and recordkeeping requirements. Assistant U.S. Attorneys from the Northern District of New York and West Virginia are currently investigating, but no charges have been filed. On September 2, 2015, the Company received a grand jury subpoena from the U.S. District Court for the Southern District of West Virginia seeking additional information in connection with the investigation of violations of the CMEA. Violations of the CMEA could result in the imposition of administrative, civil and/or criminal penalties

against the Company. The Company is cooperating with the government and continues to provide information responsive to the subpoenas. The Company has entered into a tolling agreement with the USAO. Discussions are underway to resolve these matters with the U.S. Attorney's Offices for the Northern District of New York, the Eastern District of New York, and the Southern District of West Virginia, but whether an agreement can be reached and on what terms is uncertain. While the Company's management cannot predict the outcome of these matters, it is possible that the Company's results of operations or cash flows could be materially affected by an unfavorable resolution. At this stage of the investigation, Rite Aid is unable to predict the outcome of the investigation.

In January 2013, the DEA, Los Angeles District Office, served an administrative subpoena on the Company seeking documents related to prescriptions by a certain prescriber. The USAO, Central District of California, also contacted the Company about a related investigation into allegations that Rite Aid pharmacies filled certain controlled substance prescriptions for a number of practitioners after their DEA registrations had expired or otherwise become invalid in violation of the federal Controlled Substances Act and DEA regulations. The Company responded to the administrative subpoena and subsequent informal requests for information from the USAO. The Company met with the USAO and DEA in January 2014 and is involved in ongoing discussions with the government regarding this matter. The Company recorded a legal accrual during the period ended March 1, 2014, which was revised during the period ending August 29, 2015.

The Company was served with a Civil Investigative Demand ("CID") dated June 21, 2013 by the USAO for the Eastern District of California and the Attorney General's Office of the State of California (the "AG"). The CID requested records and responses to interrogatories regarding Rite Aid's Drug Utilization Review and prescription dispensing protocol and the dispensing of drugs designated "Code 1" by the State of California. The Company produced responsive documents and interrogatory responses to the USAO and AG and is in the process of producing additional documents and information that have been requested. At this stage, Rite Aid is unable to predict the outcome of the investigation.

In addition to the above described matters, the Company is subject from time to time to various claims and lawsuits and governmental investigations arising in the ordinary course of business. While the Company's management cannot predict the outcome of any of the claims, the Company's management does not believe that the outcome of any of these legal matters will be material to the Company's consolidated financial position. It is possible, however, that the Company's results of operations or cash flows could be materially affected by an unfavorable resolution of pending litigation or contingencies.

Contingencies

The California Department of Health Care Services ("DHCS"), the agency responsible for administering the State of California Medicaid program, implemented retroactive reimbursement rate reductions effective June 1, 2011, impacting the medical provider community in California, including pharmacies. Numerous medical providers, including representatives of both chain and independent pharmacies, filed suits against DHCS in Federal District Court in California and obtained preliminary injunctions against the rate cuts, subject to a trial on the merits. DHCS appealed the preliminary injunctions to the Ninth Circuit Court of Appeals, which Court vacated the injunctions. Based upon the actions of DHCS and the decision of the Appeals Court, the Company recorded an appropriate accrual. In January 2014, the Center for Medicare and Medicaid Services approved a state plan amendment that excluded certain drugs from the retroactive reimbursement rate reductions effective March 31, 2012. Accordingly, the Company adjusted its accrual during that fiscal year to take into account this exclusion. As pertinent facts and circumstances develop, this accrual may be adjusted further.

16. Guarantor and Non-Guarantor Condensed Consolidating Financial Information

Rite Aid Corporation conducts the majority of its business through its subsidiaries. With the exception of EIC, substantially all of Rite Aid Corporation's 100 percent owned subsidiaries guarantee the obligations under the Amended and Restated Senior Secured Credit Facility, second priority secured term loan facilities, secured guaranteed notes and unsecured guaranteed notes (the "Subsidiary Guarantors"). Additionally, prior to the Acquisition, the subsidiaries, including joint ventures, that did not guarantee the Amended and Restated Senior Secured Credit Facility, second priority secured term loan facilities, secured guaranteed notes and unsecured guaranteed notes, were minor. Accordingly, condensed consolidating financial information for the Company and subsidiaries is not presented for those periods. Condensed consolidating financial information for the Company, its Subsidiary Guarantors and non-guarantor subsidiaries, is presented for periods subsequent to the Acquisition.

For the purposes of preparing the information below, Rite Aid Corporation uses the equity method to account for its investment in subsidiaries. The equity method has been used by Subsidiary Guarantors with respect to investments in the non-guarantor subsidiaries. The subsidiary guarantees related to the Company's Amended and Restated Senior Secured Credit Facility, second priority secured term loan facilities and secured guaranteed notes and, on an unsecured basis, the unsecured guaranteed notes, are full and unconditional and joint and several. Presented below is condensed consolidating financial information for Rite Aid Corporation, the Subsidiary Guarantors, and the Non-Guarantor Subsidiaries at November 28, 2015 and for the thirteen and thirty-nine week periods ended November 28, 2015. Separate financial statements for Subsidiary Guarantors are not presented.

Rite Aid Corporation
Condensed Consolidating Balance Sheet
November 28, 2015
(unaudited)

	Rite Aid Corporation (Parent Company Only)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
ASSETS					
Current assets:					
Cash and cash equivalents	\$ —	\$ 191,792	\$ 34,460	\$ —	\$ 226,252
Accounts receivable, net	—	1,324,018	231,334	—	1,555,352
Intercompany receivable	—	199,509	—	(199,509)(a)	—
Inventories, net of LIFO reserve of \$0, \$1,015,487, \$0, \$0, and \$1,015,487	—	2,871,929	—	—	2,871,929
Deferred tax assets	—	17,823	—	—	17,823
Prepaid expenses and other current assets	—	132,795	1,016	—	133,811
Total current assets	—	4,737,866	266,810	(199,509)	4,805,167
Property, plant and equipment, net	—	2,264,251	—	—	2,264,251
Goodwill	—	1,554,747	—	—	1,554,747
Other intangibles, net	—	1,099,249	106,856	—	1,206,105
Deferred tax assets	—	1,571,362	1,933	—	1,573,295
Investment in subsidiaries	14,654,257	124,825	—	(14,779,082)(b)	—
Intercompany receivable	—	6,814,512	—	(6,814,512)(a)	—
Other assets	98,148	210,005	6,362	—	314,515
Total assets	\$ 14,752,405	\$ 18,376,817	\$ 381,961	\$ (21,793,103)	\$ 11,718,080
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt and lease financing obligations	\$ 90	\$ 29,045	\$ —	\$ —	\$ 29,135
Accounts payable	—	1,666,300	(2,817)	—	1,663,483
Intercompany payable	—	—	199,509	(199,509)(a)	—
Accrued salaries, wages and other current liabilities	131,606	1,220,645	60,443	—	1,412,694
Deferred tax liabilities	—	57,685	—	—	57,685
Total current liabilities	131,696	2,973,675	257,135	(199,509)	3,162,997
Long-term debt, less current maturities	7,287,911	—	—	—	7,287,911
Lease financing obligations, less current maturities	—	50,434	—	—	50,434
Intercompany payable	6,814,512	—	—	(6,814,512)(a)	—
Other noncurrent liabilities	17,458	698,452	—	—	715,910
Total liabilities	14,251,577	3,722,561	257,135	(7,014,021)	11,217,252
Commitments and contingencies	—	—	—	—	—
Total stockholders' equity	500,828	14,654,256	124,826	(14,779,082)	500,828
Total liabilities and stockholders' equity	\$ 14,752,405	\$ 18,376,817	\$ 381,961	\$ (21,793,103)	\$ 11,718,080

(a) Elimination of intercompany accounts receivable and accounts payable amounts.

(b) Elimination of investments in consolidated subsidiaries.

Rite Aid Corporation
Condensed Consolidating Statement of Operations
For the Thirteen Weeks Ended November 28, 2015
(unaudited)

	Rite Aid Corporation (Parent Company Only)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Revenues	\$ —	\$ 8,154,184	\$ 58,461	\$ (58,461)(a)	\$ 8,154,184
Costs and expenses:					
Cost of revenues	—	6,151,305	58,106	(58,106)(a)	6,151,305
Selling, general and administrative expenses	—	1,774,320	3,682	(355)(a)	1,777,647
Lease termination and impairment expenses	—	7,011	—	—	7,011
Interest expense	102,014	4,861	4	—	106,879
Loss on debt retirement, net	—	—	—	—	—
Loss on sale of assets, net	—	3,331	—	—	3,331
Equity in earnings of subsidiaries, net of tax	(161,557)	4,557	—	157,000(b)	—
	(59,543)	7,945,385	61,792	98,539	8,046,173
Income (loss) before income taxes	59,543	208,799	(3,331)	(157,000)	108,011
Income tax expense	0	47,242	1,226	0	48,468
Net income (loss)	\$ 59,543	\$ 161,557	\$ (4,557)	\$ (157,000)	\$ 59,543
Total other comprehensive income	597	597	—	(597)	597
Comprehensive income (loss)	\$ 60,140	\$ 162,154	\$ (4,557)	\$ (157,597)	\$ 60,140

(a) Elimination of intercompany revenues and expenses.

(b) Elimination of equity in earnings of subsidiaries.

Rite Aid Corporation
Condensed Consolidating Statement of Operations
For the Thirty-Nine Weeks Ended November 28, 2015
(unaudited)

	Rite Aid Corporation (Parent Company Only)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Revenues	\$ —	\$ 22,466,302	\$ 102,826	\$ (102,607)(a)	\$ 22,466,521
Costs and expenses:					
Cost of revenues	—	16,681,822	100,858	(100,858)(a)	16,681,822
Selling, general and administrative expenses	—	5,199,008	5,799	(1,749)(a)	5,203,058
Lease termination and impairment expenses	—	21,670	—	—	21,670
Interest expense	315,908	29,986	1	—	345,895
Loss on debt retirement, net	33,205	—	—	—	33,205
Loss on sale of assets, net	—	3,651	—	—	3,651
Equity in earnings of subsidiaries, net of tax	(448,961)	5,244	—	443,717(b)	—
	(99,848)	21,941,381	106,658	341,110	22,289,301
Income (loss) before income taxes	99,848	524,921	(3,832)	(443,717)	177,220
Income tax expense	0	75,960	1,412	0	77,372
Net (loss) income	\$ 99,848	\$ 448,961	\$ (5,244)	\$ (443,717)	\$ 99,848
Total other comprehensive income	1,792	1,792	—	(1,792)	1,792
Comprehensive income (loss)	\$ 101,640	\$ 450,753	\$ (5,244)	\$ (445,509)	\$ 101,640

(a) Elimination of intercompany revenues and expenses.

(b) Elimination of equity in earnings of subsidiaries.

Rite Aid Corporation
Condensed Consolidating Statement of Cash Flows
For the Thirty Nine Weeks Ended November 28, 2015
(unaudited)

	Rite Aid Corporation (Parent Company Only)	Subsidiary Guarantors	Non- Guarantor Subsidiaries	Eliminations	Consolidated
	(in thousands)				
Operating activities:					
Net cash (used in) provided by operating activities	\$ (227,244)	\$ 902,709	\$ (5,928)	\$ —	\$ 669,537
Investing activities:					
Payments for property, plant and equipment	—	(414,338)	—	—	(414,338)
Intangible assets acquired	—	(97,612)	—	—	(97,612)
Acquisition of businesses, net of cash acquired	(1,778,377)	—	—	—	(1,778,377)
Intercompany activity	(103,834)	(356,546)	—	460,380	—
Proceeds from dispositions of assets and investments	—	8,697	—	—	8,697
Net cash used in investing activities	(1,882,211)	(859,799)	—	460,380	(2,281,630)
Financing activities:					
Proceeds from issuance of long- term debt	1,800,000	—	—	—	1,800,000
Net proceeds from revolver	655,000	—	—	—	655,000
Principal payments on long-term debt	(650,079)	(16,888)	—	—	(666,967)

Rite Aid Corporation
Condensed Consolidating Statement of Cash Flows
For the Thirty Nine Weeks Ended November 28, 2015
(unaudited)

	Rite Aid Corporation (Parent Company Only)	Subsidiary Guarantors	Non-Guarantor Subsidiaries (in thousands)	Eliminations	Consolidated
Change in zero balance cash accounts	—	(35,011)	—	—	(35,011)
Net proceeds from issuance of common stock	8,625	—	—	—	8,625
Financing fees paid for early debt redemption	(26,003)	—	—	—	(26,003)
Excess tax benefit on stock options and restricted stock	—	21,436	—	—	21,436
Deferred financing costs paid	(34,634)	—	—	—	(34,634)
Intercompany activity	356,546	63,446	40,388	(460,380)	—
Net cash provided by (used in) financing activities	2,109,455	32,983	40,388	(460,380)	1,722,446
Increase in cash and cash equivalents	—	75,893	34,460	—	110,353
Cash and cash equivalents, beginning of period	—	115,899	—	—	115,899
Cash and cash equivalents, end of period	\$ —	\$ 191,792	\$ 34,460	\$ —	\$ 226,252

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a full service pharmacy retail healthcare company, providing our customers and communities with the highest level of care and service through various programs we offer through our two reportable business segments, our Retail Pharmacy segment and our new Pharmacy Services segment. We accomplish our goal of delivering more comprehensive care to our customers through our 4,560 retail drugstores, 75 RediClinic walk-in retail health clinics, and transparent and traditional EnvisionRx and MedTrak pharmacy benefit managers with over 3.9 million plan members. We also offer fully integrated mail-order and specialty pharmacy services through Orchard Pharmaceutical Services. Additionally through our Envision Insurance Company (“EIC”), EnvisionRx also serves one of the fastest-growing segments in healthcare: seniors enrolled in Medicare Part D. When combined with our retail platform, this comprehensive suite of services allows us to provide additional value and broader choice to customers, patients and payors and allows us to succeed in today’s evolving healthcare marketplace.

We currently have two reportable business segments: Retail Pharmacy and Pharmacy Services.

Retail Pharmacy Segment

Our Retail Pharmacy segment sells brand and generic prescription drugs, as well as, an assortment of front-end products including health and beauty aids, personal care products, seasonal merchandise, and a large private brand product line. Our Retail Pharmacy segment generates the majority of its revenue through the sale of prescription drugs and front-end products at our 4,560 retail locations. In addition, the Retail Pharmacy segment includes 75 RediClinic walk-in retail clinics, of which 40 are located within Rite Aid retail stores in the Baltimore/Washington D.C, Philadelphia, and Seattle markets.

Pharmacy Services Segment

Our Pharmacy Services segment, which was acquired on June 24, 2015 in connection with our acquisition of EnvisionRx, provides a full range of pharmacy benefit services. The Pharmacy Services segment provides both transparent and traditional pharmacy benefit management (“PBM”) options through its EnvisionRx and MedTrak PBMs, respectively. EnvisionRx also offers fully integrated mail-order and specialty pharmacy services through Orchard Pharmaceutical Services; access to the nation’s largest cash pay infertility discount drug program via Design Rx; an innovative claims adjudication software platform in Laker Software; and a national Medicare Part D prescription drug plan through EIC’s EnvisionRx Plus product offering. The segment’s clients are primarily employers, insurance companies, unions, government employee groups, health plans, Managed Medicaid plans, Medicare plans, and other sponsors of health benefit plans, and individuals throughout the United States.

Pending Merger with Walgreens Boots Alliance, Inc.

On October 27, 2015, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) with WBA, and Victoria Merger Sub, Inc., a Delaware corporation and a wholly-owned direct subsidiary of WBA (“Victoria Merger Sub”). Pursuant to the terms and subject to the conditions set forth in the Merger Agreement, Victoria Merger Sub will merge with and into Rite Aid (the “Merger”), with Rite Aid surviving the Merger as a 100 percent owned direct subsidiary of WBA. Completion of the Merger is subject to various closing conditions, including but not limited to (i) approval of the Merger Agreement by holders of a majority of the outstanding shares of our common stock entitled to vote on the Merger, (ii) the expiration or earlier termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, (iii) the absence of any law or order prohibiting the Merger, and (iv) the absence of a material adverse effect on us, as defined in the Merger Agreement. Under the terms of the Merger Agreement, at the effective time of the Merger, each share of our common stock, par value \$1.00 per share, issued and outstanding immediately prior to the effective time (other than shares owned by (i) WBA, Victoria Merger Sub or Rite Aid (which will be cancelled), (ii) stockholders who have properly exercised and perfected appraisal rights under Delaware law, or (iii) any direct or indirect wholly owned subsidiary of Rite Aid or WBA (which will be converted into shares of common stock of the surviving corporation)) will be converted into the right to receive \$9.00 per share in cash, without interest.

We, WBA and Victoria Merger Sub have each made customary representations, warranties and covenants in the Merger Agreement, including, among other things, that (i) we and our subsidiaries will continue to conduct their business in the ordinary course consistent with past practice between the execution of the Merger Agreement and the closing of the Merger and (ii) we will not solicit proposals relating to alternative transactions to the Merger or engage in discussions or negotiations with respect thereto, subject to certain exceptions. We currently anticipate that the Merger will close in the second half of calendar 2016.

Consolidated Net Income and Adjusted EBITDA

Net income for the thirteen and thirty-nine week periods ended November 28, 2015 was \$59.5 million and \$99.8 million, respectively, compared to net income of \$104.8 million and \$274.1 million, respectively, for the thirteen and thirty-nine week periods ended November 29, 2014. The operating results for the thirteen and thirty-nine week periods include operating results of EnvisionRx subsequent to the June 24, 2015 acquisition date. The decline in the thirteen week operating results was driven primarily by a reduction in the prior year’s income tax expense related to an adjustment to our deferred tax valuation allowance of \$45.9 million, higher depreciation and amortization expense related to EnvisionRx and our increased capital spending, higher interest expense due to the issuance of the 6.125% Notes to fund the acquisition of EnvisionRx, and transaction expenses related to our pending Merger with WBA. These items were partially offset by an increase in Adjusted EBITDA and a prior year loss on debt retirement of \$18.5 million related to the redemption of our 10.25% senior secured notes due October 2019 (“10.25% Notes”). The decline in the thirty-nine week operating results was driven primarily by a reduction in the prior year’s income tax expense related to an adjustment to our deferred tax valuation allowance of \$146.6 million, higher interest expense due to the EnvisionRx acquisition and transaction costs incurred in connection with that acquisition, transaction expenses related to our pending Merger with WBA, higher loss on debt retirement, and higher depreciation and amortization expense related to EnvisionRx and our increased capital spending.

Adjusted EBITDA for the thirteen and thirty-nine week periods ended November 28, 2015 was \$373.2 million or 4.6 percent of revenues and \$1,019.3 million or 4.5 percent of revenues, respectively, compared to \$332.8 million or 5.0 percent of revenues and \$979.5 million or 5.0 percent of revenues for the thirteen and thirty-nine week periods ended November 29, 2014, respectively. The Adjusted EBITDA for the thirteen and thirty-nine week periods ended November 28, 2015 includes the Adjusted EBITDA of EnvisionRx subsequent to the June 24, 2015 acquisition date. The increase in Adjusted EBITDA for the thirteen week period was driven primarily by Pharmacy Services segment Adjusted EBITDA of \$33.9 million and an increase of \$6.5 million in Retail Pharmacy segment Adjusted EBITDA. The increase in Retail Pharmacy segment Adjusted EBITDA was driven by an increase in front end gross profit and continued cost control, partially offset by a decrease in pharmacy gross profit. Please see the section entitled “Segment Analysis” below for additional details regarding gross profit.

Consolidated Results of Operations

Revenues and Other Operating Data

	Thirteen Week Period Ended		Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
	(dollars in thousands)			
Revenues(a)	\$ 8,154,184	\$ 6,692,333	\$ 22,466,521	\$ 19,680,448
Revenue growth	21.8%	5.3%	14.2%	4.0%
Adjusted EBITDA(*)	\$ 373,166	\$ 332,769	\$ 1,019,253	\$ 979,548

(a) Revenues for the thirteen and thirty-nine weeks ended November 28, 2015 exclude \$90,854 and \$145,210, respectively, of inter-segment activity that is eliminated in consolidation.

(*) See “Adjusted EBITDA and Other Non-GAAP Measures” for additional details.

Revenues

Revenues increased 21.8% and 14.2% for the thirteen and thirty-nine weeks ended November 28, 2015, respectively, compared to an increase of 5.3% and 4.0% for the thirteen and thirty-nine weeks ended November 29, 2014. Revenues for the thirteen and thirty-nine week periods ended November 28, 2015 include revenues of \$1,500.9 million and \$2,572.8 million, respectively, relating to our Pharmacy Services segment. Revenues for the thirteen and thirty-nine weeks ended November 28, 2015 exclude \$90.9 million and \$145.2 million, respectively, of inter-segment activity that is eliminated in consolidation.

Please see the section entitled “Segment Analysis” below for additional details regarding revenues.

Costs and Expenses

	Thirteen Week Period Ended		Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
	(dollars in thousands)			
Cost of revenues (a)	\$ 6,151,305	\$ 4,769,020	\$ 16,681,822	\$ 14,059,577
Gross profit	2,002,879	1,923,313	5,784,699	5,620,871
Gross margin	24.6%	28.7%	25.7%	28.6%
Selling, general and administrative expenses	1,777,647	1,692,437	5,203,058	4,977,315
Selling, general and administrative expenses as a percentage of revenues	21.8%	25.3%	23.2%	25.3%

(a) Cost of revenues for the thirteen and thirty-nine weeks ended November 28, 2015 exclude \$90,854 and \$145,210, respectively, of inter-segment activity that is eliminated in consolidation.

Gross Profit and Cost of Revenues

Gross profit increased \$79.6 million and \$163.8 million for the thirteen and thirty-nine week periods ended November 28, 2015, respectively, compared to the thirteen and thirty-nine week periods ended November 29, 2014. Gross profit for the thirteen and thirty-nine week periods ended November 28, 2015 includes gross profit of \$81.0 million and \$142.8 million, respectively, relating to our Pharmacy Services segment.

Please see the section entitled “Segment Analysis” below for additional details regarding gross profit and cost of revenues.

Selling, General and Administrative Expenses

SG&A increased \$85.2 million and \$225.7 million for the thirteen and thirty-nine week periods ended November 28, 2015, respectively, compared to the thirteen and thirty-nine week periods ended November 29, 2014. SG&A for the thirteen and thirty-nine week periods ended November 28, 2015 includes \$69.2 million and \$116.1 million, respectively, relating to our Pharmacy Services segment.

Please see the section entitled “Segment Analysis” below for additional details regarding selling, general and administrative expenses.

Lease Termination and Impairment Charges

Lease termination and impairment charges consist of amounts as follows:

	Thirteen Week Period Ended		Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
Impairment charges	\$ 540	\$ 1,050	\$ 818	\$ 1,333
Lease termination charges	6,471	7,652	20,852	19,328
	<u>\$ 7,011</u>	<u>\$ 8,702</u>	<u>\$ 21,670</u>	<u>\$ 20,661</u>

Impairment Charges: These amounts include the write-down of long-lived assets at locations that were assessed for impairment because of management's intention to relocate or close the location or because of changes in circumstances that indicated the carrying value of an asset may not be recoverable.

Please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impairment Charges" included in our Fiscal 2015 10-K for a detailed description of our impairment methodology.

Lease Termination Charges: Charges to close a store, which principally consist of continuing lease obligations, are recorded at the time the store is closed and all inventory is liquidated, pursuant to the guidance set forth in ASC 420, "Exit or Disposal Cost Obligations." We calculate our liability for closed stores on a store-by-store basis. The calculation includes the discounted effect of future minimum lease payments and related ancillary costs, from the date of closure to the end of the remaining lease term, net of estimated cost recoveries that may be achieved through subletting properties or through favorable lease terminations. We evaluate these assumptions each quarter and adjust the liability accordingly. As part of our ongoing business activities, we assess stores and distribution centers for potential closure and relocation. Decisions to close or relocate stores or distribution centers in future periods would result in lease termination charges for lease exit costs and liquidation of inventory, as well as impairment of assets at these locations.

Interest Expense

Interest expense was \$106.9 million and \$345.9 million for the thirteen and thirty-nine week periods ended November 28, 2015, respectively, compared to \$97.4 million and \$299.2 million for the thirteen and thirty-nine week periods ended November 29, 2014, respectively. The increase in the interest expense was a result of the \$1.8 billion aggregate principal amount borrowings from the issuance of our 6.125% Notes, which were used to finance the cash portion of our acquisition of EnvisionRx and the amortization of the bridge loan commitment fee from the EnvisionRx acquisition, partially offset by interest expense reductions from the recent redemption of the outstanding \$650.0 million aggregate principal amount of our 8.0% senior secured notes in August 2015, and the refinancing of our senior secured credit facility during the fourth quarter of fiscal 2015. The weighted average interest rates on our indebtedness for the thirty-nine week periods ended November 28, 2015 and November 29, 2014 were 5.5% and 6.2%, respectively.

Income Taxes

We recorded an income tax expense of \$48.5 million and \$1.9 million for the thirteen week periods ended November 28, 2015 and November 29, 2014, respectively, and an income tax expense of \$77.4 million and \$33.6 million for the thirty-nine week periods ended November 28, 2015 and November 29, 2014, respectively. The income tax expense for the thirteen and thirty-nine week periods ended November 28, 2015 was based on an estimated effective tax resulting in an overall tax rate of 44.9% and 43.7%, respectively.

The income tax expense for the thirteen week period ended November 29, 2014 is primarily attributable to the accrual of federal, state and local taxes and adjustments to unrecognized tax benefits offset by an adjustment to the valuation allowance. The income tax expense for the thirty-nine week period ended November 29, 2014 is primarily attributable to an increase in the deferred tax valuation allowance to offset the windfall tax benefits recorded in Additional Paid in Capital ("APIC") pursuant to the tax law ordering approach.

We recognize tax liabilities in accordance with the guidance for uncertain tax positions and management adjusts these liabilities with changes in judgment as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities.

While it is expected that the amount of unrecognized tax benefits will change in the next twelve months, management does not expect the change to have a significant impact on the results of operations or the financial position of the Company.

We regularly evaluate valuation allowances established for deferred tax assets for which future realization is uncertain. We will continue to monitor all available evidence related to the net deferred tax assets that may change the most recent assessment, including events that have occurred or are anticipated to occur. As a result of our historical operating performance and the more favorable near term outlook for profitability, we released \$1,841.3 million of valuation allowance in the fourth quarter of fiscal year 2015. We continue to maintain a valuation allowance against net deferred tax assets of \$233.4 million and \$231.7 million, which relates primarily to state deferred tax assets at November 28, 2015 and February 28, 2015, respectively.

Segment Analysis

We evaluate the Retail Pharmacy and Pharmacy Services segments' performance based on revenue, gross profit, and Adjusted EBITDA. The following is a reconciliation of our segments to the condensed consolidated financial statements:

	Retail Pharmacy Segment	Pharmacy Services Segment	Intersegment Eliminations (1)	Consolidated Totals
Thirteen Week Period Ended				
November 28, 2015:				
Revenue	\$ 6,744,143	\$ 1,500,895	\$ (90,854)	\$ 8,154,184
Gross Profit	1,921,886	80,993	—	2,002,879
Adjusted EBITDA(*)	339,255	33,911	—	373,166
November 29, 2014:				
Revenue	\$ 6,692,333	\$ —	\$ —	\$ 6,692,333
Gross Profit	1,923,313	—	—	1,923,313
Adjusted EBITDA(*)	332,769	—	—	332,769
Thirty-Nine Week Period Ended				
November 28, 2015:				
Revenue	\$ 20,038,947	\$ 2,572,784	\$ (145,210)	\$ 22,466,521
Gross Profit	5,641,929	142,770	—	5,784,699
Adjusted EBITDA(*)	952,120	67,133	—	1,019,253
November 29, 2014:				
Revenue	\$ 19,680,448	\$ —	\$ —	\$ 19,680,448
Gross Profit	5,620,871	—	—	5,620,871
Adjusted EBITDA(*)	979,548	—	—	979,548

(1) Intersegment eliminations include intersegment revenues and corresponding cost of revenues that occur when Pharmacy Services segment customers use Retail Pharmacy segment stores to purchase covered products. When this occurs, both the Retail Pharmacy and Pharmacy Services segments record the revenue on a stand-alone basis.

(*) See “Adjusted EBITDA and Other Non-GAAP Measures” for additional details on consolidated Adjusted EBITDA.

Retail Pharmacy Segment Results of Operations

Revenues and Other Operating Data

	Thirteen Week Period Ended		Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
	(dollars in thousands)			
Revenues	\$ 6,744,143	\$ 6,692,333	\$ 20,038,947	\$ 19,680,448
Revenue growth	0.8%	5.3%	1.8%	4.0%
Same store sales growth	0.9%	5.4%	1.9%	4.2%
Pharmacy sales growth	1.0%	6.9%	2.5%	5.3%
Same store prescription count increase	0.2%	4.5%	0.6%	3.5%
Same store pharmacy sales growth	1.2%	7.2%	2.6%	5.8%
Pharmacy sales as a % of total retail sales	69.9%	69.8%	69.5%	69.0%
Third party sales as a % of total pharmacy sales	97.9%	97.6%	97.8%	97.5%
Front-end sales growth	0.3%	1.0%	0.3%	0.4%
Same store front-end sales growth	0.3%	1.6%	0.4%	0.9%
Front-end sales as a % of total retail sales	30.1%	30.2%	30.5%	31.0%
Adjusted EBITDA(*)	\$ 339,255	\$ 332,769	\$ 952,120	\$ 979,548
Store data:				
Total stores (beginning of period)	4,561	4,572	4,570	4,587
New stores	—	—	2	1
Store acquisitions	2	6	4	7
Closed stores	(3)	(6)	(16)	(23)
Total stores (end of period)	4,560	4,572	4,560	4,572
Relocated stores	5	3	10	11
Remodeled and expanded stores	96	104	324	328

(*) See “Adjusted EBITDA and Other Non-GAAP Measures” for additional details

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Revenues increased 0.8% for the thirteen weeks ended November 28, 2015 compared to an increase of 5.3% for the thirteen weeks ended November 29, 2014. The increase in revenues for the thirteen week period ended November 28, 2015 was primarily a result of an increase in front-end and pharmacy same store sales.

Pharmacy same store sales increased by 1.2% for the thirteen week period ended November 28, 2015 compared to the 7.2% increase in the thirteen week period ended November 29, 2014. The increase in the current period is due primarily to the 0.2% increase in same store prescription count and pharmacy inflation, partially offset by an approximate 2.5% negative impact from generic introductions and continued lower reimbursement rates.

Front-end same store sales increased 0.3% during the thirteen week period ended November 28, 2015 compared to the 1.6% increase during the thirteen week period ended November 29, 2014. The same store front-end sales were impacted by the positive impact of incremental sales from our 1,948 Wellness format stores.

Revenues increased 1.8% for the thirty-nine weeks ended November 28, 2015 compared to an increase of 4.0% for the thirty-nine weeks ended November 29, 2014. The increase in revenues for the thirty-nine week period ended November 28, 2015 was primarily a result of an increase in pharmacy same store sales.

Pharmacy same store sales increased by 2.6% for the thirty-nine week period ended November 28, 2015 compared to the 5.8% increase in the thirty-nine week period ended November 29, 2014. The increase in the current period is due primarily to the 0.6% increase in same store prescription count and pharmacy inflation, partially offset by an approximate 2.1% negative impact from generic introductions and continued lower reimbursement rates.

Front-end same store sales increased by 0.4% during the thirty-nine week period ended November 28, 2015 compared to the 0.9% increase in the thirty-nine week period ended November 29, 2014. The same store front-end sales were positively impacted by incremental sales from our Wellness format stores.

We include in same store sales all stores that have been open at least one year. Relocation stores are not included in same store sales until one year has lapsed.

Costs and Expenses

	Thirteen Week Period Ended		Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
	(dollars in thousands)			
Cost of revenues	\$ 4,822,257	\$ 4,769,020	\$ 14,397,018	\$ 14,059,577
Gross profit	1,921,886	1,923,313	5,641,929	5,620,871
Gross margin	28.5%	28.7%	28.2%	28.6%
FIFO gross profit(*)	1,927,872	1,924,856	5,659,888	5,625,503
FIFO gross margin(*)	28.6%	28.8%	28.2%	28.6%
Selling, general and administrative expenses	1,708,445	1,692,437	5,086,939	4,977,315
Selling, general and administrative expenses as a percentage of revenues	25.3%	25.3%	25.4%	25.3%
Lease termination and impairment charges	7,011	8,702	21,670	20,661
Interest expense	106,869	97,400	345,895	299,170
Loss (gain) on sale of assets, net	3,331	(455)	3,651	(2,540)

(*) See "Adjusted EBITDA and Other Non-GAAP Measures" for additional details

Gross Profit and Cost of Revenues

Gross profit decreased \$1.4 million for the thirteen week period ended November 28, 2015 as compared to the thirteen week period ended November 29, 2014. Gross profit was negatively impacted by a decrease in pharmacy gross profit due to lower

reimbursement rates, partially offset by the benefits realized from our expanded agreement with McKesson and higher script volume. Gross profit was also positively impacted by higher front-end gross profit.

Gross profit increased \$21.1 million for the thirty-nine week period ended November 28, 2015 as compared to the thirty-nine week period ended November 29, 2014. Gross profit was positively impacted by increases in front-end gross profit, increased front-end same store sales, and benefits realized from our expanded agreement with McKesson, partially offset by a decrease in pharmacy gross profit due to lower reimbursement rates.

Gross margin was 28.5% and 28.2% of sales for the thirteen and thirty-nine week periods ended November 28, 2015, respectively, compared to 28.7% and 28.6% of sales for the thirteen and thirty-nine week periods ended November 29, 2014, respectively. The decrease in gross margin for the thirteen and thirty-nine week period was due to lower reimbursement rates and a higher estimated LIFO charge, partially offset by increased front-end gross margin and the benefits realized from our expanded agreement with McKesson. We expect to see continued gross margin pressure from reimbursement rate reductions throughout the remainder of the fiscal year.

We use the last-in, first-out (“LIFO”) method of inventory valuation, which is estimated on a quarterly basis and is finalized at year end when inflation rates and inventory levels are final. Therefore, LIFO costs for interim period financial statements are estimated. LIFO charges were \$6.0 million and \$18.0 million for the thirteen and thirty-nine week periods ended November 28, 2015, respectively, compared to \$1.5 million and \$4.6 million for the thirteen and thirty-nine week periods ended November 29, 2014, respectively. The higher estimated LIFO charge this year relates to lower projected deflation on pharmacy generics, partially offset by a projected pharmacy inventory reduction in the stores.

Selling, General and Administrative Expenses

SG&A expenses as a percentage of revenues was 25.3% in the thirteen week periods ended November 28, 2015 and November 29, 2014.

SG&A expenses as a percentage of revenues was 25.4% in the thirty-nine week period ended November 28, 2015 compared to 25.3% in the thirty-nine week period ended November 29, 2014. The increase in SG&A as a percentage of revenues was due primarily to increased depreciation and amortization related to our increased capital spending, and expenses relating to our acquisition of EnvisionRx and our pending Merger with WBA.

Pharmacy Services Segment Results of Operations

Acquisition of EnvisionRx

On June 24, 2015, we completed our previously announced acquisition of EnvisionRx, pursuant to the terms of the agreement (“Agreement”) dated February 10, 2015. EnvisionRx, our new Pharmacy Services segment, is a full-service pharmacy services provider. EnvisionRx provides both transparent and traditional pharmacy benefit manager (“PBM”) options through its EnvisionRx and MedTrak PBMs, respectively. EnvisionRx also offers fully integrated mail-order and specialty pharmacy services through Orchard Pharmaceutical Services; access to the nation’s largest cash pay infertility discount drug program via Design Rx; an innovative claims adjudication software platform in Laker Software; and a national Medicare Part D prescription drug plan through EIC’s EnvisionRx Plus Silver product for the low income auto-assign market and its Clear Choice product for the chooser market. EnvisionRx operates as our 100 percent owned subsidiary. We believe that the acquisition of EnvisionRx will expand our retail healthcare platform and enhance our health and wellness offerings by combining EnvisionRx’s broad suite of PBM and pharmacy-related businesses with the our established retail platform to provide our customers and patients with an integrated offering across retail, specialty and mail-order channels.

Pursuant to the terms of the Agreement, as consideration for the acquisition of EnvisionRx (the “Acquisition”), we paid \$1,882.2 million in cash, after giving effect to certain adjustments, and issued 27,754 shares of Rite Aid common stock. At closing, \$15 million of the cash purchase price was placed into an adjustment escrow account. Rite Aid and Shareholder Representative Services LLC (“SRS”) entered into a Final Adjustment Amount Resolution Agreement and Release on November 5, 2015, pursuant to which (i) \$1.2 million was released from the adjustment escrow account to Rite Aid and (ii) \$13.8 million, constituting the remainder of the funds in the adjustment escrow account and all investment earnings and income on the funds held in the adjustment escrow account, was released to SRS on behalf of the sellers. The escrow agent distributed the funds in accordance with the agreement between the parties. We financed the cash portion of the Acquisition with borrowings under our Senior Secured Credit Facility and the net proceeds from the April 2, 2015 issuance of \$1.8 billion aggregate principal amount of 6.125% senior notes due 2023 (the “6.125% Notes”). The consideration associated with the common stock was \$240.9 million based on a stock price of \$8.68 per share, representing the closing price of Rite Aid common stock on the date of the Acquisition. In addition, following the closing, we were obligated to pay the former

owners of EnvisionRx their pro rata share of the settlement payment to be received by EnvisionRx from the Centers of Medicare and Medicaid Services (“CMS”) for the 2014 plan year, net of amounts due to EnvisionRx’ reinsurer. The settlement payment of approximately \$116.1 million was made on November 5, 2015. The purchase accounting for the Acquisition has not yet been finalized, and the impact of the changes on our financial statements may be material.

Pharmacy Services Segment Results of Operations

Pharmacy Services segment revenue for the thirteen and thirty-nine week periods ended November 28, 2015 was \$1,500.9 million and \$2,572.8 million, respectively. Pharmacy Services Adjusted EBITDA for the thirteen and thirty-nine week periods ended November 28, 2015 was \$33.9 million or 2.3 percent of Pharmacy Services revenue and \$67.1 million or 2.6 percent of Pharmacy revenues, respectively. In addition, gross profit and gross margin for the thirteen and thirty-nine week periods ended November 28, 2015 was \$81.0 million or 5.4% and \$142.8 million or 5.6%, respectively, for our Pharmacy Services segment. Pharmacy Services segment selling, general and administrative expenses for the thirteen and thirty-nine week periods ended November 28, 2015 were \$69.2 million and \$116.1 million, respectively. Revenues and gross profit for the thirteen week period ended November 28, 2015 were positively impacted by mid-year customer additions, partially offset by increased selling, general and administrative expenses for the period as a result of ramp up costs due to the onboarding of new PBM customers. Gross margin was negatively impacted due to revenue growth in our pass-through PBM, which carries a lower gross margin as a percent of revenue.

As our core PBM business grows, added opportunities are created for our Envision mail and specialty pharmacies. With specialty drugs expected to comprise 50% of all prescription spending by 2018, our specialty pharmacy is being embraced by more clients and has seen a 13% increase in monthly prescription volume over the past five months.

In addition, based on preliminary 2016 benchmark results received from CMS, the Envision Insurance Company will retain 14 of 34 CMS regions, which compares to 24 regions in 2015. With the annual Part D bidding process becoming increasingly price competitive, we are maintaining a focus on acquiring low income subsidy and chooser members at a premium and profit levels that ensure the continued delivery of attractive benefits and satisfying service. While we are decreasing in geographies and anticipate a reduction in covered lives of approximately 65,000, we still expect to have over 300,000 individual Medicare Part D program Prescription Drug Plan (“PDP”) lives in 2016 and increased membership in the Rite Aid retail footprint.

Liquidity and Capital Resources

General

We have two primary sources of liquidity: (i) cash provided by operating activities and (ii) borrowings under our senior secured revolving credit facility (“Amended and Restated Senior Secured Credit Facility” or “revolver”). Our principal uses of cash are to provide working capital for operations, to service our obligations to pay interest and principal on debt and to fund capital expenditures. Total liquidity as of November 28, 2015 was \$1,259.9 million, which consisted of revolver borrowing capacity of \$1,250.7 million and invested cash of \$9.2 million.

Credit Facility

On January 13, 2015, we amended and restated our Amended and Restated Senior Secured Credit Facility, which, among other things, increased borrowing capacity from \$1.795 billion to \$3.0 billion (which further increased to \$3.7 billion upon the redemption of our 8.00% Notes on August 15, 2015), and extended the maturity to January 2020 from February 2018. We used borrowings under the revolver to repay and retire all of the \$1.144 billion outstanding under our Tranche 7 Senior Secured Term Loan due 2020, along with associated fees and expenses. Borrowings under the revolver bear interest at a rate per annum between LIBOR plus 1.50% and LIBOR plus 2.00% based upon the average revolver availability (as defined in the Amended and Restated Senior Secured Credit Facility). We are required to pay fees between 0.250% and 0.375% per annum on the daily unused amount of the revolver, depending on the Average Revolver Availability (as defined in the Amended and Restated Senior Secured Credit Facility). Amounts drawn under the revolver become due and payable on January 13, 2020.

On February 10, 2015, we amended the Amended and Restated Senior Secured Credit Facility to, among other things, increase the flexibility of Rite Aid to incur and/or issue unsecured indebtedness, including in connection with the acquisition of EnvisionRx, and made certain other modifications to the covenants applicable to Rite Aid and its subsidiaries.

Our ability to borrow under the revolver is based upon a specified borrowing base consisting of accounts receivable, inventory and prescription files. At November 28, 2015, we had \$2,380.0 million of borrowings outstanding under the revolver and had letters of credit outstanding against the revolver of \$69.3 million, which resulted in additional borrowing capacity of \$1,250.7 million. If at any time the total credit exposure outstanding under our Amended and Restated Senior Secured Credit Facility

and the principal amount of our other senior obligations exceeds the borrowing base, we will be required to make certain other mandatory prepayments to eliminate such shortfall.

The Amended and Restated Senior Secured Credit Facility restricts us and all of our subsidiaries that guarantee our obligations under the Amended and Restated Senior Secured Credit Facility, second priority secured term loan facilities, secured guaranteed notes and unsecured guaranteed notes (the “Subsidiary Guarantors”) from accumulating cash on hand in excess of \$200.0 million at any time when revolving loans are outstanding (not including cash located in our store deposit accounts, cash necessary to cover our current liabilities, cash proceeds of notes issued in connection with a proposed business acquisition, including the proceeds from our April 2, 2015 issuance of \$1.8 billion of our 6.125% Notes, issued to finance the cash portion of our acquisition of EnvisionRx, and certain other exceptions) and from accumulating cash on hand with revolver borrowings in excess of \$100.0 million over three consecutive business days. The Amended and Restated Senior Secured Credit Facility also states that if at any time (other than following the exercise of remedies or acceleration of any senior obligations or second priority debt and receipt of a triggering notice by the senior collateral agent from a representative of the senior obligations or the second priority debt) either (a) an event of default exists under our Amended and Restated Senior Secured Credit Facility or (b) the sum of revolver availability under our Amended and Restated Senior Secured Credit Facility and certain amounts held on deposit with the senior collateral agent in a concentration account is less than \$100.0 million for three consecutive business days (a “cash sweep period”), the funds in our deposit accounts will be swept to a concentration account with the senior collateral agent and will be applied first to repay outstanding revolving loans under the Amended and Restated Senior Secured Credit Facility, and then held as collateral for the senior obligations until such cash sweep period is rescinded pursuant to the terms of our Amended and Restated Senior Secured Credit Facility.

The Amended and Restated Senior Secured Credit Facility allows us to have outstanding, at any time, up to \$1.5 billion (or \$1.8 billion solely to the extent incurred for the funding of the EnvisionRx acquisition) in secured second priority debt, split-priority term loan debt, unsecured debt and disqualified preferred stock in addition to borrowings under the Amended and Restated Senior Secured Credit Facility and existing indebtedness, provided that not in excess of \$750.0 million of such secured second priority debt, split-priority term loan debt, unsecured debt and disqualified preferred stock shall mature or require scheduled payments of principal prior to 90 days after the latest of (a) the fifth anniversary of the effectiveness of the Amended and Restated Senior Secured Credit Facility and (b) the latest maturity date of any Term Loan or Other Revolving Loan (each as defined in the Amended and Restated Senior Secured Credit Facility) (excluding bridge facilities allowing extensions on customary terms to at least the date that is 90 days after such date and, with respect to any escrow notes issued by Rite Aid, excluding any special mandatory redemption of the type described in clause (iii) of the definition of “Escrow Notes” in the Amended and Restated Senior Secured Credit Facility). Subject to the limitations described in clauses (a) and (b) of the immediately preceding sentence, the Amended and Restated Senior Secured Credit Facility additionally allows us to issue or incur an unlimited amount of unsecured debt and disqualified preferred stock so long as a Financial Covenant Effectiveness Period (as defined in the Amended and Restated Senior Secured Credit Facility) is not in effect; provided, however, that certain of our other outstanding indebtedness limits the amount of unsecured debt that can be incurred if certain interest coverage levels are not met at the time of incurrence or other exemptions are not available. The Amended and Restated Senior Secured Credit Facility also contains certain restrictions on the amount of secured first priority debt we are able to incur. The Amended and Restated Senior Secured Credit Facility also allows for the voluntary repurchase of any debt or other convertible debt, so long as the Amended and Restated Senior Secured Credit Facility is not in default and we maintain availability under our revolving credit facility of more than \$365.0 million.

The Amended and Restated Senior Secured Credit Facility has a financial covenant that requires us to maintain a minimum fixed charge coverage ratio of 1.00 to 1.00 (a) on any date on which availability under the revolving credit facility is less than \$200.0 million or (b) on the third consecutive business day on which availability under the revolving credit facility is less than \$250.0 million and, in each case, ending on and excluding the first day thereafter, if any, which is the 30th consecutive calendar day on which availability under the revolving credit facility is equal to or greater than \$250.0 million. As of November 28, 2015, the availability was at a level that did not trigger this covenant. The Amended and Restated Senior Secured Credit Facility also contains covenants which place restrictions on the incurrence of debt, the payments of dividends, sale of assets, mergers and acquisitions and the granting of liens.

The Amended and Restated Senior Secured Credit Facility provides for customary events of default including nonpayment, misrepresentation, breach of covenants and bankruptcy. It is also an event of default if we fail to make any required payment on debt having a principal amount in excess of \$50.0 million or any event occurs that enables, or which with the giving of notice or the lapse of time would enable, the holder of such debt to accelerate the maturity or require the repayment repurchase, redemption or defeasance of such debt. Any other convertible debt is excluded from this event of default.

We also have two second priority secured term loan facilities. The first includes a \$470.0 million second priority secured term loan (the “Tranche 1 Term Loan”). The Tranche 1 Term Loan matures on August 21, 2020 and currently bears interest at a rate per annum equal to LIBOR plus 4.75% with a LIBOR floor of 1.00%, if we choose to make LIBOR borrowings, or at Citibank’s base rate plus 3.75%. The second includes a \$500.0 million second priority secured term loan (the “Tranche 2 Term Loan”). The Tranche 2

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Term Loan matures on June 21, 2021 and currently bears interest at a rate per annum equal to LIBOR plus 3.875% with a LIBOR floor of 1.00%, if we choose to make LIBOR borrowings, or at Citibank's base rate plus 2.875%.

The second priority secured term loan facilities and the indentures that govern our secured and guaranteed unsecured notes contain restrictions on the amount of additional secured and unsecured debt that can be incurred by us. As of November 28, 2015, the amount of additional secured debt that could be incurred under the most restrictive covenant of the second priority secured term loan facilities and these indentures was approximately \$1.5 billion (which amount does not include the ability to enter into certain sale and leaseback transactions). However, we currently cannot incur any additional secured debt assuming a fully drawn revolver and the outstanding letters of credit. The ability to issue additional unsecured debt under these indentures is generally governed by an interest coverage ratio test. As of November 28, 2015, we had the ability to issue additional unsecured debt under the second lien credit facilities and other indentures.

Other

On April 2, 2015, we issued \$1.8 billion aggregate principal amount of our 6.125% Notes to finance the majority of the cash portion of our acquisition of EnvisionRx, which closed on June 24, 2015. Our obligations under the notes are fully and unconditionally guaranteed, jointly and severally, on an unsubordinated basis, by all of our subsidiaries that guarantee our obligations under the Amended and Restated Senior Secured Credit Facility, the Tranche 1 Term Loan, the Tranche 2 Term Loan, the 9.25% senior notes due 2020 (the "9.25% Notes") and the 6.75% senior notes due 2021 (the "6.75% Notes") (the "Rite Aid Subsidiary Guarantors"), including EnvisionRx and certain of its domestic subsidiaries other than EIC (the "EnvisionRx Subsidiary Guarantors" and, together with the Rite Aid Subsidiary Guarantors, the "Subsidiary Guarantors"). The guarantees are unsecured. The 6.125% Notes are unsecured, unsubordinated obligations of Rite Aid Corporation and rank equally in right of payment with all of our other unsecured, unsubordinated indebtedness.

During May 2015, \$64.1 million of our 8.5% convertible notes due 2015 were converted into 24.8 million shares of common stock, pursuant to their terms. The remaining \$0.1 million of our 8.5% convertible notes due 2015 were repurchased by us upon maturity.

On August 15, 2015, we completed the redemption of all of our outstanding \$650.0 million aggregate principal amount of our 8.00% Notes. In connection with the redemption, we recorded a loss on debt retirement, including call premium and unamortized debt issue costs of \$33.2 million during the second quarter of fiscal 2016.

Net Cash Provided by/Used in Operating, Investing and Financing Activities

Cash flow provided by operating activities was \$669.5 million and \$474.0 million in the thirty-nine week periods ended November 28, 2015 and November 29, 2014, respectively. Operating cash flow was positively impacted primarily by a decrease in pharmacy inventory.

Cash used in investing activities was \$2,281.6 million and \$463.8 million for the thirty-nine week periods ended November 28, 2015 and November 29, 2014, respectively. Cash used in investing activities increased due to expenditures of \$1,778.4 million, net of cash acquired, related to the acquisition of EnvisionRx compared to the prior year expenditures of \$69.8 million, net of cash acquired, related to the acquisitions of Health Dialog and RediClinic in April 2014. Cash used for the purchase of property, plant, and equipment was higher than in the prior year due to a higher investment in Wellness store remodels.

Cash provided by financing activities was \$1,722.4 million and \$76.4 million for the thirty-nine week period ended November 28, 2015 and November 29, 2014, respectively. Cash provided by financing activities for the thirty-nine weeks ended November 28, 2015 reflects \$1.8 billion in proceeds from our 6.125% Notes, which was used to finance the cash portion of our acquisition of EnvisionRx, which is included in investing activities, as well as net proceeds from the revolver of \$655.0 million. We also redeemed \$650.0 million of our 8.0% senior secured notes and made scheduled payments of \$17.0 million on our capital lease obligations. Additionally, we paid an early redemption premium of \$26.0 million in connection with the redemption of our 8.0% senior secured notes and deferred financing costs paid in connection with the January 2015 senior secured credit facility refinancing and 6.125% Notes proceeds. Cash provided by financing activities also reflects proceeds from the issuance of common stock and excess tax benefit on stock options, partially offset by a reduction in our zero balance bank accounts.

Capital Expenditures

During the thirteen and thirty-nine week periods ended November 28, 2015 and November 29, 2014 capital expenditures were as follows:

	Thirteen Week Period Ended		Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
New store construction, store relocation and store remodel projects	\$ 76,341	\$ 87,698	\$ 242,395	\$ 214,323
Technology enhancements, improvements to distribution centers and other corporate requirements	66,314	43,607	171,943	110,615
Purchase of prescription files from other retail pharmacies	54,150	39,586	97,612	79,609
Total capital expenditures	<u>\$ 196,805</u>	<u>\$ 170,891</u>	<u>\$ 511,950</u>	<u>\$ 404,547</u>

We are operating 1,948 Wellness stores as of November 28, 2015. We plan on making total capital expenditures of approximately \$665.0 million during fiscal 2016, consisting of approximately \$310.0 million related to store relocations and remodels and new store construction, \$215.0 million related to infrastructure and maintenance requirements, \$125.0 million related to prescription file purchases and \$15.0 million related to EnvisionRx expenditures. Management expects that these capital expenditures will be financed primarily with cash flow from operating activities.

Future Liquidity

We are highly leveraged. Our high level of indebtedness could: (i) limit our ability to obtain additional financing; (ii) limit our flexibility in planning for, or reacting to, changes in our business and the industry; (iii) place us at a competitive disadvantage relative to our competitors with less debt; (iv) render us more vulnerable to general adverse economic and industry conditions; and (v) require us to dedicate a substantial portion of our cash flow to service our debt. Based upon our current levels of operations, we believe that cash flow from operations together with available borrowings under the revolving credit facility and other sources of liquidity will be adequate to meet our requirements for working capital, debt service and capital expenditures at least for the next twelve months. Based on our liquidity position, which we expect to remain strong throughout the year, we do not expect to be subject to the fixed charge covenant in our senior secured credit facility in the next twelve months. We will continue to assess our liquidity position and potential sources of supplemental liquidity in light of our operating performance, and other relevant circumstances. Subject to the limitations set forth in the Merger Agreement, including the requirement that we obtain WBA's consent prior to engaging in certain transactions, from time to time, we may seek deleveraging transactions, including entering into transactions to exchange debt for shares of common stock, issuance of equity (including preferred stock and convertible securities), repurchase or redemption of outstanding indebtedness, or seek to refinance our outstanding debt (including our revolving credit facility) or may otherwise seek transactions to reduce interest expense and extend debt maturities. Any of these transactions could impact our financial results. Upon closing of the Merger, we expect that all amounts due under the Amended and Restated Credit Facility, Tranche 1 Term Loan and Tranche 2 Term Loan will be paid in accordance with the terms of the Merger Agreement. Additionally, upon closing of the Merger, the indentures governing the 9.25% Notes, the 6.75% Notes and the 6.125% Notes require the Company or WBA to make a change of control offer to repurchase such notes from the noteholders, to the extent such notes remain outstanding at the closing.

Critical Accounting Policies and Estimates

For a description of the critical accounting policies that require the use of significant judgments and estimates by management, refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates" included in our Fiscal 2015 10-K, which we filed with the SEC on April 23, 2015, and the Second Quarter 2016 10-Q, which we filed on October 6, 2015.

Factors Affecting Our Future Prospects

For a discussion of risks related to our financial condition, operations and industry, refer to "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Fiscal 2015 10-K which we filed with the SEC on April 23, 2015.

Adjusted EBITDA and Other Non-GAAP Measures

In addition to net income determined in accordance with GAAP, we use certain non-GAAP measures, such as "Adjusted EBITDA", in assessing our operating performance. We believe the non-GAAP metrics serve as an appropriate measure in evaluating the performance of our business. We define Adjusted EBITDA as net income excluding the impact of income taxes (and any

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corresponding adjustments to tax indemnification asset), interest expense, depreciation and amortization, LIFO adjustments, charges or credits for facility closing and impairment, inventory write-downs related to store closings, debt retirements, and other items (including stock-based compensation expense, sale of assets and investments, and revenue deferrals related to our customer loyalty program). We reference this particular non-GAAP financial measure frequently in our decision-making because it provides supplemental information that facilitates internal comparisons to the historical periods and external comparisons to competitors. In addition, incentive compensation is primarily based on Adjusted EBITDA and we base certain of our forward-looking estimates on Adjusted EBITDA to facilitate quantification of planned business activities and enhance subsequent follow-up with comparisons of actual to planned Adjusted EBITDA.

The following is a reconciliation of Adjusted EBITDA to our net income for the thirteen and thirty-nine week periods ended November 28, 2015 and November 29, 2014:

	Thirteen Week Period Ended		Thirty-Nine Week Period Ended	
	November 28, 2015	November 29, 2014	November 28, 2015	November 29, 2014
	(dollars in thousands)			
Net income	\$ 59,543	\$ 104,846	\$ 99,848	\$ 274,141
Interest expense	106,879	97,400	345,895	299,170
Income tax expense	48,468	1,871	77,372	33,612
Depreciation and amortization expense	136,434	104,614	373,782	309,203
LIFO charges	5,986	1,543	17,959	4,632
Lease termination and impairment charges	7,011	8,702	21,670	20,661
Loss on debt retirements, net	—	18,512	33,205	18,512
Other	8,845	(4,719)	49,522	19,617
Adjusted EBITDA	<u>\$ 373,166</u>	<u>\$ 332,769</u>	<u>\$ 1,019,253</u>	<u>\$ 979,548</u>

In addition to Adjusted EBITDA, we occasionally refer to several other Non-GAAP measures, on a less frequent basis, in order to describe certain components of our business and how we utilize them to describe our results. These measures include but are not limited to Adjusted EBITDA Gross Margin and Gross Profit (gross margin/gross profit excluding non-Adjusted EBITDA items), Adjusted EBITDA SG&A (SG&A expenses excluding non-Adjusted EBITDA items), FIFO Gross Margin and FIFO Gross Profit (gross margin/gross profit before LIFO charges), and Free Cash Flow (Adjusted EBITDA less cash paid for interest, rent on closed stores, capital expenditures, acquisition costs and the change in working capital).

We include these non-GAAP financial measures in our earnings announcements and guidance in order to provide transparency to our investors and enable investors to better compare our operating performance with the operating performance of our competitors including with those of our competitors having different capital structures. Adjusted EBITDA or other non-GAAP measures should not be considered in isolation from, and are not intended to represent an alternative measure of, operating results or of cash flows from operating activities, as determined in accordance with GAAP. Our definition of these non-GAAP measures may not be comparable to similarly titled measurements reported by other companies.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

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

The table below provides information about our financial instruments that are sensitive to changes in interest rates. The table presents principal payments and the related weighted average interest rates by expected maturity dates as of November 28, 2015.

Fiscal Year	2016	2017	2018	2019	2020	Thereafter	Total	Fair Value at 11/28/2015
	(dollars in thousands)							
Long-term debt, including current portion, excluding capital lease obligations								
Fixed Rate	\$ 90	\$ —	\$ —	\$ —	\$ —	\$ 3,935,000	\$ 3,935,090	\$ 4,246,555
Average Interest Rate	7.61%	0.00%	0.00%	0.00%	0.00%	7.11%	7.11%	
Variable Rate	\$ —	\$ —	\$ —	\$ —	\$ 2,380,000	\$ 970,000	\$ 3,350,000	\$ 3,303,500
Average Interest Rate	0.00%	0.00%	0.00%	0.00%	2.17%	5.30%	3.08%	

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

The interest rate on our variable rate borrowings, which include our revolving credit facility, Tranche 1 Term Loan and our Tranche 2 Term Loan, are all based on LIBOR. However, the interest rate on our Tranche 1 Term Loan and Tranche 2 Term Loan have a LIBOR floor of 100 basis points. If the market rates of interest for LIBOR changed by 100 basis points as of November 28, 2015, our annual interest expense would change by approximately \$26.2 million.

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

ITEM 4. Controls and Procedures

(a) Disclosure Controls and Procedures

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

(b) Changes in Internal Control over Financial Reporting

On June 24, 2015, we completed our previously announced acquisition of EnvisionRx, at which time EnvisionRx became a subsidiary of the Company. See Note 2 to the condensed consolidated financial statements contained in this Quarterly Report for further details about the transaction. As a result of the Acquisition, we are currently in the process of assessing and integrating EnvisionRx’s internal controls over financial reporting into our financial reporting controls. There have not been any changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

Certain legal proceedings in which we are involved are discussed in Part I, Item 3 of our Annual Report for Fiscal 2015 on Form 10-K (the “10-K”), filed with the SEC on April 23, 2015 and in our quarterly report on Form 10-Q for the period ended August 29, 2015 (the “Second Quarter 10-Q”). The following discussion is limited to certain recent developments concerning our legal proceedings and should be read in conjunction with the 10-K and the Second Quarter 10-Q.

As of November 30, 2015, the Company was aware of eight (8) putative class action lawsuits (the “Complaints”) that were filed by purported Company stockholders, against the Company, its directors, Walgreens Boots Alliance, Inc. (“WBA”) and Victoria Merger Sub Inc., (“Victoria”) challenging the transactions contemplated by the Merger Agreement between the Company and WBA. Seven (7) of these actions were filed in the Court of Chancery of the State of Delaware (*Smukler v. Rite Aid Corp., et al.* , *Hirschler v. Standley, et al.* , *Catelli v. Rite Aid Corp., et al.* , *Orr v. Rite Aid Corp., et al.* , *DePietro v. Standley, et al.* , *Abadi v. Rite Aid Corp., et al.* , *Mortman v. Rite Aid Corp., et al.*). One (1) action was filed in Pennsylvania in the Court of Common Pleas of Cumberland County (*Wilson v. Rite Aid Corp., et al.*). The Complaints allege primarily that the Company’s directors breached their fiduciary duties by, among other things, agreeing to an allegedly unfair and inadequate price, agreeing to deal protection devices that allegedly prevent the directors from obtaining higher offers from other interested buyers for the Company and allegedly failing to protect against certain purported conflicts of interest in connection with the Merger. The Complaints further allege that the Company, WBA and/or Victoria aided and abetted these alleged breaches of fiduciary duty. The Complaints seek, among other things, to enjoin the closing of the Merger as well as money damages and attorneys’ and experts’ fees.

On December 4, 2015, following the filing of the preliminary proxy statement related to the proposed transaction with WBA (and after the close of the quarter), a ninth complaint was filed in the Court of Chancery of the State of Delaware by purported Company stockholders, Sachs Investment Group, Maurice Cohen and Steven Krol (*Sachs Investment Grp., et al. v. Standley, et al.*), against the Company’s directors, WBA and Victoria challenging the transactions contemplated by the Merger agreement between the Company and WBA (the “*Sachs* Complaint”). The *Sachs* Complaint asserts claims similar to those alleged in the earlier-filed Complaints and also includes allegations that the preliminary proxy statement contains material omissions, including with respect to the process that resulted in the Merger agreement and the fairness opinion rendered by the Company’s banker. The *Sachs* Complaint seeks, among other things, to enjoin the closing of the Merger, as well as money damages and attorneys’ and experts’ fees. Plaintiffs in the *Sachs* action also filed a motion for expedited proceedings on December 4, 2015, and on December 7, 2015, they filed a motion to consolidate the eight actions filed in Delaware and to appoint co-lead counsel. On December 22, 2015, the plaintiffs in each of the eight (8) cases then-pending in the Delaware Court of Chancery filed a joint Stipulation and Proposed Order Consolidating the Related Actions and Appointing Co-Lead Counsel and Delaware Counsel, which the Court so ordered on December 23, 2015 (the “Consolidation Order”). The Consolidation Order designates the *Sachs* Complaint as the operative pleading in the consolidated action, captioned *In re Rite Aid Corporation Stockholders Litigation* , Consol. C.A. No. 11663-CB. On December 28, 2015, the plaintiffs in the consolidated action filed an amended motion for expedited proceedings and a motion for preliminary injunction.

On December 18, 2015 (after the close of the quarter), Jerry Herring, a purported Rite Aid stockholder, filed a Direct Shareholder Class Action Complaint for Violations of the Exchange Act with a demand for a jury trial (the “*Herring* Complaint”), against Rite Aid, the Individual Defendants, WBA and Merger Sub in the United States District Court for the Middle District of Pennsylvania. The *Herring* Complaint alleges a claim for violations of Section 14(a) of the Exchange Act and SEC Rule 14a-9 against all defendants, and a claim for violations of Section 20(a) of the Exchange Act against the Individual Defendants and WBA. The *Herring* Complaint alleges, among other things, that Rite Aid and its Board of Directors disseminated an allegedly false and materially misleading proxy. The *Herring* Complaint seeks to enjoin the shareholder vote on the proposed Merger, a declaration that the proxy was materially false and misleading in violation of federal securities laws, and an award of money damages and attorneys’ and experts’ fees.

On February 28, 2012, the Company received an administrative subpoena from the U.S. Drug Enforcement Administration (“DEA”), Albany, New York District Office, requesting information regarding the Company’s sale of products containing pseudoephedrine (“PSE”). In April 2012, it also received a communication from the U.S. Attorney’s Office (“USAO”) for the Northern District of New York concerning an investigation of possible civil violations of the Combat Methamphetamine Epidemic Act of 2005 (“CMEA”). Additional subpoenas were issued in 2013 and 2014 seeking broader documentation regarding PSE sales and recordkeeping requirements. Assistant U.S. Attorneys from the Northern District of New York and West Virginia are currently investigating, but no charges have been filed. On September 2, 2015, the Company received a grand jury subpoena from the U.S. District Court for the Southern District of West Virginia seeking additional information in connection with the investigation of violations of the CMEA. Violations of the CMEA could result in the imposition of administrative, civil and/or criminal penalties against the Company. The Company is cooperating with the government and continues to provide information responsive to the subpoenas. The Company has entered into a tolling agreement with the USAO. Discussions are underway to resolve these matters with the U.S. Attorney’s Offices for the Northern District of New York, the Eastern District of New York, and the Southern District of West Virginia, but whether an agreement can be reached and on what terms is uncertain. While the Company’s management cannot predict the outcome of these matters, it is possible that the Company’s results of operations or cash flows could be materially affected by an unfavorable resolution. At this stage of the investigation, Rite Aid is unable to predict the outcome of the investigation.

The Company was served with a Civil Investigative Demand (“CID”) dated June 21, 2013 by the USAO for the Eastern District of California and the Attorney General’s Office of the State of California (the “AG”). The CID requested records and responses to interrogatories regarding Rite Aid’s Drug Utilization Review and prescription dispensing protocol and the dispensing of drugs designated “Code 1” by the State of California. The Company produced responsive documents and interrogatory responses to the USAO and AG and is in the process of producing additional documents and information that have been requested. At this stage, Rite Aid is unable to predict the outcome of the investigation.

ITEM 1A. Risk Factors

In addition to the risk factors set forth below and the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in our other filings with the SEC, which could materially affect our business, financial condition or future results.

Risks Related to the Proposed WBA Merger

The Merger with WBA is subject to closing conditions, including governmental, regulatory and stockholder approvals as well as other uncertainties and there can be no assurances as to whether and when it may be completed. Failure to complete the Merger could negatively impact our stock price, future business and financial results.

There can be no assurance that the proposed Merger with WBA will occur. Completion of the Merger is subject to certain conditions, including, among others, (i) approval of the Merger Agreement by holders of a majority of the outstanding shares of Rite Aid’s common stock entitled to vote on the Merger; (ii) the absence of any order or law prohibiting the Merger; (iii) the expiration or earlier termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended; (iv) the accuracy of the parties’ respective representations and warranties, subject in some instances to materiality or “Material Adverse Effect” qualifiers, as of the date of the Merger Agreement and the closing date of the Merger; (v) the parties’ respective performance in all material respects (or, with respect to Rite Aid’s specified obligations relating to incurring indebtedness, in all respects) of their respective agreements and covenants contained in the Merger Agreement at or prior to the closing of the Merger; and (vi) the absence of a “Material Adverse Effect” with respect to us, since the execution of and as defined in the Merger Agreement, including the absence of any event, development, circumstance, change, effect, condition or occurrence that results in, at closing, Rite Aid’s last twelve (12) months Adjusted EBITDA (as such term is defined in the Merger Agreement), being less than \$1.075 billion determined as of the end of the last fiscal month ended prior to closing for which internal financial statements of Rite Aid are available. While we believe we will receive the requisite approvals and that our stockholders will approve the adoption of the Merger Agreement, there can be no assurance that these and other conditions to closing will be satisfied at all or satisfied on the proposed terms and schedules as contemplated by the parties. Satisfaction of the closing conditions may delay the consummation of the Merger, and if certain closing conditions are not satisfied prior to the end date specified in the Merger Agreement, the parties will not be obligated to consummate the Merger.

If the Merger is not completed for any reason, we will have incurred substantial expenses. We have incurred substantial legal, accounting and financial advisory fees that are payable by us whether or not the Merger is completed, and our management has devoted considerable time and effort in connection with the pending Merger. If the Merger Agreement is terminated under certain circumstances, the Merger Agreement may require us to pay WBA a termination fee of \$325 million and/or reimburse WBA’s expenses of \$45 million, which reimbursement would be deducted from any termination fee owed to WBA. For these and other reasons, a failed merger could materially adversely affect our business, operating results or financial condition. In addition, the trading price of our common stock could be adversely affected to the extent that the current price reflects an assumption that the Merger will be completed.

The announcement and pendency of the Merger may cause disruptions in our business, which could have an adverse effect on our business, financial condition or results of operations.

The announcement and pendency of the Merger could cause disruptions in and create uncertainty regarding our business, which could have an adverse effect on our financial condition and results of operations, regardless of whether the Merger is completed. These risks, which could be exacerbated by a delay in the completion of the Merger, include the following:

- certain vendors may change their programs or processes which might adversely affect the supply or cost of the products, which then might adversely affect our stores sales or gross profit;
- our current and prospective associates may experience uncertainty about their future roles with WBA, which might adversely affect our ability to attract and retain key personnel;

- management and other employees may be distracted from day-to-day operations because matters related to the Merger may require substantial commitments of their time and resources, which could adversely affect our operations and financial results;
- our current and prospective customers may experience uncertainty about the ability of our stores to meet their needs, which might cause customers to make purchases or fill their prescriptions elsewhere;
- our ability to pursue alternative business opportunities, including strategic acquisitions, is limited by the terms of the Merger Agreement. If the Merger Agreement is not adopted by our stockholders, or if the Merger is not completed for any other reason, there can be no assurance that any other transaction acceptable to us will be offered or that our business, prospects or results of operations will not be adversely affected;
- our ability to make appropriate changes to our business may be restricted by covenants in the Merger Agreement; these restrictions generally require us to conduct our business in the ordinary course and subject us to a variety of specified limitations absent WBA's prior written consent. We may find that these and other contractual restrictions in the Merger Agreement may delay or prevent us from responding, or limit our ability to respond, effectively to competitive pressures, industry developments and future business opportunities that may arise during such period, even if our management believes they may be advisable; and
- the costs and potential adverse outcomes of litigation relating to the Merger.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Repurchases of Equity Securities. The table below is a listing of repurchases of common stock during the third quarter of fiscal 2016.

Fiscal period:	Total Number of Shares Repurchased (,000)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased under the Plans or Programs
August 30 to September 26, 2015	—	\$ —	—	—
September 27 to October 24, 2015(1)	27	\$ 6.02	—	—
October 25 to November 28, 2015	—	\$ —	—	—

(1) Represents shares withheld by the Company, at the election of certain holders of vested restricted stock, with a market value approximating the amount of withholding taxes due.

ITEM 3. Defaults Upon Senior Securities

Not applicable.

ITEM 4. Mine Safety Disclosures

Not applicable.

ITEM 5. Other Information

Not applicable.

ITEM 6. Exhibits

(a) The following exhibits are filed as part of this report.

Exhibit Numbers	Description	Incorporation By Reference To
3.1	Amended and Restated Certificate of Incorporation, dated January 22, 2014	Exhibit 3.1 to Form 10-K, filed on April 23, 2014
3.2	Amended and Restated By-Laws	Filed herewith
4.1	Indenture, dated as of February 27, 2012, among Rite Aid Corporation, as issuer, the subsidiary guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, related to the Company's 9.25% Senior Notes due 2020	Exhibit 4.1 to Form 8-K, filed on February 27, 2012
4.2	First Supplemental Indenture, dated as of May 15, 2012, among Rite Aid Corporation, the subsidiaries named therein and The Bank of New York Mellon Trust Company, N.A. to the Indenture, dated as of February 27, 2012, among Rite Aid Corporation, the subsidiary guarantors named therein and The Bank of New York Trust Company, N.A., related to the Company's 9.25% Senior Notes due 2020	Exhibit 4.23 to the Registration Statement on Form S-4, File No. 181651, filed on May 24, 2012
4.3	Indenture, dated as of August 1, 1993, between Rite Aid Corporation, as issuer, and Morgan Guaranty Trust Company of New York, as trustee, related to the Company's 7.70% Notes due 2027	Exhibit 4A to Registration Statement on Form S-3, File No. 033-63794, filed on June 3, 1993
4.4	Supplemental Indenture, dated as of February 3, 2000, between Rite Aid Corporation and U.S. Bank Trust National Association (as successor trustee to Morgan Guaranty Trust Company of New York) to the Indenture dated as of August 1, 1993, between Rite Aid Corporation and Morgan Guaranty Trust Company of New York, relating to the Company's 7.70% Notes due 2027	Exhibit 4.1 to Form 8-K filed on February 7, 2000

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Exhibit Numbers	Description	Incorporation By Reference To
4.5	Indenture, dated as of December 21, 1998, between Rite Aid Corporation, as issuer, and Harris Trust and Savings Bank, as trustee, related to the Company's 6.875% Notes due 2028	Exhibit 4.1 to Registration Statement on Form S-4, File No. 333-74751, filed on March 19, 1999
4.6	Supplemental Indenture, dated as of February 3, 2000, between Rite Aid Corporation and Harris Trust and Savings Bank to the Indenture, dated December 21, 1998, between Rite Aid Corporation and Harris Trust and Savings Bank, related to the Company's 6.875% Notes due 2028	Exhibit 4.4 to Form 8-K, filed on February 7, 2000
4.8	Indenture, dated as of July 2, 2013, among Rite Aid Corporation, as issuer, the subsidiary guarantors named therein and The Bank of New York Mellon Trust Company, N.A., related to the Company's 6.75% Senior Notes due 2021	Exhibit 4.1 to Form 8-K, filed on July 2, 2013
4.9	Registration Rights Agreement, dated as of February 10, 2015, by and among Rite Aid Corporation, TPG VI Envision, L.P., TPG VI DE BDH, L.P. and Envision Rx Options Holdings Inc.	Exhibit 10.3 to Form 8-K, filed on February 13, 2015
4.10	Indenture, dated as of April 2, 2015, among Rite Aid Corporation, as issuer, the subsidiary guarantors named therein and The Bank of New York Mellon Trust Company, N.A., related to the Company's 6.125% Senior Notes due 2023	Exhibit 4.1 to Form 8-K, filed on April 2, 2015
4.11	Registration Rights Agreement, dated as of April 2, 2015, among Rite Aid Corporation, the subsidiary guarantors named therein and Citigroup Global Markets Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC, Credit Suisse Securities (USA) LLC and Goldman, Sachs & Co., as the initial purchasers of the Company's 6.125% Senior Notes due 2023	Exhibit 10.1 to Form 8-K, filed on April 2, 2015
10.1	Employment Agreement by and between Rite Aid Corporation and Jocelyn Konrad dated as of August 18, 2015	Filed herewith
10.2	Employment Agreement by and between Rite Aid Corporation and Bryan Everett dated as of June 22, 2015	Filed herewith
10.3	Employment Agreement by and between Rite Aid Corporation and David Abelman dated as of August 3, 2015	Filed herewith
10.4	Amendment to Employment Agreement by and between Rite Aid Corporation and Kenneth Martindale dated as of October 26, 2015	Filed herewith
11	Statement regarding computation of earnings per share (See Note 4 to the condensed consolidated financial statements)	Filed herewith
31.1	Certification of CEO pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended	Filed herewith
31.2	Certification of CFO pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended	Filed herewith
32	Certification of CEO and CFO pursuant to 18 United States Code, Section 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
101.	The following materials are formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets at November 28, 2015 and February 28, 2015, (ii) Condensed Consolidated Statements of Operations for the thirteen and thirty-nine week periods ended November 28, 2015 and November 29, 2014, (iii) Condensed Consolidated Statements of Comprehensive Income for the thirteen and thirty-nine week periods ended November 28, 2015 and November 29, 2014, (iv) Condensed Consolidated Statements of Cash Flows for the thirty-nine week periods ended November 28, 2015 and November 29, 2014 and (v) Notes to Condensed Consolidated Financial Statements, tagged in detail.	

AMENDED AND RESTATED
BYLAWS
OF
RITE AID CORPORATION
As Amended through October 27, 2015

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AMENDED AND RESTATED

BY-LAWS

OF

RITE AID CORPORATION

(hereinafter called the "Corporation")

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be in the City of Wilmington, County of New Castle, State of Delaware.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware as shall be designated from time to time by the Board of Directors. The Board of Directors may, in its sole discretion, determine that a meeting of the stockholders shall not be held at any place, but may instead be held solely by means of remote communication in the manner authorized by the General Corporation Law of the State of Delaware (the "DGCL").

Section 2. Annual Meetings. The Annual Meetings of Stockholders for the election of directors shall be held on such date and at such time as shall be designated from time to time by the Board of Directors. Any other proper business may be transacted at the Annual Meeting of Stockholders.

Section 3. Special Meetings. Unless otherwise required by law, Special Meetings of Stockholders, for any purpose or purposes, may be called by either (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, (iii) the President or (iv) the Board of Directors. The ability of the stockholders to call a Special Meeting of Stockholders is hereby specifically denied. At a Special Meeting of Stockholders, only such business shall be conducted as shall be specified in the notice of meeting (or any supplement thereto).

Section 4. Nature of Business at Meetings of Stockholders. Only such business (other than nominations for election to the Board of Directors, which must comply with the provisions of Section 5 or Section 16 of this Article II) may be transacted at an Annual

Meeting of Stockholders as is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the Annual Meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the Annual Meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 4 and on the record date for the determination of stockholders entitled to notice of and to vote at such Annual Meeting and (ii) who complies with the notice procedures set forth in this Section 4.

In addition to any other applicable requirements, for business to be properly brought before an Annual Meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or be mailed and received at the principal executive offices of the Corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provided, however, that in the event that the Annual Meeting is called for a date that is not within 25 days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs. In no event shall the adjournment or postponement of an Annual Meeting, or the public announcement of such an adjournment or postponement, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

To be in proper written form, a stockholder's notice to the Secretary must set forth the following information: (a) as to each matter such stockholder proposes to bring before the Annual Meeting, a brief description of the business desired to be brought before the Annual Meeting and the reasons for conducting such business at the Annual Meeting, and (b) as to the stockholder giving notice and the beneficial owner, if any, on whose behalf the proposal is being made, (i) the name and address of such person, (ii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of all stock of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; (iii) a description of all agreements, arrangements, or understandings (whether written or oral)

between or among such person, or any affiliates or associates of such person, and any other person or persons (including their names) in connection with the proposal of such business and any material interest of such person or any affiliates or associates of such person, in such business, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person, (iv) a representation that the stockholder giving notice intends to appear in person or by proxy at the Annual Meeting to bring such business before the meeting; and (v) any other information relating to such person that would be required to be disclosed in a proxy statement or other filing required to be made in connection with the solicitation of proxies by such person with respect to the proposed business to be brought by such person before the Annual Meeting pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder.

A stockholder providing notice of business proposed to be brought before an Annual Meeting shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 4 shall be true and correct as of the record date for determining the stockholders entitled to receive notice of the Annual Meeting and such update and supplement shall be delivered to or be mailed and received by the Secretary at the principal executive offices of the Corporation not later than 5 business days after the record date for determining the stockholders entitled to receive notice of the Annual Meeting.

No business shall be conducted at the Annual Meeting of Stockholders except business brought before the Annual Meeting in accordance with the procedures set forth in this Section 4; provided, however, that, once business has been properly brought before the Annual Meeting in accordance with such procedures, nothing in this Section 4 shall be deemed to preclude discussion by any stockholder of any such business. If the chairman of an Annual Meeting determines that business was not properly brought before the Annual Meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

Nothing contained in this Section 4 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act (or any successor provision of law).

Section 5. Nomination of Directors. Only persons who are nominated in accordance with the following procedures or the procedures set forth in Section 16 of this Article II shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the Certificate of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any Annual Meeting of Stockholders, or at any Special Meeting of Stockholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 5 and on the record date for the determination of stockholders entitled to notice of and to vote at such Annual Meeting or Special Meeting and (ii) who complies with the notice procedures set forth in this Section 5.

In addition to any other applicable requirements, for a nomination to be made by a stockholder pursuant to this Section 5, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or be mailed and received at the principal executive offices of the Corporation (a) in the case of an Annual Meeting, not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders; provided, however, that in the event that the Annual Meeting is called for a date that is not within 25 days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the Annual Meeting was mailed or such public disclosure of the date of the Annual Meeting was made, whichever first occurs; and (b) in the case of a Special Meeting of Stockholders called for the purpose of electing directors, not later than the close of business on the 10th day following the day on which notice of the date of the Special Meeting was mailed or public disclosure of the date of the Special Meeting was made, whichever first occurs. In no event shall the adjournment or postponement of an Annual Meeting or a Special Meeting called for the purpose of electing directors, or the public announcement of such an adjournment or postponement, commence a new time period (or extend any time period) for the giving of a stockholder's notice as described above.

To be in proper written form, a stockholder's notice to the Secretary must set forth the following information: (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of such person, (ii) the principal occupation or employment of such person, (iii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B) the name of each nominee holder of shares of all stock of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of such shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; and (iv) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice, and the beneficial owner, if any, on whose behalf the nomination is being made, (i) the name and record address of such person; (ii) (A) the class or series and number of all shares of stock of the Corporation which are owned beneficially or of record by such person and any affiliates or associates of such person, (B)

the name of each nominee holder of shares of the Corporation owned beneficially but not of record by such person or any affiliates or associates of such person, and the number of shares of stock of the Corporation held by each such nominee holder, (C) whether and the extent to which any derivative instrument, swap, option, warrant, short interest, hedge or profit interest or other transaction has been entered into by or on behalf of such person, or any affiliates or associates of such person, with respect to stock of the Corporation and (D) whether and the extent to which any other transaction, agreement, arrangement or understanding (including any short position or any borrowing or lending of shares of stock of the Corporation) has been made by or on behalf of such person, or any affiliates or associates of such person, the effect or intent of any of the foregoing being to mitigate loss to, or to manage risk or benefit of stock price changes for, such person, or any affiliates or associates of such person, or to increase or decrease the voting power or pecuniary or economic interest of such person, or any affiliates or associates of such person, with respect to stock of the Corporation; (iii) a description of all agreements, arrangements, or understandings (whether written or oral) between such person, or any affiliates or associates of such person, and any proposed nominee or any other person or persons (including their names) pursuant to which the nomination(s) are being made by such person, and any material interest of such person, or any affiliates or associates of such person, in such nomination, including any anticipated benefit therefrom to such person, or any affiliates or associates of such person; (iv) a representation that the stockholder giving notice intends to appear in person or by proxy at the Annual Meeting or Special Meeting to nominate the persons named in its notice; and (v) any other information relating to such person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with the solicitation of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

A stockholder providing notice of any nomination proposed to be made at an Annual Meeting or Special Meeting pursuant to this Section 5 shall further update and supplement such notice, if necessary, so that the information provided or required to be provided in such notice pursuant to this Section 5 shall be true and correct as of the record date for determining the stockholders entitled to receive notice of the Annual Meeting or Special Meeting, and such update and supplement shall be delivered to or be mailed and received by the Secretary at the principal executive offices of the Corporation not later than 5 business days after the record date for determining the stockholders entitled to receive notice of such Annual Meeting or Special Meeting.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 5 or in Section 16 of this Article II, except as may be otherwise provided in the Certificate of Incorporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. If the chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 6. Notice. Whenever stockholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called. Unless otherwise required by law, the written notice of any meeting shall be given not less than ten nor more than sixty days before the date of the meeting to each stockholder entitled to vote at such meeting.

Section 7. Adjournments. Any meeting of the stockholders may be adjourned from time to time to reconvene at the same or some other place, if any, and notice need not be given of any such adjourned meeting if the time and place, if any, thereof and the means of remote communications, if any, by which stockholders and proxyholders may be deemed to be present in person and vote at such adjourned meeting are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting in accordance with the requirements of Section 6 of Article II hereof shall be given to each stockholder of record entitled to vote at the meeting.

Section 8. Quorum. Unless otherwise required by law or the Certificate of Incorporation, the holders of a majority of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, in the manner provided in Section 7 of Article II hereof, until a quorum shall be present or represented.

Section 9. Voting. Unless otherwise required by law, the Certificate of Incorporation, these By-Laws or the rules of any securities exchange or quotation system on which the Corporation's shares are listed or quoted for trading, any question brought before any meeting of stockholders, other than the election of directors, shall be decided by the vote of the holders of a majority of the total number of votes of the capital stock represented at the meeting and entitled to vote on such question, voting as a single class. Unless otherwise provided in the Certificate of Incorporation, and subject to Section 5 of Article V hereof, each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy as provided in Section 10 of Article II hereof. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in such officer's discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 10. Proxies. Each stockholder entitled to vote at a meeting of the stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder as proxy, but no such proxy shall

be voted upon after three years from its date, unless such proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for such stockholder as proxy, the following shall constitute a valid means by which a stockholder may grant such authority:

(i) A stockholder may execute a writing authorizing another person or persons to act for such stockholder as proxy. Execution may be accomplished by the stockholder or such stockholder's authorized officer, director, employee or agent signing such writing or causing such person's signature to be affixed to such writing by any reasonable means, including, but not limited to, by facsimile signature.

(ii) A stockholder may authorize another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such electronic transmission, provided that any such telegram, cablegram or other electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder. If it is determined that such telegram, cablegram or other electronic transmission is valid, the inspectors or, if there are no inspectors, such other persons making that determination shall specify the information on which they relied.

Any copy, facsimile telecommunication or other reliable reproduction of the writing or electronic transmission authorizing another person or persons to act as proxy for a stockholder may be substituted or used in lieu of the original writing or electronic transmission for any and all purposes for which the original writing or electronic transmission could be used; provided, however, that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or electronic transmission.

Section 11. Consent of Stockholders in Lieu of Meeting. Unless otherwise provided in the Certificate of Incorporation, any action required or permitted to be taken at any Annual or Special Meeting of Stockholders of the Corporation, may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereat were present and voted and shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within 60 days of the earliest dated consent delivered in the manner required by this Section 11 to the Corporation, written consents signed by a sufficient number of holders to take action are delivered to the Corporation by delivery to its registered office in the State of Delaware, its

principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. A telegram, cablegram or other electronic transmission consenting to an action to be taken and transmitted by a stockholder or proxyholder, or by a person or persons authorized to act for a stockholder or proxyholder, shall be deemed to be written, signed and dated for the purposes of this Section 11 and Section 5(b) of Article V hereof, provided that any such telegram, cablegram or other electronic transmission sets forth or is delivered with information from which the Corporation can determine (i) that the telegram, cablegram or other electronic transmission was transmitted by the stockholder or proxyholder or by a person or persons authorized to act for the stockholder or proxyholder and (ii) the date on which such stockholder or proxyholder or authorized person or persons transmitted such telegram, cablegram or electronic transmission. The date on which such telegram, cablegram or electronic transmission is transmitted shall be deemed to be the date on which such consent was signed. No consent given by telegram, cablegram or other electronic transmission shall be deemed to have been delivered until such consent is reproduced in paper form and until such paper form shall be delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of the stockholders are recorded. Delivery made to the Corporation's registered office shall be made by hand or by certified or registered mail, return receipt requested. Any copy, facsimile or other reliable reproduction of a consent in writing may be substituted or used in lieu of the original writing for any and all purposes for which the original writing could be used, provided that such copy, facsimile or other reproduction shall be a complete reproduction of the entire original writing. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing and who, if the action had been taken at a meeting, would have been entitled to notice of the meeting if the record date for such meeting had been the date that written consents signed by a sufficient number of holders to take the action were delivered to the Corporation as provided above in this Section 11.

Section 12. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting or (ii) during ordinary business hours, at the principal place of business of the Corporation. In the event that the Corporation determines to make the list available on an electronic network, the Corporation may take reasonable steps to ensure that such information is available only to stockholders of the Corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably

accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

Section 13. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list required by Section 12 of Article II hereof or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

Section 14. Conduct of Meetings. The Board of Directors of the Corporation may adopt by resolution such rules and regulations for the conduct of any meeting of the stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the chairman of any meeting of the stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the chairman of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) the determination of when the polls shall open and close for any given matter to be voted on at the meeting; (iii) rules and procedures for maintaining order at the meeting and the safety of those present; (iv) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairman of the meeting shall determine; (v) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (vi) limitations on the time allotted to questions or comments by participants.

Section 15. Inspectors of Election. In advance of any meeting of the stockholders, the Board of Directors, by resolution, the Chairman of the Board of Directors, the Chief Executive Officer or the President shall appoint one or more inspectors to act at the meeting and make a written report thereof. One or more other persons may be designated as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of the stockholders, the chairman of the meeting shall appoint one or more inspectors to act at the meeting. Unless otherwise required by applicable law, inspectors may be officers, employees or agents of the Corporation. Each inspector, before entering upon the discharge of the duties of inspector, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of such inspector's ability. The inspector shall have the duties prescribed by law and shall take charge of the polls and, when the vote is completed, shall make a certificate of the result of the vote taken and of such other facts as may be required by applicable law.

Section 16. Proxy Access.

(a) Whenever the Board of Directors solicits proxies with respect to the election of directors at an Annual Meeting of Stockholders (following the 2015 Annual Meeting of Stockholders), subject to the provisions of this Section 16, the Corporation shall include in its proxy statement for such Annual Meeting, in addition to any persons nominated for election by the Board of Directors or any committee thereof, the name, together with the Required Information (as defined below), of any person nominated for election (the “Stockholder Nominee”) to the Board of Directors by a stockholder or group of no more than 20 stockholders that satisfies the requirements of this Section 16 (the “Eligible Stockholder”) and that expressly elects at the time of providing the notice required by this Section 16 (the “Notice of Proxy Access Nomination”) to have such nominee included in the Corporation’s proxy materials pursuant to this Section 16. For purposes of this Section 16, the “Required Information” that the Corporation will include in its proxy statement is (i) the information provided to the Secretary of the Corporation concerning the Stockholder Nominee and the Eligible Stockholder that is required to be disclosed in the Corporation’s proxy statement pursuant to Section 14 of the Exchange Act, and the rules and regulations promulgated thereunder, and (ii) if the Eligible Stockholder so elects, a Supporting Statement (as defined below).

(b) To be timely, the Notice of Proxy Access Nomination must be delivered to or be mailed and received by the Secretary at the principal executive offices of the Corporation not less than 120 days and not more than 150 days prior to the first anniversary of the date that the Corporation distributed its proxy statement to stockholders for the previous year’s Annual Meeting of Stockholders. In no event shall the adjournment or postponement of an Annual Meeting, or the public announcement of such an adjournment or postponement, commence a new time period (or extend any time period) for the giving of a Notice of Proxy Access Nomination pursuant to this Section 16.

(c) The maximum number of Stockholder Nominees nominated by all Eligible Stockholders that will be included in the Corporation’s proxy materials with respect to an Annual Meeting of Stockholders shall not exceed 20% of the number of directors in office as of the last day on which a Notice of Proxy Access Nomination may be delivered pursuant to and in accordance with this Section 16 (the “Final Proxy Access Nomination Date”) or, if such amount is not a whole number, the closest whole number below 20%. In the event that one or more vacancies for any reason occurs on the Board of Directors after the Final Proxy Access Nomination Date but before the date of the Annual Meeting and the Board of Directors resolves to reduce the size of the Board of Directors in connection therewith, the maximum number of Stockholder Nominees included in the Corporation’s proxy materials shall be calculated based on the number of directors in office as so reduced. For purposes of determining when the maximum number of Stockholder Nominees provided for in this Section 16 has been reached, each of the following persons shall be counted as one of the Stockholder Nominees: (i) any individual nominated by an Eligible Stockholder for inclusion in the Corporation’s proxy materials pursuant to this Section 16 whose nomination is subsequently withdrawn, (ii) any individual nominated by an Eligible Stockholder for inclusion in the Corporation’s proxy materials pursuant to this Section 16 whom the Board of Directors decides to nominate for election to the Board of Directors and (iii) any director in office as of the Final Proxy Access Nomination Date who was included in the

Corporation's proxy materials as a Stockholder Nominee for either of the two preceding Annual Meetings of Stockholders (including any individual counted as a Stockholder Nominee pursuant to the immediately preceding clause (ii)) and whom the Board of Directors decides to nominate for re-election to the Board of Directors. Any Eligible Stockholder submitting more than one Stockholder Nominee for inclusion in the Corporation's proxy materials pursuant to this Section 16 shall rank such Stockholder Nominees based on the order in which the Eligible Stockholder desires such Stockholder Nominees to be selected for inclusion in the Corporation's proxy materials in the event that the total number of Stockholder Nominees submitted by Eligible Stockholders pursuant to this Section 16 exceeds the maximum number of Stockholder Nominees provided for in this Section 16. In the event that the number of Stockholder Nominees submitted by Eligible Stockholders pursuant to this Section 16 exceeds the maximum number of Stockholder Nominees provided for in this Section 16, the highest ranking Stockholder Nominee who meets the requirements of this Section 16 from each Eligible Stockholder will be selected for inclusion in the Corporation's proxy materials until the maximum number is reached, going in order of the amount (largest to smallest) of shares of common stock of the Corporation each Eligible Stockholder disclosed as owned in its Notice of Proxy Access Nomination. If the maximum number is not reached after the highest ranking Stockholder Nominee who meets the requirements of this Section 16 from each Eligible Stockholder has been selected, then the next highest ranking Stockholder Nominee who meets the requirements of this Section 16 from each Eligible Stockholder will be selected for inclusion in the Corporation's proxy materials, and this process will continue as many times as necessary, following the same order each time, until the maximum number is reached.

(d) In order to make a nomination pursuant to this Section 16, an Eligible Stockholder must have owned (as defined below) at least 3% of the Corporation's outstanding common stock (the "Required Shares") continuously for at least three years (the "Minimum Holding Period") as of both the date the Notice of Proxy Access Nomination is delivered to the Secretary of the Corporation in accordance with this Section 16 and the record date for determining the stockholders entitled to receive notice of the Annual Meeting, and must continue to own the Required Shares through the date of the Annual Meeting. For purposes of this Section 16, an Eligible Stockholder shall be deemed to "own" only those outstanding shares of common stock of the Corporation as to which the stockholder possesses both (i) the full voting and investment rights pertaining to the shares and (ii) the full economic interest in (including the opportunity for profit from and risk of loss on) such shares; provided that the number of shares calculated in accordance with clauses (i) and (ii) shall not include any shares (x) sold by such stockholder or any of its affiliates in any transaction that has not been settled or closed, (y) borrowed by such stockholder or any of its affiliates for any purposes or purchased by such stockholder or any of its affiliates pursuant to an agreement to resell or (z) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar instrument or agreement entered into by such stockholder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares of outstanding common stock of the Corporation, if, in any such case, such instrument or agreement has, or is intended to have, the purpose or effect of (1) reducing in any manner, to any extent or at any time in the future, such stockholder's or its affiliates' full right to vote or direct the voting of any such shares and/or (2) hedging, offsetting or altering to any degree any gain or loss realized or realizable from maintaining the full economic ownership of such shares by such

stockholder or affiliate. A stockholder shall “own” shares held in the name of a nominee or other intermediary so long as the stockholder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A stockholder’s ownership of shares shall be deemed to continue during any period in which the stockholder has delegated any voting power by means of a proxy, power of attorney or other instrument or arrangement which is revocable at any time by the stockholder. The terms “owned,” “owning” and other variations of the word “own” shall have correlative meanings. Whether outstanding shares of the common stock of the Corporation are “owned” for these purposes shall be determined by the Board of Directors or any committee thereof. For purposes of this Section 16, the term “affiliate” or “affiliates” shall have the meaning ascribed thereto under the General Rules and Regulations under the Exchange Act.

(e) To be in proper form for purposes of this Section 16, the Notice of Proxy Access Nomination must include or be accompanied by the following:

(i) one or more written statements from the record holder of the Required Shares (and from each intermediary through which the Required Shares are or have been held during the Minimum Holding Period) verifying that, as of a date within seven calendar days prior to the date the Notice of Proxy Access Nomination is delivered to or mailed and received by the Secretary of the Corporation, the Eligible Stockholder owns, and has owned continuously for the Minimum Holding Period, the Required Shares, and the Eligible Stockholder’s agreement to provide, within five business days after the record date for determining the stockholders entitled to receive notice of the Annual Meeting, one or more written statements from the record holder and such intermediaries verifying the Eligible Stockholder’s continuous ownership of the Required Shares through the record date;

(ii) a copy of the Schedule 14N that has been filed with the United States Securities and Exchange Commission as required by Rule 14a-18 under the Exchange Act;

(iii) the information and representations that would be required to be set forth in a stockholder’s notice of a nomination pursuant to Section 5 of this Article II (including the written consent of each Stockholder Nominee to being named in the proxy statement as a nominee and to serving as a director if elected);

(iv) a representation that the Eligible Stockholder (A) will continue to hold the Required Shares through the date of the Annual Meeting, (B) acquired the Required Shares in the ordinary course of business and not with the intent to change or influence control at the Corporation, and does not presently have such intent, (C) has not nominated and will not nominate for election to the Board of Directors at the Annual Meeting any person other than the Stockholder Nominee(s) it is nominating pursuant to this Section 16, (D) has not engaged and will not engage in, and has not and will not be a “participant” in another person’s, “solicitation” within the meaning of Rule 14a-1(l) under the Exchange Act in support of the election of any individual as a director at the Annual Meeting other than its Stockholder Nominee(s) or a nominee of the Board of Directors, (E) has not distributed and will not distribute to any stockholder of the Corporation any form of proxy for the Annual Meeting other than the form distributed by the Corporation, (F) has complied and will comply with all laws and regulations

applicable to solicitations and the use, if any, of soliciting material in connection with the Annual Meeting, and (G) has provided and will provide facts, statements and other information in all communications with the Corporation and its stockholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make such information, in light of the circumstances under which it was or will be made or provided, not misleading;

(v) a representation as to the Eligible Stockholder's intentions with respect to continuing to own the Required Shares for at least one year following the Annual Meeting;

(vi) an undertaking that the Eligible Stockholder agrees to (A) assume all liability stemming from any legal or regulatory violation arising out of communications with the stockholders of the Corporation by the Eligible Stockholder, its affiliates and associates or their respective agents and representatives, either before or after providing a Notice of Proxy Access Nomination pursuant to this Section 16, or out of the facts, statements or other information that the Eligible Stockholder or its Stockholder Nominee(s) provided to the Corporation in connection with the inclusion of such Stockholder Nominee(s) in the

Corporation's proxy materials, and (B) indemnify and hold harmless the Corporation and each of its directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the Corporation or any of its directors, officers or employees arising out of any nomination submitted by the Eligible Stockholder pursuant to this Section 16; and

(vii) a written representation and agreement from each Stockholder Nominee that such Stockholder Nominee (A) is not and will not become a party to any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such Stockholder Nominee, if elected as a director of the Corporation, will act or vote on any issue or question that has not been disclosed to the Corporation, (B) is not and will not become a party to any agreement, arrangement or understanding with any person or entity other than the Corporation with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed to the Corporation, (C) has read and will comply with the Corporation's code of ethics, corporate governance guidelines, stock ownership and trading policies and guidelines and any other policies or guidelines of the Corporation applicable to directors and (D) will make such other acknowledgments, enter into such agreements and provide such information as the Board of Directors requires of all directors, including promptly submitting all completed and signed questionnaires required of the Corporation's directors.

(f) In addition to the information required pursuant to Section 16(e) or any other provision of these By-Laws, the Corporation also may require each Stockholder Nominee to furnish any other information (i) that may reasonably be requested by the Corporation to determine whether the Stockholder Nominee would be independent under the rules and listing standards of the principal United States securities exchanges upon which the common stock of

the Corporation is listed or traded, any applicable rules of the U.S. Securities and Exchange Commission or any publicly disclosed standards used by the Board of Directors in determining and disclosing the independence of the Corporation's directors (collectively, the "Independence Standards"), (ii) that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such Stockholder Nominee or (iii) that may reasonably be required to determine the eligibility of such Stockholder Nominee to serve as a director of the Corporation.

(g) The Eligible Stockholder may, at its option, provide to the Secretary of the Corporation, at the time the Notice of Proxy Access Nomination is provided, a written statement, not to exceed 500 words, in support of the Stockholder Nominee(s)' candidacy (a "Supporting Statement"). Only one Supporting Statement may be submitted by an Eligible Stockholder (including any group of stockholders together constituting an Eligible Stockholder) in support of its Stockholder Nominee(s). Notwithstanding anything to the contrary contained in this Section 16, the Corporation may omit from its proxy materials any information or Supporting Statement (or portion thereof) that it, in good faith, believes would violate any applicable law or regulation.

(h) In the event that any information or communications provided by an Eligible Stockholder or a Stockholder Nominee to the Corporation or its stockholders ceases to be true and correct in all material respects or omits a material fact necessary to make such information, in light of the circumstances under which it was made or provided, not misleading, such Eligible Stockholder or Stockholder Nominee, as the case may be, shall promptly notify the Secretary of the Corporation of any defect in such previously provided information and of the information that is required to correct any such defect. In addition, any person providing any information pursuant to this Section 16 shall further update and supplement such information, if necessary, so that all such information shall be true and correct as of the record date for determining the stockholders entitled to receive notice of the Annual Meeting and as of the date that is ten business days prior to such Annual Meeting or any adjournment or postponement thereof, and such update and supplement (or a written certification that no such updates or supplements are necessary and that the information previously provided remains true and correct as of the applicable date) shall be delivered to or be mailed and received by the Secretary at the principal executive offices of the Corporation not later than five business days after the record date for determining the stockholders entitled to receive notice of such Annual Meeting (in the case of the update and supplement required to be made as of the record date), and not later than seven business days prior to the date of the Annual Meeting or any adjournment or postponement thereof (in the case of the update and supplement required to be made as of ten business days prior to the meeting).

(i) Notwithstanding anything to the contrary contained in this Section 16, the Corporation shall not be required to include, pursuant to this Section 16, a Stockholder Nominee in its proxy materials (i) for any meeting of stockholders for which the Secretary of the Corporation receives notice that the Eligible Stockholder or any other stockholder intends to nominate one or more persons for election to the Board of Directors pursuant to the advance notice requirements for stockholder nominees set forth in Section 5 of this Article II, (ii) if such Stockholder Nominee would not be an independent director under the Independence Standards, as determined by the Board of Directors or any committee thereof, (iii) if such Stockholder

Nominee's election as a member of the Board of Directors would cause the Corporation to be in violation of these By-laws, the Charter, the rules and listing standards of the principal United States securities exchanges upon which the common stock of the Corporation is listed or traded, or any applicable state or federal law, rule or regulation, (iv) if such Stockholder Nominee is or has been, within the past three years, an officer or director of a competitor, as defined in Section 8 of the Clayton Antitrust Act of 1914, (v) who is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses) or has been convicted in such a criminal proceeding within the past ten years, (vi) if such Stockholder Nominee or the Eligible Stockholder who nominated such Stockholder Nominee provides any facts, statements or other information to the Corporation or its stockholders required or requested pursuant to this Section 16 that is not true and correct in all material respects or that omits a material fact necessary to make such information, in light of the circumstances in which it is made or provided, not misleading, or (vii) if such Stockholder Nominee or the Eligible Stockholder who nominated such Stockholder Nominee otherwise contravenes any of the agreements or representations made by such Stockholder Nominee or Eligible Stockholder or fails to comply with its obligations pursuant to this Section 16.

(j) Notwithstanding anything to the contrary set forth herein, if (i) a Stockholder Nominee and/or the applicable Eligible Stockholder breaches any of its or their obligations, agreements or representations under this Section 16 or (ii) the Stockholder Nominee otherwise becomes ineligible for inclusion in the Corporation's proxy materials pursuant to this Section 16 or dies, becomes disabled or is otherwise disqualified from being nominated for election or serving as a director of the Corporation, in each case as determined by the Board of Directors, any committee thereof or the chairman of the Annual Meeting, (x) the Corporation may omit or, to the extent feasible, remove the information concerning such Stockholder Nominee and the related Supporting Statement from its proxy materials and/or otherwise communicate to its stockholders that such Stockholder Nominee will not be eligible for election at the Annual Meeting, (y) the Corporation shall not be required to include in its proxy materials any successor or replacement nominee proposed by the applicable Eligible Stockholder or any other Eligible Stockholder and (z) the Board of Directors or the chairman of the Annual Meeting shall declare such nomination to be invalid, such nomination shall be disregarded notwithstanding that proxies in respect of such vote may have been received by the Corporation and the named proxies will not vote any proxies received from stockholders with respect to such Stockholder Nominee. In addition, if the Eligible Stockholder (or a representative thereof) does not appear at the Annual Meeting to present any nomination pursuant to this Section 16, such nomination shall be disregarded as provided in clause (z) above.

(k) Whenever the Eligible Stockholder consists of a group of stockholders, (i) each provision in this Section 16 that requires the Eligible Stockholder to provide any written statements, representations, undertakings, agreements or other instruments or to meet any other conditions shall be deemed to require each stockholder that is a member of such group to provide such statements, representations, undertakings, agreements or other instruments and to meet such other conditions (except that the members of such group may aggregate their shareholdings in order to meet the 3% ownership requirement of the "Required Shares" definition), (ii) a breach of any obligation, agreement or representation under this Section 16 by any member of such group shall be deemed a breach by the Eligible Stockholder and (iii) the Notice of Proxy Access

Nomination must designate one member of the group for purposes of receiving communications, notices and inquiries from the Corporation and otherwise authorize such member to act on behalf of all members of the group with respect to all matters relating to the nomination under this Section 16 (including withdrawal of the nomination). Whenever the Eligible Stockholder consists of a group of stockholders aggregating their shareholdings in order to meet the 3% ownership requirement of the "Required Shares" definition, (x) such ownership shall be determined by aggregating the lowest number of shares continuously owned (as defined in Section 16(d) hereof) by each such stockholder during the Minimum Holding Period and (y) the Notice of Proxy Access Nomination must indicate, for each such stockholder, such lowest number of shares continuously owned by such stockholder during the Minimum Holding Period. No person may be a member of more than one group of stockholders constituting an Eligible Stockholder with respect to any Annual Meeting. For the avoidance of doubt, a stockholder may withdraw from a group of stockholders constituting an Eligible Stockholder at any time prior to the Annual Meeting and if, as a result of such withdrawal, the Eligible Stockholder no longer owns the Required Shares, the nomination shall be disregarded as provided in Section 16(j).

(l) Any Stockholder Nominee who is included in the Corporation's proxy materials for a particular Annual Meeting of Stockholders but either (i) withdraws from or becomes ineligible or unavailable for election at the Annual Meeting, or (ii) does not receive at least 25% of the votes cast in favor of such Stockholder Nominee's election, will be ineligible to be a Stockholder Nominee pursuant to this Section 16 for the next two Annual Meetings of Stockholders. For the avoidance of doubt, the immediately preceding sentence shall not prevent any stockholder from nominating any person to the Board of Directors pursuant to and in accordance with Section 5 of this Article II.

(m) This Section 16 provides the exclusive method for a stockholder to include nominees for election to the Board of Directors in the Corporation's proxy materials.

ARTICLE III DIRECTORS

Section 1. Number and Election of Directors. The Board of Directors shall consist of not less than three nor more than fifteen members, the exact number of which shall be determined from time to time by resolution adopted by the Board of Directors. Except as provided in Section 2 of this Article III, a nominee for director shall be elected if the votes cast for such nominee's election exceed the votes cast against such nominee's election; provided, however, that the directors shall be elected by a plurality of the votes cast at any meeting of stockholders for which (i) the Secretary of the Corporation receives a notice that a stockholder (or group of stockholders) has nominated a person for election to the Board of Directors in compliance with the advance notice requirements for stockholder nominees for director set forth in Section 5 of Article II of these By-Laws or the proxy access requirements set forth in Section 16 of Article II of these By-Laws and (ii) such nomination has not been withdrawn by such stockholder (or group of stockholders) on or prior to the fourteenth day preceding the date the Corporation first mails its notice of meeting for such meeting to the stockholders. Each director so elected shall hold office until the expiration of the term for which the director was elected and until such director's successor is duly elected and qualified, or until such director's earlier death,

resignation or removal. Any director may resign at any time upon written notice to the Corporation. Directors need not be stockholders. Except for those persons who were serving as directors on January 1, 2002, no person shall be eligible to be elected or appointed to serve as a director after having reached 72 years of age, unless the Board of Directors has voted, on an annual basis, to waive such requirement.

Section 2. Vacancies. Unless otherwise required by law or the Certificate of Incorporation, vacancies arising through death, resignation, removal, an increase in the number of directors or otherwise may be filled only by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election at which the term of the directors of the class to which such director is elected expires and until his or their successors are duly elected and qualified, or until their earlier death, resignation or removal.

Section 3. Duties and Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws required to be exercised or done by the stockholders.

Section 4. Meetings. The Board of Directors (and any committee thereof) may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors (and any committee thereof) may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors or such committee, respectively. Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, the Chief Executive Officer or the President. Special meetings of any committee of the Board of Directors may be called by the chairman of such committee, if there be one, the Chief Executive Officer or the President. Notice thereof stating the place, date and hour of the meeting shall be given to each director (or, in the case of a committee, to each member of such committee) either by mail not less than 48 hours before the date of the meeting, by telephone, telegram, facsimile or other electronic transmission on 24 hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 5. Quorum. Except as otherwise required by law, the Certificate of Incorporation or the rules of any securities exchange or quotation system on which the Corporation's shares are listed or quoted for trading, at all meetings of the Board of Directors or any committee thereof, a majority of the entire Board of Directors or a majority of the directors constituting such committee, as the case may be, shall constitute a quorum for the transaction of business and the act of a majority of the directors or committee members present at any meeting at which there is a quorum shall be the act of the Board of Directors or such committee, as applicable. If a quorum shall not be present at any meeting of the Board of Directors or any committee thereof, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting of the time and place of the adjourned meeting, until a quorum shall be present.

Section 6. Actions by Written Consent. Unless otherwise provided in the Certificate of Incorporation or these By-Laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or such committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or such committee.

Section 7. Meetings by Means of Conference Telephone. Unless otherwise provided in the Certificate of Incorporation or these By-Laws, members of the Board of Directors of the Corporation, or any committee thereof, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 7 shall constitute presence in person at such meeting.

Section 8. Committees. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Corporation. Each member of a committee must meet the requirements for membership, if any, imposed by applicable law and the rules of any securities exchange or quotation system on which the Corporation's shares are listed or quoted for trading. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. Subject to the rules and regulations of any securities exchange or quotation system on which the securities of the Corporation are listed or quoted for trading, in the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another qualified member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the extent permitted by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 9. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary for service as a director, payable in cash or securities or any combination thereof. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 10. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its

directors or officers are directors or officers or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because the director's or officer's vote is counted for such purpose if (i) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV OFFICERS

Section 1. General. The officers of the Corporation shall be chosen by the Board of Directors and shall be a Chief Executive Officer, a President (or co-Presidents), a Secretary and a Treasurer. The Board of Directors shall choose a Chairman of the Board of Directors, and may in its discretion also choose a Non-Executive Co-Chairman of the Board of Directors, and one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. Any number of offices may be held by the same person, unless otherwise prohibited by law or the Certificate of Incorporation. The officers of the Corporation need not be stockholders of the Corporation nor, except in the case of the Chairman of the Board of Directors and the Non-Executive Co-Chairman of the Board of Directors, need such officers be directors of the Corporation.

Section 2. Election. The Board of Directors, at its first meeting held after each Annual Meeting of Stockholders (or action by written consent of stockholders in lieu of the Annual Meeting of Stockholders), shall elect the officers of the Corporation who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors; and all officers of the Corporation shall hold office until their successors are chosen and qualified, or until their earlier death, resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of the Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled by the Board of Directors. The salaries of all officers of the Corporation shall be fixed by the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chief Executive Officer, the President or any Vice President or any other officer authorized

to do so by the Board of Directors and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and power incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board of Directors may, but is not required to, be employed in an executive capacity by the Corporation. The Chairman of the Board of Directors shall perform such duties and may exercise such powers as may from time to time be assigned by these By-Laws or by the Board of Directors.

Section 5. Non-Executive Co-Chairman of the Board of Directors. From time to time, the Board of Directors may designate as a Non-Executive Co-Chairman of the Board of Directors one director who is not employed in an executive capacity by the Corporation. The Non-Executive Co-Chairman of the Board of Directors, if there be one, shall, preside at executive sessions of the non-management directors of the Board of Directors, and, if the Chairman of the Board of Directors is not available, preside at meetings of the Board of Directors. The Non-Executive Co-Chairman of the Board of Directors shall serve as a member of the Executive Committee, participate in setting Board agendas and schedules, and serve as a resource and advisor to the Chairman of the Board of Directors. The Non-Executive Co-Chairman of the Board of Directors shall also perform such other duties and may exercise such other powers as may from time to time be assigned by the Chairman of the Board of Directors or the Board of Directors.

Section 6. Chief Executive Officer. The Chief Executive Officer shall, subject to the control of the Board of Directors, have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors (and any committee thereof) are carried into effect. The Chief Executive Officer shall execute all bonds, mortgages, contracts and other instruments of the Corporation requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may sign and execute documents when so authorized by these By-Laws, the Board of Directors or the Chief Executive Officer. In the absence or disability of the Chairman and Non-Executive Co-Chairman of the Board of Directors, the Chief Executive Officer shall preside at all meetings of the stockholders and, provided the Chief Executive Officer is also a director, the Board of Directors. The Chief Executive Officer shall also perform such other duties and may exercise such other powers as may from time to time be assigned to such officer by these By-Laws or by the Board of Directors.

Section 7. President. At the request of the Chief Executive Officer or in the Chief Executive Officer's absence or in the event of the Chief Executive Officer's inability or refusal to act, the President shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. The President shall perform such other duties and have such other powers as

the Board of Directors or, subject to Section 6 of this Article IV, the Chief Executive Officer from time to time may prescribe.

Section 8. Vice Presidents. Any Vice President shall have such powers and perform such duties as may from time to time be assigned to such officer by the Board of Directors or, subject to Section 6 of this Article IV, by the Chief Executive Officer or the President. The Board of Directors may add to the title of any Vice President such distinguishing designation as may be deemed desirable, which may reflect the seniority, duties or responsibilities of such Vice President. The Chief Financial Officer, Treasurer and General Counsel shall have the powers and duties of a Vice President whether or not given that designation.

Section 9. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat in a book or books to be kept for that purpose; the Secretary shall also perform like duties for committees of the Board of Directors when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors, the Chairman of the Board of Directors or the Chief Executive Officer, under whose supervision the Secretary shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the Chief Executive Officer may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest to the affixing by such officer's signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 10. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all moneys and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. The Treasurer shall disburse the funds of the Corporation as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of the Treasurer and for the restoration to the Corporation, in case of the Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Treasurer's possession or under the Treasurer's control belonging to the Corporation.

Section 11. Assistant Secretaries. Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of the Secretary's inability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 12. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, the President, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of the Treasurer's inability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of the office of Assistant Treasurer and for the restoration to the Corporation, in case of the Assistant Treasurer's death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in the Assistant Treasurer's possession or under the Assistant Treasurer's control belonging to the Corporation.

Section 13. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

ARTICLE V STOCK

Section 1. Stock Certificates and Uncertificated Shares. The shares of stock of the Corporation may be represented by certificates or may be uncertificated. Every holder of stock in the Corporation shall be entitled to have a certificate signed, in the name of the Corporation (i) by the Chairman of the Board of Directors, the President or a Vice President and (ii) by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by such stockholder in the Corporation. Absent a specific request for such a certificate by the registered owner or transferee thereof, all shares may be uncertificated upon the original issuance thereof by the Corporation or upon surrender of the certificate representing such shares to the Corporation or its transfer agent.

Section 2. Signatures. Any or all of the signatures on a certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct uncertificated shares or, if requested by the registered owner, a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of uncertificated shares or a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or the owner's legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by law and in these By-Laws. Transfers of stock shall be made on the books of the Corporation, and in the case of certificated shares of stock, only by the person named in the certificate or by such person's attorney lawfully constituted in writing and upon the surrender of the certificate therefor, properly endorsed for transfer, or in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered owner of the shares or by such person's attorney lawfully constituted in writing, and in either case upon evidence of payment of all necessary transfer taxes; provided, however, that such surrender and endorsement or evidence of payment of taxes shall not be required in any case in which the proper officer or officers of the Corporation shall determine to waive such requirement. With respect to certificated shares of stock, every certificate exchanged, returned or surrendered to the Corporation shall be marked "Cancelled," with the date of cancellation, by the Secretary or Assistant Secretary of the Corporation or the transfer agent thereof. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 5. Record Date.

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty nor less than ten days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; providing, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record

date is adopted by the Board of Directors, and which record date shall not be more than ten days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the Corporation by delivery to its registered office in the State of Delaware, its principal place of business, or an officer or agent of the Corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to the Corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolutions taking such prior action.

(c) In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than 60 days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 6. Record Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

Section 7. Transfer and Registry Agents. The Corporation may from time to time maintain one or more transfer offices or agencies and registry offices or agencies at such place or places as may be determined from time to time by the Board of Directors.

ARTICLE VI NOTICES

Section 1. Notices. Whenever written notice is required by law, the

Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at such person's address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Without limiting the manner by which notice

otherwise may be given effectively to stockholders, any notice to stockholders given by the Corporation under applicable law, the Certificate of Incorporation or these By-Laws shall be effective if given by a form of electronic transmission if consented to by the stockholder to whom the notice is given. Any such consent shall be revocable by the stockholder by written notice to the Corporation. Any such consent shall be deemed to be revoked if (i) the Corporation is unable to deliver by electronic transmission two consecutive notices by the Corporation in accordance with such consent and (ii) such inability becomes known to the Secretary or Assistant Secretary of the Corporation or to the transfer agent, or other person responsible for the giving of notice; provided, however, that the inadvertent failure to treat such inability as a revocation shall not invalidate any meeting or other action. Notice given by electronic transmission, as described above, shall be deemed given: (i) if by facsimile telecommunication, when directed to a number at which the stockholder has consented to receive notice; (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder has consented to receive notice; (iii) if by a posting on an electronic network, together with separate notice to the stockholder of such specific posting, upon the later of (A) such posting and (B) the giving of such separate notice; and (iv) if by any other form of electronic transmission, when directed to the stockholder. Notice to directors or committee members may be given personally or by telegram, telex, cable or by means of electronic transmission.

Section 2. Waivers of Notice. Whenever any notice is required by law, the Certificate of Incorporation or these By-Laws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to said notice, or a waiver by electronic transmission by the person or persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto. Attendance of a person at a meeting, present in person or represented by proxy, shall constitute a waiver of notice of such meeting, except where the person attends the meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any Annual or Special Meeting of Stockholders or any regular or special meeting of the directors or members of a committee of directors need be specified in any written waiver of notice or any waiver by electronic transmission unless so required by law, the Certificate of Incorporation or these By-Laws.

ARTICLE VII GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the requirements of the DGCL and the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors at any regular or special meeting of the Board of Directors (or any action by written consent in lieu thereof in accordance with Section 6 of Article III hereof), and may be paid in cash, in property, or in shares of the Corporation's capital stock. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the Board of Directors from time to time, in its absolute discretion, deems proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or for any proper purpose, and the Board of Directors may modify or abolish any such reserve.

Section 2. Disbursements. All checks or demands for money and notes of the Corporation shall be signed by such officer or officers or such other person or persons as the Board of Directors may from time to time designate.

Section 3. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 4. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words "Corporate Seal, Delaware". The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

Section 5. Forum for Adjudication of Certain Disputes. Unless the Corporation consents in writing to the selection of an alternative forum (an "Alternative Forum Consent"), the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, stockholder, employee or agent of the Corporation to the Corporation or the Corporation's stockholders,

(iii) any action asserting a claim against the Corporation or any director, officer, stockholder, employee or agent of the Corporation arising out of or relating to any provision of the General Corporation Law of Delaware or the Corporation's Certificate of Incorporation or Bylaws, or

(iv) any action asserting a claim against the Corporation or any director, officer, stockholder, employee or agent of the Corporation governed by the internal affairs doctrine of the State of Delaware; provided, however, that, in the event that the Court of Chancery of the State of Delaware lacks subject matter jurisdiction over any such action or proceeding, the sole and exclusive forum for such action or proceeding shall be another state or federal court located within the State of Delaware, in each such case, unless the Court of Chancery (or such other state or federal court located within the State of Delaware, as applicable) has dismissed a prior action by the same plaintiff asserting the same claims because such court lacked personal jurisdiction over an indispensable party named as a defendant therein. Failure to enforce the foregoing provisions would cause the Corporation irreparable harm and the Corporation shall be entitled to equitable relief, including injunctive relief and specific performance, to enforce the foregoing provisions. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Section 5 of Article VII. If any action the subject matter of which is within the scope of this Section 5 of Article VII is filed in a court other than the Court of Chancery of the State of Delaware (or any other state or federal court located within the State of Delaware, as applicable) (a "Foreign Action") by or in the name of any stockholder, such stockholder shall be deemed to have consented to (i) the personal jurisdiction of the Court of Chancery of the State of Delaware (or such other state or federal court located within the State of Delaware, as applicable) in connection with any action brought in any such court to enforce this Section 5 of Article VII and (ii) having service of process made upon such stockholder in any such action by service upon such stockholder's counsel in the Foreign Action as agent for such stockholder. The existence of any prior Alternative Forum Consent shall not act as a waiver of the Corporation's ongoing

consent right as set forth above in this Section 5 of Article VII with respect to any current or future actions or claims.

ARTICLE VIII INDEMNIFICATION

Section 1. Power to Indemnify in Actions, Suits or Proceedings other than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that such person's conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that such person is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of the State of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the

specific case upon a determination that indemnification of the present or former director or officer is proper in the circumstances because such person has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion or (iv) by the stockholders. Such determination shall be made, with respect to former directors and officers, by any person or persons having the authority to act on the matter on behalf of the Corporation. To the extent, however, that a present or former director or officer of the Corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, a person shall be deemed to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe such person's conduct was unlawful, if such person's action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to such person by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 4 shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any director or officer may apply to the Court of Chancery of the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the director or officer is proper in the circumstances because such person has met the applicable standards of conduct set forth in Section 1 or 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the director or officer seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 shall be given to the Corporation promptly upon the

filing of such application. If successful, in whole or in part, the director or officer seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance. Expenses (including attorneys' fees) incurred by a director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Corporation as authorized in this Article VIII.

Section 7. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under the Certificate of Incorporation, any By-Law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Section 1 and Section 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification of any person who is not specified in Section 1 or Section 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify under the provisions of the DGCL, or otherwise.

Section 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was a director or officer of the Corporation serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the Corporation would have the power or the obligation to indemnify such person against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions. For purposes of this Article VIII, references to "the Corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors or officers, so that any person who is or was a director or officer of such constituent corporation, or is or was a director or officer of such constituent corporation serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Corporation" shall include any service as a director, officer, employee or agent of the Corporation which imposes duties on, or involves

services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interests of the Corporation” as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 hereof), the Corporation shall not be obligated to indemnify any director or officer (or his or her heirs, executors or personal or legal representatives) or advance expenses in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

ARTICLE IX AMENDMENTS

Section 1. Amendments. These By-Laws may be altered, amended or repealed, in whole or in part, or new By-Laws may be adopted, by the stockholders or by the Board of Directors, provided, however, that notice of the proposed alteration, amendment, repeal or adoption of new By-Laws be contained in the notice of the meeting of stockholders or Board of Directors, as the case may be, at which such proposed alteration, amendment, repeal or adoption is to be adopted. All such amendments must be approved by either the holders of a majority of the outstanding capital stock entitled to vote thereon or by a majority of the entire Board of Directors then in office.

Section 2. Entire Board of Directors. As used in this Article IX and in these By-Laws generally, the term “entire Board of Directors” means the total number of directors determined to constitute the Board of Directors pursuant to Article III, Section 1 hereof, without regard to any vacancies.

* * *

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is entered into as of the 18th day of August 2015 by and between Rite Aid Corporation, a Delaware corporation (the “Company”) and Jocelyn Konrad (“Executive”).

WHEREAS, the Company desires to hire and employ Executive and Executive desires to provide the Company with Executive’s services subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive (individually a “Party” and together the “Parties”), intending to be legally bound, agree as follows:

1. Term of Employment.

The term of Executive’s employment under this Agreement shall commence on August 3, 2015 (the “Effective Date”) and, unless earlier terminated pursuant to Section 5 below, shall continue for a period ending on the date that is two (2) years following the Effective Date (the “Original Term of Employment”). The Original Term of Employment shall be automatically renewed for successive one (1) year terms (the “Renewal Terms”) unless at least one hundred twenty (120) days prior to the expiration of the Original Term of Employment or any Renewal Term, either Party notifies the other Party in writing that Executive or it is electing to terminate this Agreement at the expiration of the then current Term of Employment. “Term” shall mean the Original Term of Employment and all Renewal Terms. For purposes of this Agreement, except as otherwise provided herein, the phrases “year during the Term” or similar language shall refer to each twelve (12) month period commencing on the Effective Date or applicable anniversaries thereof.

2. Position and Duties.

2.1 Generally. During the Term, Executive shall serve as the Executive Vice President of Pharmacy and shall have such officer level duties, responsibilities and authority as are customary for Executive Vice President and shall have such other officer level duties, responsibilities and authorities as shall be assigned by the Company from time to time consistent with such position. Executive shall devote Executive’s full working time, attention, knowledge and skills faithfully and to the best of Executive’s ability, to the duties and responsibilities assigned by the Company in furtherance of the business affairs and activities of the Company and its subsidiaries, affiliates and strategic partners. Executive shall report to the Company’s principal operating officer. Contemporaneously with termination of Executive’s employment for any reason, Executive shall automatically resign from all offices and positions Executive holds with the Company or any subsidiary without any further action on the part of Executive or the Company.

2.2 Other Activities. Anything herein to the contrary notwithstanding, nothing in this Agreement shall preclude the Executive from engaging in the following activities: (i) serving on the board of directors of a reasonable number of other corporations or the boards of a reasonable number of trade associations and/or charitable organizations, subject to the Company's approval, which shall not be unreasonably withheld, (ii) engaging in charitable activities and community affairs, and (iii) managing Executive's personal investments and affairs, provided that Executive's activities pursuant to clauses (i), (ii) or (iii) do not violate Sections 6 or 7 below or materially interfere with the proper performance of Executive's duties and responsibilities under this Agreement. Executive shall at all times be subject to, observe and carry out such rules, regulations, policies, directions, and restrictions as the Company may from time to time establish for officers of the Company or employees generally.

3. Compensation.

3.1 Base Salary. During the Term, as compensation for Executive's services hereunder, Executive shall receive a salary at the annualized rate of three hundred and fifty thousand dollars (\$350,000) per year ("Base Salary" as may be adjusted from time to time), which shall be paid in accordance with the Company's normal payroll practices and procedures, less such deductions or offsets required by applicable law or otherwise authorized by Executive.

3.2 Annual Performance Bonus. The Executive shall participate each fiscal year during the Term in the Company's annual bonus plan as adopted and approved by the Company's Board of Directors (the "Board") or the Compensation Committee of the Board (the "Compensation Committee") from time to time. For the fiscal year ongoing as of the Effective Date ("FY 16"), Executive's annual bonus opportunity pursuant to such plan shall equal seventy-five percent (75%) (the "Annual Target Bonus") of the Base Salary and for each subsequent year, equal to the bonus opportunity of other Executive Vice Presidents. Payment of any bonus earned shall be made in accordance with the terms of the Company's annual bonus plan as in effect for the year for which the bonus is earned.

3.3 Equity Awards.

Executive will be eligible to participate during the Term in the Company's Long Term Incentive Plan ("LTIP"). Executive's long term incentive factor will be based upon one hundred fifty percent (150%) of Executive's Base Salary. Therefore, on each regular grant date occurring during the Term, Executive will be granted awards under the Company's 2014 Omnibus Equity Plan or any successor plan thereto (the "Equity Plan"), a copy of which Equity Plan has been filed as Exhibit 10.1 to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on June 23, 2014, pursuant to the LTIP valued at one hundred fifty percent (150%) of Base Salary calculated in a manner consistent with and containing the same terms and conditions as other senior executives.

4. **Additional Benefits.**

4.1 **Employee Benefits.** During the Term, Executive shall be eligible to participate in the employee benefit plans (including, but not limited to medical, dental and life insurance plans, short-term and long-term disability coverage, the Supplemental Executive Retirement Plan and 401(k) plans in which management employees of the Company are generally eligible to participate, subject to satisfaction of any eligibility requirements and the other generally applicable terms of such plans. Nothing in this Agreement shall prevent the Company from amending or terminating any employee benefit plans of the Company from time to time as the Company deems appropriate.

4.2 **Expenses.** During the Term, the Company shall reimburse Executive for any expenses reasonably incurred by Executive in furtherance of Executive's duties hereunder, including without limitation, travel, meals and accommodations, upon submission of vouchers or receipts and in compliance with such rules and policies relating thereto as the Company may from time to time adopt or as may be required in order to permit such payments to be taken as proper deductions by the Company or any subsidiary under the Internal Revenue Code of 1986, as amended, and the rules and regulations adopted pursuant thereto now or hereafter in effect (the "Code"). The provisions of Section 14(b) shall apply to all reimbursements made under this Section 4.2.

4.3 **Vacation.** Executive shall be entitled to five (5) weeks paid vacation during each year of the Term.

4.4 **Automobile Allowance.** During the Term, the Company shall provide Executive with an automobile allowance of \$1,000.00 per month.

4.5 **Annual Financial Planning Allowance.** During the Term, the Company shall provide Executive with a financial planning allowance in the amount of \$5,000.00. The provisions of Section 14(b) shall apply to any payments or reimbursements made under this Section 4.5.

4.6 **Relocation.** Executive shall be eligible to participate in the Company's Level 1 relocation plan for executives.

4.7 **Indemnification.** The Company shall (a) indemnify and hold Executive harmless, to the full extent permitted under applicable law, for, from and against any and all losses, claims, costs, expenses, damages, liabilities or actions (including security holder actions, in respect thereof) relating to or arising out of the Executive's employment with and service as an officer of the Company, and (b) pay all reasonable costs, expenses and attorney's fees incurred by Executive in connection with or relating to the defense of any such loss, claim, cost, expense, damage, liability or action, subject to Executive's undertaking to repay in the event it is ultimately determined that Executive is not entitled to be indemnified by the Company. Following termination (except for termination by the Company for Cause) of the Executive's employment or service with the Company or any subsidiaries of the Company, the Company shall cause any director and officer liability insurance policies applicable to the Executive prior to such termination to remain in effect

for six (6) years following the date of termination of employment. The provisions of Section 14(b) shall apply to any payments or reimbursements made under this Section 4.7.

5. Termination.

5.1 Termination of Executive's Employment by the Company for Cause. The Company may terminate Executive's employment hereunder for Cause (as defined below). Such termination shall be effected by written notice thereof delivered by the Company to Executive, indicating in reasonable detail the facts and circumstances alleged to provide a basis for such termination, and shall be effective as of the date of such notice in accordance with Section 12 hereof. "Cause", as determined in reasonable good faith by a committee comprised of three (3) senior officers (one of which shall be Executive's supervisor) of the Company, shall mean: (i) Executive's gross negligence or willful misconduct in the performance of the duties or responsibilities of Executive's position with the Company or any subsidiary, or failure to timely carry out any lawful directive of the Company; (ii) Executive's misappropriation of any funds or property of the Company or any subsidiary; (iii) the conduct by Executive which is a material violation of this Agreement or Company Policy or which materially interferes with the Executive's ability to perform Executive's duties; (iv) the commission by Executive of an act of fraud or dishonesty toward the Company or any subsidiary; (v) Executive's misconduct or negligence which damages or injures the Company or the Company's reputation; (vi) Executive is convicted of or pleads guilty to a misdemeanor involving moral turpitude or any felony; or (vii) the use or imparting by Executive of any confidential or proprietary information of the Company or any subsidiary.

5.2 Compensation upon Termination by the Company for Cause or by Executive without Good Reason. In the event of Executive's termination of employment (i) by the Company for Cause or (ii) by Executive voluntarily without Good Reason:

(a) Executive shall be entitled to receive (i) all amounts of accrued but unpaid Base Salary through the effective date of such termination, (ii) reimbursement for reasonable and necessary expenses incurred by Executive through the date of notice of such termination, to the extent otherwise provided under Section 4.2 above, and (iii) all other vested payments and benefits to which Executive may otherwise be entitled pursuant to the terms of the applicable benefit plan or arrangement through the effective date of such termination ((i), (ii) and (iii), (the "Accrued Benefits")). All other rights of Executive (and, except as provided in Section 5.6 below, all obligations of the Company) hereunder or otherwise in connection with Executive's employment with the Company shall terminate effective as of the date of such termination of employment and Executive shall not be entitled to any payments or benefits not specifically described in this subsection (a) or (b) below.

(b) Any portion of any restricted stock or any other equity incentive awards as to which the restrictions have not lapsed or as to which any other conditions shall not have been satisfied prior to the date of termination shall be forfeited as of such date and any portion of Executive's stock options that have vested and become exercisable prior to the date of termination shall remain exercisable for a period of ninety (90) days following

the date of termination of employment (or, such later date as may be permitted by the relevant stock option or equity plan, or, if earlier, until the expiration of the respective terms of the options), whereupon all such options shall terminate; provided, however, in the event of termination of Executive by the Company for Cause, any stock options that have not been exercised prior to the date of termination shall immediately terminate as of such date.

Any termination of Executive's employment by Executive voluntarily without Good Reason shall be effective upon a thirty (30) day notice to the Company or such earlier date as the Company determines in its discretion and designates in writing. A termination of Executive's employment by the Company for Cause or by the Executive other than for Good Reason shall not constitute a breach of this Agreement.

5.3 Compensation upon Termination of Executive's Employment by the Company Other Than for Cause or by Executive for Good Reason.

Executive's employment hereunder may be terminated by the Company other than for Cause or by Executive for Good Reason. In the event that Executive's employment hereunder is terminated by the Company other than for Cause or by Executive for Good Reason:

(a) Executive shall be entitled to receive (i) the Accrued Benefits, (ii) an amount equal to two (2) years of Executive's then Base Salary as of the date of termination of employment, such amount payable in equal installments pursuant to the Company's standard payroll procedures for management employees over a period of two (2) years following the date that the release of claims (referred to below) becomes irrevocable (provided, if as of the date of termination the release of claims could become irrevocable in either of two taxable years of Executive, payments will not commence before the first day of the later such taxable year), and (iii) with respect to health insurance coverage, the cost of COBRA benefits (and equivalent benefits which shall be provided by the Company following expiration of any COBRA continuation period) to Executive and her immediate family for a period of two (2) years following the date of termination of employment.

(b) The Executive's stock option awards held by Executive shall vest and become immediately exercisable and the restrictions with respect to any awards of non-performance based restricted stock ("Restricted Stock") shall lapse, in each case to the extent such options would otherwise have become vested and exercisable (or such restrictions would have lapsed) had Executive remained in the employ of the Company for a period of two (2) years following the date of termination. Such portion of Executive's stock options (together with any portion of Executive's stock options that have vested and become exercisable prior to the date of termination) shall remain exercisable for a period of ninety (90) days following the date of termination of employment (or, such later date as may be permitted by the relevant stock option or equity plan, or, if earlier, until the expiration of the respective terms of the options), whereupon all such options shall terminate. Any remaining portion of Executive's stock options that have not vested (or deemed to have vested) as of the date of termination shall terminate as of such date; and all shares of Restricted Stock as to which the restrictions shall not have lapsed as of the date of termination shall be forfeited as of such date.

(c) If a termination pursuant to Section 5.3 of the Agreement occurs following the start of the Company's fiscal year, Executive shall also be entitled to receive, to the extent not previously paid (which shall be paid at the same time paid to other eligible participants in the bonus plan) and following determination by the Compensation Committee (or the Board) that the Company has achieved or exceeded its annual performance targets for the fiscal year, a pro rata annual bonus determined by multiplying the performance level achieved (relative to Executive's Annual Target Bonus amount) by the fraction (x) the numerator of which is the number of days between the beginning of the then current fiscal year of the Company and the date of termination of employment and (y) the denominator of which is 365. Executive shall also receive any unpaid annual bonus earned for any completed fiscal year preceding the date of termination.

(d) All other rights of Executive (and, except as provided in Section 5.6 below, all obligations of the Company) hereunder or otherwise in connection with Executive's employment with the Company shall terminate effective as of the date of such termination of employment and Executive shall not be entitled to any payments or benefits not specifically described in 5.3(a) through (c).

Any termination of employment pursuant to this Section 5.3 shall be effective upon a thirty (30) day notice thereof or the Company may elect in its sole discretion to reduce or eliminate the notice period and pay the Executive's Base Salary for some or all of the notice period in lieu of notice. A termination of Executive's employment by the Company other than for Cause or by the Executive for Good Reason shall not constitute a breach of this Agreement. To be eligible for the payment, benefits and stock rights described in Section 5.3(a)(ii) and (iii), (b) and (c) above, Executive must execute, not revoke, and abide by a release (which shall be substantially in the form attached hereto as Appendix A) of all other claims, cooperate with the Company in the event of litigation and fully comply with Executive's obligations under Sections 6 and 7 below.

5.4 Definition of Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any one of the following:

- (a) the assignment to Executive of any duties or responsibilities materially inconsistent with Executive's status and position as an Executive Vice President of the Company or any material adverse change in Executive's title or reporting relationships; or
 - (b) any decrease in Executive's then Base Salary to which Executive has not agreed to in writing; or
 - (c) a material breach by the Company of this Agreement; or
 - (d) notification to Executive by the Company that it has elected to terminate the Agreement at the expiration of the then current Term;
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provided, however, that the Executive has provided written notice (which shall set forth in reasonable detail the specific conduct of the Company that constitutes Good Reason and the specific provisions of this Agreement on which Executive relies) to the Company of the existence of any condition described in any one of the subparagraphs (a), (b), (c) or (d) within thirty (30) days of the initial existence of such condition, and the Company has not cured the condition within thirty (30) days of the receipt of such notice. Any termination of employment by the Executive for Good Reason pursuant to Section 5.3 must occur no later than the date that is the three (3) month anniversary of the initial existence of the condition giving rise to the termination right.

5.5 Compensation upon Termination of Executive's Employment by Reason of Executive's Death or Total Disability. In the event that Executive's employment with the Company is terminated by reason of Executive's death or Total Disability (as defined below), subject to the requirements of applicable law:

(a) Executive or Executive's estate, as the case may be, shall be entitled to receive (i) the Accrued Benefits, (ii) any other benefits payable under the then current disability and/or death benefit plans, as applicable, in which Executive is a participant and (iii) continued health insurance coverage for Executive and/or Executive's immediate family, as applicable, for a period of two (2) years following the date of termination of employment. Executive or Executive's estate shall also be entitled to receive, at the same time as is paid to other eligible participants in the bonus plan, following determination by the Compensation Committee (or the Board) of the Company's performance under the applicable annual performance goals for the fiscal year, a pro rata annual bonus determined by multiplying the performance level achieved (relative to Executive's Annual Target Bonus amount) by the fraction (x) the numerator of which is the number of days between the beginning of the then current fiscal year of the Company and the date of termination of employment and (y) the denominator of which is 365. Executive or Executive's estate shall also be entitled to any unpaid annual bonus earned for any completed fiscal year preceding the date of termination.

(b) All stock option awards held by Executive shall vest and become immediately exercisable and the restrictions with respect to any awards of Restricted Stock shall lapse, in each case to the extent such options would otherwise have become vested and exercisable (or such restrictions would have lapsed) had Executive remained in the employ of the Company for a period of two (2) years following the date of termination. Such portion of Executive's stock options (together with any portion of Executive's stock options that have vested and become exercisable prior to the date of termination) shall remain exercisable for a period of ninety (90) days following the date of termination of employment (or, such later date as may be permitted by the relevant stock option or equity plan, or, if earlier, until the expiration of the respective terms of the options), whereupon all such options shall terminate. Any remaining portion of Executive's stock options that have not vested (or deemed to have vested) as of the date of termination shall terminate as of such date; and all shares of Restricted Stock as to which the restrictions shall not have lapsed as of the date of termination shall be forfeited as of such date.

(c) All other rights of Executive (and, except as provided in Section 5.6 below, all obligations of the Company) hereunder or otherwise in connection with Executive's employment with the Company shall terminate effective as of the date of such termination of employment and Executive shall not be entitled to any payments or benefits not specifically described in Section 5.5(a) through (d).

"Total Disability" shall mean any physical or mental disability that has prevented Executive from (a)(i) performing one or more of the essential functions of Executive's position for a period of not less than ninety (90) days in any twelve (12) month period and (ii) which is expected to be of permanent or indeterminate duration but expected to last at least twelve (12) continuous months or result in death of the Executive as determined (y) by a physician selected by the Company or its insurer or (z) pursuant to the Company's benefit programs; or (b) reporting to work for ninety (90) or more consecutive business days or unable to engage in any substantial activity.

5.6 Survival. In the event of any termination of Executive's employment, Executive and the Company nevertheless shall continue to be bound by the terms and conditions set forth in Section 4.7 and Sections 5 through 10 below, which shall survive the expiration of the Term; provided, however, the indemnification obligations in Section 4.7 shall not survive expiration of the Term in the event of termination of Executive's employment by the Company for Cause.

5.7 Change in Control Best Payments Determination. In the event the benefits described in Section 5.3(a) and (b) (the "Severance Benefits") are payable to Executive in connection with a Change in Control and, if paid, would subject Executive to an excise tax under Section 4999 of the Code (the "Excise Tax"), then notwithstanding the provisions of Section 5.3(a) and (b), the Company shall reduce the Severance Benefits (the "Benefit Reduction") under Section 5.3(a) and (b) by the amount necessary to result in the Executive not being subject to the Excise Tax if such reduction would result in the Executive's "Net After Tax Amount" attributable to the Severance Benefits described in Section 5.3(a) and (b) being greater than it would be if no Benefit Reduction was effected. For this purpose "Net After Tax Amount" shall mean the net amount of Severance Benefits Executive is entitled to receive under this Agreement after giving effect to all federal, state and local taxes which would be applicable to such payments, including, but not limited to, the Excise Tax. The determination of whether any such Benefit Reduction shall be affected shall be made by a nationally recognized public accounting firm selected by the Company prior to the occurrence of the Change in Control and such determination shall be binding on both Executive and the Company.

5.8 No Other Severance or Termination Benefits. Except as expressly set forth herein, Executive shall not be entitled to damages or to any severance or other benefits upon termination of employment with the Company under any circumstances and for any or no reason, including, but not limited to any severance pay under any Company severance plan, policy or practice.

6. Protection of Confidential Information.

Executive acknowledges that during the course of Executive's employment with the Company, its subsidiaries, affiliates and strategic partners, Executive will be exposed to documents and other information regarding the confidential affairs of the Company, its subsidiaries, affiliates and strategic partners, including without limitation, information about their past, present and future financial condition, pricing strategy, prices, suppliers, cost information, business and marketing plans, the markets for their products, key personnel, past, present or future actual or threatened litigation, trade secrets and other intellectual property, current and prospective customer lists, operational methods, acquisition plans, prospects, plans for future development and other business affairs and information about the Company and its subsidiaries, affiliates and strategic partners not readily available to the public (the "Confidential Information"). Executive further acknowledges that the services to be performed under this Agreement are of a special, unique, unusual, extraordinary and intellectual character. In recognition of the foregoing, the Executive covenants and agrees as follows:

6.1 No Disclosure or Use of Confidential Information. At no time shall Executive ever divulge, disclose, or otherwise use any Confidential Information (other than as necessary to perform Executive's duties under this Agreement and in furtherance of the Company's best interests), unless and until such information is readily available in the public domain by reason other than Executive's disclosure or use thereof in violation of the first clause of this Section 6.1. Executive acknowledges that Company is the owner of, and that Executive has not rights to, any trade secrets, patents, copyrights, trademarks, know-how or similar rights of any type, including any modifications or improvements to any work or other property developed, created or worked on by Executive during the Term of this Agreement.

6.2 Return of Company Property, Records and Files. Upon the termination of Executive's employment at any time and for any reason, or at any other time the Board may so direct, Executive shall promptly deliver to the Company's offices in Harrisburg, Pennsylvania all of the property and equipment of the Company, its subsidiaries, affiliates and strategic partners (including any cell phones, pagers, credit cards, personal computers, etc.) and any and all documents, records, and files, including any notes, memoranda, customer lists, reports or any and all other documents, including any copies thereof, whether in hard copy form or on a computer disk or hard drive, which relate to the Company, its subsidiaries, affiliates, strategic partners, successors or assigns, and/or their respective past and present officers, directors, employees or consultants (collectively, the "Company Property, Records and Files"); it being expressly understood that, upon termination of Executive's employment at any time and for any reason, Executive shall not be authorized to retain any of the Company Property, Records and Files, any copies thereof or excerpts therefrom.

7. Noncompetition and Other Matters.

7.1 Noncompetition. During the Executive's employment with the Company or one of its subsidiaries and during the twelve (12) month period following the termination of Executive's employment (the "Restricted Period"), Executive will not directly, or indirectly knowingly cause any other person to, engage in Competition with the Company or

any of its subsidiaries in the restricted area (the "Restricted Area"). "Competition" shall mean engaging in any activity for a Competitor of the Company or any of its subsidiaries, whether as a principal, agent, partner, officer, director, employee, independent contractor, investor, consultant or stockholder (except as a less than five percent (5%) shareholder of a publicly traded company) or otherwise. A "Competitor" shall mean any individual or entity that competes with one or more business units of the Company or its subsidiaries. As of the Effective Date, it is understood that the Company's business units include: (1) pharmacy benefits management ("PBM"), including the administration of pharmacy benefits for businesses, government agencies or health plans; mail order pharmacy; specialty pharmacy and Medicare Part D services; (2) the sale of prescription drugs either at retail or over the internet; and (3) retail health care ("RediClinic"). It is understood and agreed that PBM competitors include, but are not limited to, CVS Health, Express Scripts and Catamaran Corp., as well as health plans or insurers that provide PBM services that compete with the Company's PBM business. It is also understood and agreed that retail pharmacy competitors include any individual or entity that sells or has imminent plans to sell prescription drugs, including but not limited to, drugstore companies such as Walgreens Boots Alliance and CVS Health; mass merchants such as Wal-Mart Stores, Inc. and Target Corp.; and food/drug combinations such as Kroger Co., Albertsons LLC and Ahold USA. It is understood and agreed that RediClinic competitors shall include, but not be limited to, Walgreen's Take Care Clinics, CVS Health's Minute Clinics and The Little Clinic. During Executive's employment by the Company or one of its subsidiaries and during the Restricted Period, Executive will not directly, or indirectly knowingly cause any other person to, engage in any activity that involves providing audit review or other consulting or advisory services with respect to any relationship between the Company and any third party. The Restricted Area refers to those states within the United States in which the Company, including its subsidiaries, conducts its business, including the District of Columbia and Puerto Rico.

7.2 Noninterference. During the Restricted Period, Executive shall not, directly or indirectly, solicit, induce, or attempt to solicit or induce any officer, director, employee, agent or consultant of the Company or any of its subsidiaries, affiliates, strategic partners, successors or assigns to terminate his, her or its employment or other relationship with the Company or its subsidiaries, affiliates, strategic partners, successors or assigns for the purpose of associating with any competitor of the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, or otherwise encourage any such person or entity to leave or sever his, her or its employment or other relationship with the Company or its subsidiaries, affiliates, strategic partners, successors or assigns for any other reason.

7.3 Nonsolicitation. During the Restricted Period, Executive shall not, directly or indirectly, solicit, induce, or attempt to solicit or induce any customers, clients, vendors, suppliers or consultants then under contract to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, to terminate, limit or otherwise modify his, her or its relationship with the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, for the purpose of associating with any competitor of the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, or otherwise encourage such customers, clients, vendors, suppliers or consultants then under contract to terminate his, her

or its relationship with the Company or its subsidiaries, affiliates, strategic partners, successors or assigns for any reason. During the Restricted Period, Executive shall not hire, either directly or through any employee, agent or representative, any field and corporate management employee of the Company or any subsidiary or any such person who was employed by the Company or any subsidiary within 180 days of such hiring.

8. Rights and Remedies upon Breach.

If Executive breaches, or threatens to commit a breach of, any of the provisions of Sections 6 or 7 above (the “Restrictive Covenants”), the Company and its subsidiaries, affiliates, strategic partners, successors or assigns shall have the following rights and remedies, each of which shall be independent of the others and severally enforceable, and each of which shall be in addition to, and not in lieu of, any other rights or remedies available to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns at law or in equity.

8.1 Specific Performance. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction by injunctive decree or otherwise, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns and that money damages would not provide an adequate remedy to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns.

8.2 Accounting. The right and remedy to require Executive to account for and pay over to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, as the case may be, all compensation, profits, monies, accruals, increments or other benefits derived or received by Executive as a result of any transaction or activity constituting a breach of any of the Restrictive Covenants.

8.3 Severability of Covenants. Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in geographic and temporal scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full force and effect without regard to the invalid portions.

8.4 Modification by the Court. If any court determines that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or scope of such provision, such court shall have the power (and is hereby instructed by the parties) to modify or reduce the duration or scope of such provision, as the case may be (it being the intent of the parties that any such modification or reduction be limited to the minimum extent necessary to render such provision enforceable), and, in its modified or reduced form, such provision shall then be enforceable.

8.5 **Enforceability in Jurisdictions.** Executive intends to and hereby confers jurisdiction to enforce the Restrictive Covenants upon the courts of any jurisdiction within the geographic scope of such covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants unenforceable by reason of the breadth of such scope or otherwise, it is the intention of Executive that such determination not bar or in any way affect the right of the Company or its subsidiaries, affiliates, strategic partners, successors or assigns to the relief provided herein in the courts of any other jurisdiction within the geographic scope of such covenants, as to breaches of such covenants in such other respective jurisdictions, such covenants as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

8.6 **Extension of Restriction in the Event of Breach.** In the event that Executive breaches any of the provisions set forth in this Section 8, the length of time of the Restricted Period shall be extended for a period of time equal to the period of time during which Executive is in breach of such provision.

9. **No Violation of Third-Party Rights.** Executive represents, warrants and covenants that Executive:

(i) will not, in the course of employment, infringe upon or violate any proprietary rights of any third party (including, without limitation, any third party confidential relationships, patents, copyrights, mask works, trade secrets, or other proprietary rights);

(ii) is not a party to any conflicting agreements with third parties, which will prevent Executive from fulfilling the terms of employment and the obligations of this Agreement;

(iii) does not have in Executive's possession any confidential or proprietary information or documents belonging to others and will not disclose to the Company, use, or induce the Company to use, any confidential or proprietary information or documents of others; and

(iv) agrees to respect any and all valid obligations which Executive may now have to prior employers or to others relating to confidential information, inventions, discoveries or other intellectual property which are the property of those prior employers or others, as the case may be.

Executive agrees to indemnify and save harmless the Company from any loss, claim, damage, cost or expense of any kind (including without limitation, reasonable attorney fees) to which the Company may be subjected by virtue of a breach by Executive of the foregoing representations, warranties, and covenants.

10. Arbitration.

Except as necessary for the Company and its subsidiaries, affiliates, strategic partners, successors or assigns or Executive to specifically enforce or enjoy a breach of this Agreement (to the extent such remedies are otherwise available), the parties agree that any and all disputes that may arise in connection with, arising out of or relating to this Agreement, or any dispute that relates in any way, in whole or in part, to Executive's employment with the Company or any subsidiary, affiliate or strategic partner, the termination of that employment or any other dispute by and between the parties or their subsidiaries, affiliates, strategic partners, successors or assigns, shall be submitted to final and binding arbitration in the Commonwealth of Pennsylvania according to the National Employment Dispute Resolution Rules and procedures of the American Arbitration Association at the time in effect. This arbitration obligation extends to any and all claims that may arise by and between the parties or their subsidiaries, affiliates, strategic partners, successors or assigns, and expressly extends to, without limitation, claims or causes of action for wrongful termination, impairment of ability to compete in the open labor market, breach of an express or implied contract, breach of the covenant of good faith and fair dealing, breach of fiduciary duty, fraud, misrepresentation, defamation, slander, infliction of emotional distress, disability, loss of future earnings, and claims under the Pennsylvania Constitution, the United States Constitution, and applicable state and federal fair employment laws, federal and state equal employment opportunity laws, and federal and state labor statutes and regulations, including, but not limited to, the Civil Rights Act of 1964, as amended, the Fair Labor Standards Act, as amended, the Americans With Disabilities Act of 1990, as amended, the Rehabilitation Act of 1973, as amended, the Employee Retirement Income Security Act of 1974, as amended, the Age Discrimination in Employment Act of 1967, as amended, and any other state or federal law. Executive understands that by entering into this Agreement, Executive is waiving Executive's rights to have a court determine Executive's rights, including under federal, state or local statutes prohibiting employment discrimination, including sexual harassment and discrimination on the basis of age, race, color, religion, national origin, disability, veteran status or any other factor prohibited by governing law. Executive further understands that there is no intent herein to interfere with the Equal Employment Opportunity Commission's right to enforce the laws it oversees or your right to file an administrative charge of employment discrimination or a similar state or local administrative agency.

11. Assignment.

Neither this Agreement, nor any of Executive's rights or obligations hereunder, may be assigned or otherwise subject to hypothecation by Executive. The Company may assign its rights and obligations hereunder, and hereby consents to any such assignment, in whole or in part, (i) to any of the Company's subsidiaries, affiliates, or parent corporations; or (ii) to any other successor or assign in connection with the sale of all or substantially all of the Company's assets or stock or in connection with any merger, acquisition and/or reorganization involving the Company.

12. Notices.

All notices and other communications under this Agreement shall be in writing and shall be given by fax or first class mail, certified or registered with return receipt requested, and shall be deemed to have been duly given three (3) days after mailing or twenty-four (24) hours after transmission of a fax to the respective persons named below:

If to the Company: Rite Aid Corporation
30 Hunter Lane
Camp Hill, Pennsylvania 17011
Attention: General Counsel
Fax: (717) 760-7867

If to Executive: Jocelyn Konrad, at Executive's last address shown on the payroll records of the Company.

Any party may change such party's address for notices by notice duly given pursuant hereto.

13. General.

13.1 No Offset or Mitigation. The Company's obligation to make the payments provided for in, and otherwise to perform its obligations under this Agreement shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that the Company may have against the Executive or others whether in respect of claims made under this Agreement or otherwise. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts, benefits and other compensation payable or otherwise provided to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced, regardless of whether the Executive obtains other employment.

13.2 Governing Law. This Agreement is executed in Pennsylvania and shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to conflicts of laws principles thereof which might refer such interpretations to the laws of a different state or jurisdiction. Any court action instituted by Executive relating in any way to this Agreement shall be filed exclusively in state or federal court in the Commonwealth of Pennsylvania and Executive consents to the jurisdiction and venue of said courts in any action instituted by or on behalf of the Company against Executive.

13.3 Entire Agreement. This Agreement sets forth the entire understanding of the parties relating to Executive's employment with the Company and cancels and supersedes all agreements, arrangements and understandings relating thereto made prior to the date hereof, written or oral, between the Executive and the Company and/or any subsidiary or affiliate.

13.4 Amendments: Waivers. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by the parties, or in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right of such party at a later time to enforce the same. No waiver by any party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

13.5 Conflict with Other Agreements. Executive represents and warrants that neither Executive's execution of this Agreement nor the full and complete performance of Executive's obligations hereunder will violate or conflict in any respect with any written or oral agreement or understanding with any person or entity.

13.6 Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon the Company (and its successors and assigns) and Executive and Executive's heirs, executors and personal representatives.

13.7 Withholding. Notwithstanding any other provision of this Agreement, the Company may withhold from amounts payable under this Agreement all federal, state, local and foreign taxes that are required to be withheld by applicable laws or regulations.

13.8 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

13.9 No Assignment. The rights and benefits of the Executive under this Agreement may not be anticipated, assigned, alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process except as required by law. Any attempt by the Executive to anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void. Payments hereunder shall not be considered assets of the Executive in the event of insolvency or bankruptcy.

13.10 Survival. This Agreement shall survive the termination of Executive's employment and the expiration of the Term to the extent necessary to give effect to its provisions.

13.11 Captions. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

13.12 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts; each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument.

14. Compliance with Code Section 409A.

(a) **Payment of Benefits:** To the extent necessary to avoid adverse tax consequences, and except as described below, any payment to which Executive becomes entitled under the Agreement, or any arrangement or plan referenced in this Agreement, that constitutes “deferred compensation” under section 409A of the Code (“409A”), and is (a) payable upon Executive’s termination; (b) at a time when the Executive is a “specified employee” as defined by 409A shall not be made until the first payroll date after the earliest of: (1) the expiration of the six (6) month period (the “Deferral Period”) measured from the date of Executive’s “separation from service” within the meaning of such term under 409A; or (2) the date of Executive’s death.

On the first payroll date after the expiration of the Deferral Period, all payments that would have been made during the Deferral Period (whether in a single lump sum or in installments) shall be paid as a single lump sum to Executive or, if applicable, Executive’s beneficiary. This section shall not apply to any payment which meets the short term deferral exception to 409A or constitutes “separation pay” as described in Treasury Regulation Section 409A-1(b)(9) (in general, payments (i) that are made on an involuntary separation from service which (ii) do not exceed the lesser of two (2) times (x) the Executive’s annualized compensation for the taxable year preceding the year in which the separation from service occurs or (y) the Code Section 401(a)(17) limit on compensation for the year in which separation from service occurs and (iii) are paid in total by the end of the second calendar year following the calendar year in which the separation from service occurs).

The Company shall pay to Executive the Accrued Benefits, within ten (10) days after the Date of Termination. Notwithstanding the foregoing, if the Executive is a “specified employee”, as defined by 409A, and payment of the Accrued Benefits is required to be delayed under 409A, the Company shall pay to Executive the Accrued Benefits on the first payroll date after the six (6) month anniversary of the Date of Termination.

For purposes of 409A, each payment and each installment described in this Agreement shall be considered a separate payment from each other payment or installment and to the extent required by 409A, a payment due upon termination of employment will only be paid upon Executive’s separation from service within the meaning of such term under 409A.

(b) **Reimbursements:** To the extent required by 409A, with regard to any provision that provides for the reimbursement of costs and expenses, or for the provision of in-kind benefits: (i) the right to such reimbursement or in-kind benefit shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses or in-kind benefits available or paid in one (1) year shall not affect the amount available or paid

in any subsequent year; and (iii) such payments shall be made on or before the last day of the Executive's taxable year in which the expense occurred.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement as of the date first written above.

RITE AID CORPORATION

/s/ Marc Strassler

By Marc Strassler

Its: Executive Vice President & General Counsel

EXECUTIVE

/s/ Jocelyn Konrad

Jocelyn Konrad

Appendix A to Employment Agreement

Date

Name
Address
City, State Zip

Re: Severance Agreement and General Release

Dear Name:

We are interested in resolving cooperatively your separation of employment with Rite Aid Corporation (the Company), which will take place on (date), your Separation Date. Toward this end, we propose the following Severance Agreement, which includes a General Release.

Whereas, the Company has previously entered into an employment agreement with you, dated (Date) (the Employment Agreement), which contains among other things, certain provisions regarding severance compensation payable upon termination of your employment with the Company under certain circumstances. Other than what is expressly set forth herein, the terms and conditions of the Employment Agreement shall remain in full force and effect.

The terms and conditions set forth in Paragraph 1 below will apply regardless of whether you decide to sign this Severance Agreement and General Release. However, you will not be eligible to receive the payments and benefits set forth in Paragraph 2 below unless you sign and do not revoke this Severance Agreement and General Release, within the time period specified below. (Please see Paragraph 3 below for what it means to revoke this Severance Agreement and General Release.)

You may consider for twenty-one (21) days whether you wish to sign this Severance Agreement and General Release. Since this Severance Agreement and General Release ("Agreement") is a legal document, you are advised to review it with an attorney prior to signing it.

1. **General Terms of Termination.** As noted above, whether or not you sign this Agreement:

(a) Your last day of employment is (date) which is your Separation Date. You will be paid for all time worked up to and including your termination.

(b) Your last day of employment is (date) which is your Separation Date. You will be paid for all time worked up to and including your termination.

(c) You will be paid for earned but unused vacation days and any properly documented reasonable expenses incurred in connection with your employment through your Separation Date.

(d) Except as contemplated by the Employment Agreement, your eligibility to participate in all other group benefits except Company sponsored health insurance including medical, dental, vision and prescription as an employee of the Company will end on the last day of the calendar month in which separation occurs.

(e) You acknowledge (i) receipt of all compensation and benefits due through the Separation Date as a result of services performed for the Company with the receipt of a final paycheck, except as provided in this Agreement; (ii) you have reported to the Company any and all work-related injuries incurred during employment; (iii) the Company properly provided any leave of absence because of your or your family member's health condition and you have not been subjected to any improper treatment, conduct or actions due to a request for or taking such leave; and (iv) you have provided the Company with written notice of any and all concerns regarding suspected ethical and compliance issues or violations on the part of the Company or any of the Released Parties.

2. **Separation Payment.** Except with respect to the Accrued Benefits as defined in the Employment Agreement, if you sign this Agreement, agreeing to be bound by the General Release in Paragraph 3 below and the other terms and conditions of this Agreement described below, and comply with the requirements of this Paragraph 2 (other than the Accrued Benefits), you will receive the compensation and benefits as contemplated by the Employment Agreement. You will not be eligible for the payment and benefits described in this Paragraph 2 unless: (i) you sign this Agreement no later than twenty-one (21) days after you receive it, promptly return the Agreement to the Company after you sign it, and do not timely revoke it; and (ii) you have returned all Company property and documents in accordance with Paragraph 15 below.

3. **General Release.** In consideration of the benefits provided by the Company, you personally and for your heirs, executors, administrators, successors and assigns, fully, finally and forever release and discharge the Company and its parents, subsidiaries, and affiliates, as well as their respective successors, assigns, officers, owners, directors, agents, representatives, attorneys, and employees (collectively, the "Released Parties"), of and from all claims, demands, actions, causes of action, suits, damages, losses, and expenses, of any and every nature whatsoever, as a result of actions or omissions occurring through the date Employee signs this Agreement. Specifically included in this waiver and release are, among other things, any and all claims under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Pennsylvania Human Relations Act, or any other federal, state or local statute, rule, ordinance, or regulation, as well as any claims under common law for tort, contract, or wrongful discharge (the "Released Claims"). The above release does not waive claims (i) for unemployment or workers' compensation benefits, (ii) for vested rights under ERISA-covered employee benefit plans as applicable on the date Employee signs this Agreement, (iii) as a whistleblower under the Sarbanes-Oxley Act or Dodd-Frank Wall Street Reform and Consumer Protection Act, (iv) to interpret or enforce this Agreement, (v)

that may arise after Employee signs this Agreement and (iv) which cannot be released by private agreement. Nothing in this release generally prevents you from filing a charge or complaint with or from participating in an investigation or proceeding conducted by the EEOC, NLRB or any other federal, state or local agency charged with the enforcement of any employment laws, although by signing this release you waive the right to individual relief based on claims asserted in such a charge or complaint, except with the NLRB or anywhere else such a waiver is prohibited.

4. The parties agree and acknowledge that this Agreement and the considerations exchanged herein shall not constitute and shall not be interpreted as an admission on the part of the Company of a violation of any statute, law, or ordinance or of any other wrongdoing by the Company.

5. The parties further agree that this Agreement is in full, complete, and final settlement by you of any and all claims, actions, causes of action, damages, or costs against the Company resulting from or pertaining to the Released Claims, your employment with, treatment at, severance from, or separation of employment from the Company.

6. The parties agree that this Agreement shall supersede and replace any and all prior written or oral agreements previously entered into between them, which agreements shall be null and void and of no consequence, except that the parties agree that this paragraph does not apply to any agreements referenced in this Agreement or to any applicable confidentiality, noncompetition, noninterference, and/or nonsolicitation agreements.

7. The parties agree that the laws of the Commonwealth of Pennsylvania shall apply to the terms and conditions of this Agreement, and they consent to the exclusive jurisdiction of the Pennsylvania courts with respect to the enforcement of this Agreement.

8. You agree not to seek future employment with and waive any and all claims or rights to reemployment or reinstatement to your former position or any position within the Company or any of its affiliates.

9. You understand and agree that in the event any claim, suit, or action whatsoever shall be commenced by you, your heirs, executors, or administrators against the Company, based upon the Released Claims, this Agreement shall constitute a complete defense to any such claim, suit, or action.

10. Except as specifically set forth herein, you waive any common law and/or statutory right to recover attorneys' fees and costs, if any.

11. It is intended that this Agreement, and all payments or income to you contemplated by it, comply with, or are exempt from, the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder. This Agreement shall be construed, administered, and governed in a manner consistent with this intent. The Company hereby agrees to indemnify and hold you harmless on an after-tax basis for any federal or state taxes imposed under Code section

409A (or similar state law) and any interest, penalties, or additions to tax imposed with respect thereto (collectively, "409A Taxes") as well as related reasonable out-of-pocket expenses resulting from contesting the imposition of 409A Taxes that result from the payment of, or right to, any amount or property provided for in this Agreement. Any such indemnity payment shall be made within thirty (30) days of the date you remit the 409A Taxes to the applicable taxing authority imposing the 409A Taxes.

12. It is agreed that the terms and provisions of this Agreement are to remain strictly confidential and that any disclosure of the terms of this Agreement by you to any employee or former employee of the Company, or to any other person, other than your legal counsel, tax advisors, or your immediate family members will constitute a material breach of this Agreement.

13. You agree that you will not make any disparaging statements, oral or written, regarding the Company to any person, firm or other entity. You further agree, without limiting any other applicable remedies, that in the event of any breach of this provision, the Company's obligation to provide any and all consideration provided for in Paragraph 2 above will terminate. The Company agrees that members of its senior management team will not disparage you.

14. Regardless of whether you sign this Agreement, and as a condition of receiving the consideration set forth in Paragraph 2 above, you must return to your supervisor, retaining no copies, all Company property, including computers, wireless devices, papers, files, documents, reference guides, equipment, keys, access key tag/card, identification cards, credit cards, software, computer access codes, disks, supplies and institutional manuals, and you shall not retain any copies, duplicates, reproductions or excerpts of any of the foregoing, whether in hardcopy or electronic format and are prohibited from using or disclosing confidential and/or proprietary information which you accrued in the course of your employment with the Company.

15. You agree to make yourself available at mutually agreeable times to cooperate with the Company with respect to any legal proceedings that the Company believes, in its sole discretion, may be in any way related to your employment with the Company. Such cooperation encompasses your assistance with matters preliminary to the investigation of any legal proceedings and assistance during and throughout any litigation or legal proceeding, including, but not limited to, participating in any fact-finding or investigation, speaking with the Company's attorneys, testifying in depositions. Upon submission of appropriate documentation, you shall be reimbursed for reasonable out-of-pocket expenses incurred in rendering such cooperation, which shall not include any attorneys' fees. Nothing in this paragraph should be construed as suggesting or implying in any way that you should testify untruthfully, testifying at hearings or at trial, and assisting with any post-litigation matter or appeal.

16. No provision of this Agreement shall be construed or enforced in a manner that would prevent Employee from testifying fully and truthfully under oath in any court, arbitration or administrative agency proceeding, or from filing a charge or providing

complete and truthful information in the course of any government investigation. No provision of this Agreement shall be construed or enforced in a manner that would interfere with Employee's rights under the National Labor Relations Act, if any, to discuss or comment on terms and conditions of employment.

17. You are advised to consult with an attorney prior to signing this Agreement. You have 21 days to consider whether to sign this Agreement (the "Consideration Period"). You must return this signed Agreement to the Company's representative set forth below within the Consideration Period but not prior to the Separation Date. If you sign and return this Agreement before the end of the Consideration Period, it is because you freely chose to do so after carefully considering its terms. Additionally, you shall have seven (7) days from the date of the signing of this Agreement to revoke this Agreement by delivering a written notice of revocation within the seven-day revocation period to the same person as you returned this Agreement. If the revocation period expires on a weekend or holiday, you will have until the end of the next business day to revoke. This Agreement will become effective on the eighth day after you sign this Agreement provided you do not revoke this Agreement. Any modification or alteration of any terms of this Agreement by you voids this Agreement in its entirety. You agree with the Company that changes, whether material or immaterial, do not restart the running of the Consideration Period.

18. In the event that, any one or more provisions (or portion thereof) of this Agreement is held to be invalid, unlawful or unenforceable for any reason, the invalid, unlawful or unenforceable provision (or portion thereof) shall be construed or modified so as to provide the Company with the maximum protection that is valid, lawful and enforceable, consistent with the intent of the Company and you in entering into this Agreement. If such provision (or portion thereof) cannot be construed or modified so as to be valid, lawful and enforceable, that provision (or portion thereof) shall be construed as narrowly as possible and shall be severed from the remainder of this Agreement (or provision), and the remainder shall remain in effect and be construed as broadly as possible, as if such invalid, unlawful or unenforceable provision (or portion thereof) had never been contained in this Agreement.

19. No changes to this Agreement can be effective except by another written agreement signed by you and by the Company's authorized representative.

20. You and the Company execute this Agreement voluntarily, with full knowledge of its significance, and you acknowledge that you have read and fully understand the meaning of this Agreement, intend to be legally bound by the Agreement, and that no inducement, duress, or coercion caused either party to enter into this understanding.

PLEASE READ CAREFULLY

1. THIS AGREEMENT CONSTITUTES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. IT DOES NOT WAIVE RIGHTS OR CLAIMS THAT MAY ARISE AFTER THE DATE IT IS EXECUTED;

2. YOU AGREE THAT YOU ARE WAIVING RIGHTS AND CLAIMS YOU

MAY HAVE IN EXCHANGE FOR CONSIDERATION IN ADDITION TO THINGS OF VALUE TO WHICH YOU ARE ALREADY ENTITLED;

3. YOU UNDERSTAND THAT YOU HAVE THE RIGHT TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS AGREEMENT;

4. YOU UNDERSTAND THAT YOU HAVE TWENTY-ONE (21) DAYS WITHIN WHICH TO CONSIDER THIS AGREEMENT;

5. YOU UNDERSTAND THAT YOU HAVE SEVEN (7) DAYS FOLLOWING YOUR EXECUTION OF THIS AGREEMENT TO REVOKE IT AND THAT THIS AGREEMENT SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED. REVOCATION MUST BE IN WRITING AND TIMELY DELIVERED TO: GENERAL COUNSEL, RITE AID CORPORATION, 30 HUNTER LANE, CAMP HILL, PENNSYLVANIA, 17011; AND

In witness whereof, the parties hereto have executed this Agreement on the day and date indicated below.

RITE AID CORPORATION

By:

Its:

Dated:

Dated:

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is entered into as of the 22nd day of June 2015 by and between Rite Aid Corporation, a Delaware corporation (the “Company”) and Bryan Everett (“Executive”).

WHEREAS, the Company desires to hire and employ Executive and Executive desires to provide the Company with Executive’s services subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive (individually a “Party” and together the “Parties”), intending to be legally bound, agree as follows:

1. Term of Employment.

The term of Executive’s employment under this Agreement shall commence on August 3, 2015 or such earlier date as Executive and the Company shall agree (the “Effective Date”) and, unless earlier terminated pursuant to Section 5 below, shall continue for a period ending on the date that is two (2) years following the Effective Date (the “Original Term of Employment”). The Original Term of Employment shall be automatically renewed for successive one (1) year terms (the “Renewal Terms”) unless at least one hundred twenty (120) days prior to the expiration of the Original Term of Employment or any Renewal Term, either Party notifies the other Party in writing that Executive or it is electing to terminate this Agreement at the expiration of the then current Term of Employment. “Term” shall mean the Original Term of Employment and all Renewal Terms. For purposes of this Agreement, except as otherwise provided herein, the phrases “year during the Term” or similar language shall refer to each twelve (12) month period commencing on the Effective Date or applicable anniversaries thereof.

2. Position and Duties.

2.1 Generally. During the Term, Executive shall serve as the Executive Vice President of Store Operations and shall have such officer level duties, responsibilities and authority as are customary for such position and shall have such other officer level duties, responsibilities and authorities as shall be assigned by the Company from time to time consistent with such position. Executive shall devote Executive’s full working time, attention, knowledge and skills faithfully and to the best of Executive’s ability, to the duties and responsibilities assigned by the Company in furtherance of the business affairs and activities of the Company and its subsidiaries, affiliates and strategic partners. Executive shall report to the Company’s principal operating officer. Contemporaneously with termination of Executive’s employment for any reason, Executive shall automatically resign

from all offices and positions Executive holds with the Company or any subsidiary without any further action on the part of Executive or the Company.

2.2 Other Activities. Anything herein to the contrary notwithstanding, nothing in this Agreement shall preclude the Executive from engaging in the following activities: (i) serving on the board of directors of a reasonable number of other corporations or the boards of a reasonable number of trade associations and/or charitable organizations, subject to the Company's approval, which shall not be unreasonably withheld, (ii) engaging in charitable activities and community affairs, and (iii) managing Executive's personal investments and affairs, provided that Executive's activities pursuant to clauses (i), (ii) or (iii) do not violate Sections 6 or 7 below or materially interfere with the proper performance of Executive's duties and responsibilities under this Agreement. Executive shall at all times be subject to, observe and carry out such rules, regulations, policies, directions, and restrictions as the Company may from time to time establish for officers of the Company or employees generally.

3. Compensation.

3.1 Base Salary. During the Term, as compensation for Executive's services hereunder, Executive shall receive a salary at the annualized rate of Four Hundred Fifty Thousand Dollars (\$450,000) per year ("Base Salary" as may be adjusted from time to time), which shall be paid in accordance with the Company's normal payroll practices and procedures, less such deductions or offsets required by applicable law or otherwise authorized by Executive.

3.2 Annual Performance Bonus. The Executive shall participate each fiscal year during the Term in the Company's annual bonus plan as adopted and approved by the Company's Board of Directors (the "Board") or the Compensation Committee of the Board (the "Compensation Committee") from time to time. For the fiscal year ongoing as of the Effective Date ("FY 16") and each subsequent fiscal year, Executive's annual bonus opportunity pursuant to such plan shall equal seventy-five percent (75%) (the "Annual Target Bonus") of the Base Salary, subject to proration for FY 16. Payment of any bonus earned shall be made in accordance with the terms of the Company's annual bonus plan as in effect for the year for which the bonus is earned.

3.3 Equity Awards.

Executive will be eligible to participate during the Term in the Company's Long Term Incentive Plan ("LTIP"). Executive's long term incentive factor will be based upon one hundred fifty percent (150%) of Executive's Base Salary. Therefore, on each regular grant date occurring during the Term, Executive will be granted awards under the Company's 2014 Omnibus Equity Plan or any successor plan thereto (the "Equity Plan"), a copy of which Equity Plan has been filed as Exhibit 10.1 to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on June 23, 2014, pursuant to the LTIP valued at one hundred fifty percent (150%) of Base Salary calculated in a manner consistent with and containing the same terms and conditions as other senior executives;

provided that if the Effective Date occurs following the Company's regular grant date with respect to FY16 LTIP awards in June 2015, Executive's FY16 LTIP award shall be granted as of the Effective Date.

4. Additional Benefits.

4.1 Employee Benefits. During the Term, Executive shall be eligible to participate in the employee benefit plans (including, but not limited to medical, dental and life insurance plans, short-term and long-term disability coverage, the Supplemental Executive Retirement Plan and 401(k) plans in which management employees of the Company are generally eligible to participate, subject to satisfaction of any eligibility requirements and the other generally applicable terms of such plans. Nothing in this Agreement shall prevent the Company from amending or terminating any employee benefit plans of the Company from time to time as the Company deems appropriate.

4.2 Expenses. During the Term, the Company shall reimburse Executive for any expenses reasonably incurred by Executive in furtherance of Executive's duties hereunder, including without limitation, travel, meals and accommodations, upon submission of vouchers or receipts and in compliance with such rules and policies relating thereto as the Company may from time to time adopt or as may be required in order to permit such payments to be taken as proper deductions by the Company or any subsidiary under the Internal Revenue Code of 1986, as amended, and the rules and regulations adopted pursuant thereto now or hereafter in effect (the "Code"). The provisions of Section 14(b) shall apply to all reimbursements made under this Section 4.2.

4.3 Vacation. Executive shall be entitled to four (4) weeks paid vacation during each year of the Term.

4.4 Automobile Allowance. During the Term, the Company shall provide Executive with an automobile allowance of \$1,000.00 per month.

4.5 Annual Financial Planning Allowance. During the Term, the Company shall provide Executive with a financial planning allowance in the amount of \$5,000.00. The provisions of Section 14(b) shall apply to any payments or reimbursements made under this Section 4.5.

4.6 Relocation. Executive shall be eligible to participate in the Company's Level 1 relocation plan for executives.

4.7 Indemnification. The Company shall (a) indemnify and hold Executive harmless, to the full extent permitted under applicable law, for, from and against any and all losses, claims, costs, expenses, damages, liabilities or actions (including security holder actions, in respect thereof) relating to or arising out of the Executive's employment with and service as an officer of the Company, and (b) pay all reasonable costs, expenses and attorney's fees incurred by Executive in connection with or relating to the defense of any such loss, claim, cost, expense, damage, liability or action, subject to Executive's undertaking to repay in the event it is ultimately determined that Executive is not entitled to

be indemnified by the Company. Following termination (except for termination by the Company for Cause) of the Executive's employment or service with the Company or any subsidiaries of the Company, the Company shall cause any director and officer liability insurance policies applicable to the Executive prior to such termination to remain in effect for six (6) years following the date of termination of employment. The provisions of Section 14(b) shall apply to any payments or reimbursements made under this Section 4.7.

5. Termination.

5.1 Termination of Executive's Employment by the Company for Cause. The Company may terminate Executive's employment hereunder for Cause (as defined below). Such termination shall be effected by written notice thereof delivered by the Company to Executive, indicating in reasonable detail the facts and circumstances alleged to provide a basis for such termination, and shall be effective as of the date of such notice in accordance with Section 12 hereof. "Cause", as determined in reasonable good faith by a committee comprised of three (3) senior officers (one of which shall be Executive's supervisor) of the Company, shall mean: (i) Executive's gross negligence or willful misconduct in the performance of the duties or responsibilities of Executive's position with the Company or any subsidiary, or failure to timely carry out any lawful directive of the Company; (ii) Executive's misappropriation of any funds or property of the Company or any subsidiary; (iii) the conduct by Executive which is a material violation of this Agreement or Company Policy or which materially interferes with the Executive's ability to perform Executive's duties; (iv) the commission by Executive of an act of fraud or dishonesty toward the Company or any subsidiary; (v) Executive's misconduct or negligence which damages or injures the Company or the Company's reputation; (vi) Executive is convicted of or pleads guilty to a misdemeanor involving moral turpitude or any felony; or (vii) the use or imparting by Executive of any confidential or proprietary information of the Company or any subsidiary.

5.2 Compensation upon Termination by the Company for Cause or by Executive without Good Reason. In the event of Executive's termination of employment (i) by the Company for Cause or (ii) by Executive voluntarily without Good Reason:

(a) Executive shall be entitled to receive (i) all amounts of accrued but unpaid Base Salary through the effective date of such termination, (ii) reimbursement for reasonable and necessary expenses incurred by Executive through the date of notice of such termination, to the extent otherwise provided under Section 4.2 above, and (iii) all other vested payments and benefits to which Executive may otherwise be entitled pursuant to the terms of the applicable benefit plan or arrangement through the effective date of such termination ((i), (ii) and (iii), (the "Accrued Benefits")). All other rights of Executive (and, except as provided in Section 5.6 below, all obligations of the Company) hereunder or otherwise in connection with Executive's employment with the Company shall terminate effective as of the date of such termination of employment and Executive shall not be entitled to any payments or benefits not specifically described in this subsection (a) or (b) below.

(b) Any portion of any restricted stock or any other equity incentive awards as to which the restrictions have not lapsed or as to which any other conditions shall not have been satisfied prior to the date of termination shall be forfeited as of such date and any portion of Executive's stock options that have vested and become exercisable prior to the date of termination shall remain exercisable for a period of ninety (90) days following the date of termination of employment (or, such later date as may be permitted by the relevant stock option or equity plan, or, if earlier, until the expiration of the respective terms of the options), whereupon all such options shall terminate; provided, however, in the event of termination of Executive by the Company for Cause, any stock options that have not been exercised prior to the date of termination shall immediately terminate as of such date.

Any termination of Executive's employment by Executive voluntarily without Good Reason shall be effective upon a thirty (30) day notice to the Company or such earlier date as the Company determines in its discretion and designates in writing. A termination of Executive's employment by the Company for Cause or by the Executive other than for Good Reason shall not constitute a breach of this Agreement.

5.3 Compensation upon Termination of Executive's Employment by the Company Other Than for Cause or by Executive for Good Reason. Executive's employment hereunder may be terminated by the Company other than for Cause or by Executive for Good Reason. In the event that Executive's employment hereunder is terminated by the Company other than for Cause or by Executive for Good Reason:

(a) Executive shall be entitled to receive (i) the Accrued Benefits, (ii) an amount equal to two (2) years of Executive's then Base Salary as of the date of termination of employment, such amount payable in equal installments pursuant to the Company's standard payroll procedures for management employees over a period of two (2) years following the date that the release of claims (referred to below) becomes irrevocable (provided, if as of the date of termination the release of claims could become irrevocable in either of two taxable years of Executive, payments will not commence before the first day of the later such taxable year), and (iii) continued health insurance coverage for Executive and Executive's immediate family for a period of two (2) years following the date of termination of employment.

(b) The Executive's stock option awards held by Executive shall vest and become immediately exercisable and the restrictions with respect to any awards of restricted stock shall lapse, in each case to the extent such options would otherwise have become vested and exercisable (or such restrictions would have lapsed) had Executive remained in the employ of the Company for a period of two (2) years following the date of termination. Such portion of Executive's stock options (together with any portion of Executive's stock options that have vested and become exercisable prior to the date of termination) shall remain exercisable for a period of ninety (90) days following the date of termination of employment (or, such later date as may be permitted by the relevant stock option or equity plan, or, if earlier, until the expiration of the respective terms of the options), whereupon all such options shall terminate. Any remaining portion of Executive's stock options that have not vested (or deemed to have vested) as of the date of termination shall terminate as of such

date; and all shares of restricted stock as to which the restrictions shall not have lapsed as of the date of termination shall be forfeited as of such date.

(c) If a termination pursuant to Section 5.3 of the Agreement occurs following the start of the Company's fiscal year, Executive shall also be entitled to receive, to the extent not previously paid (which shall be paid at the same time paid to other eligible participants in the bonus plan) and following determination by the Compensation Committee (or the Board) that the Company has achieved or exceeded its annual performance targets for the fiscal year, a pro rata annual bonus determined by multiplying the performance level achieved (relative to Executive's Annual Target Bonus amount) by the fraction (x) the numerator of which is the number of days between the beginning of the then current fiscal year of the Company and the date of termination of employment and (y) the denominator of which is 365. Executive shall also receive any unpaid annual bonus earned for any completed fiscal year preceding the date of termination.

(d) All other rights of Executive (and, except as provided in Section 5.6 below, all obligations of the Company) hereunder or otherwise in connection with Executive's employment with the Company shall terminate effective as of the date of such termination of employment and Executive shall not be entitled to any payments or benefits not specifically described in 5.3(a) through (c).

Any termination of employment pursuant to this Section 5.3 shall be effective upon a thirty (30) day notice thereof or the Company may elect in its sole discretion to reduce or eliminate the notice period and pay the Executive's Base Salary for some or all of the notice period in lieu of notice. A termination of Executive's employment by the Company other than for Cause or by the Executive for Good Reason shall not constitute a breach of this Agreement. To be eligible for the payment, benefits and stock rights described in Section 5.3(a)(ii) and (b) and (c) above, Executive must execute, not revoke, and abide by a release (which shall be substantially in the form attached hereto as Appendix A) of all other claims, cooperate with the Company in the event of litigation and fully comply with Executive's obligations under Sections 6 and 7 below.

5.4 **Definition of Good Reason.** For purposes of this Agreement, "Good Reason" shall mean the occurrence of any one of the following:

- (a) the assignment to Executive of any duties or responsibilities materially inconsistent with Executive's status and position as an Executive Vice President of the Company or any material adverse change in Executive's title or reporting relationships; or
 - (b) any decrease in Executive's then Base Salary to which Executive has not agreed to in writing; or
 - (c) a material breach by the Company of this Agreement; or
-

(d) notification to Executive by the Company that it has elected to terminate the Agreement at the expiration of the then current Term;

provided, however, that the Executive has provided written notice (which shall set forth in reasonable detail the specific conduct of the Company that constitutes Good Reason and the specific provisions of this Agreement on which Executive relies) to the Company of the existence of any condition described in any one of the subparagraphs a, b, c or d within thirty (30) days of the initial existence of such condition, and the Company has not cured the condition within thirty (30) days of the receipt of such notice. Any termination of employment by the Executive for Good Reason pursuant to Section 5.3 must occur no later than the date that is the three (3) month anniversary of the initial existence of the condition giving rise to the termination right.

5.5 Compensation upon Termination of Executive's Employment by Reason of Executive's Death or Total Disability. In the event that Executive's employment with the Company is terminated by reason of Executive's death or due to involuntary termination of Executive by the Company on account of Executive's Total Disability (as defined below), subject to the requirements of applicable law:

(a) Executive or Executive's estate, as the case may be, shall be entitled to receive (i) the Accrued Benefits, (ii) any other benefits payable under the then current disability and/or death benefit plans, as applicable, in which Executive is a participant and (iii) continued health insurance coverage for Executive and/or Executive's immediate family, as applicable, for a period of two (2) years following the date of termination of employment. Executive or Executive's estate shall also be entitled to receive, at the same time as is paid to other eligible participants in the bonus plan, following determination by the Compensation Committee (or the Board) of the Company's performance under the applicable annual performance goals for the fiscal year, a pro rata annual bonus determined by multiplying the performance level achieved (relative to Executive's Annual Target Bonus amount) by the fraction (x) the numerator of which is the number of days between the beginning of the then current fiscal year of the Company and the date of termination of employment and (y) the denominator of which is 365. Executive or Executive's estate shall also be entitled to any unpaid annual bonus earned for any completed fiscal year preceding the date of termination.

(b) All stock option awards held by Executive shall vest and become immediately exercisable and the restrictions with respect to any awards of Restricted Stock shall lapse, in each case to the extent such options would otherwise have become vested and exercisable (or such restrictions would have lapsed) had Executive remained in the employ of the Company for a period of two (2) years following the date of termination. Such portion of Executive's stock options (together with any portion of Executive's stock options that have vested and become exercisable prior to the date of termination) shall remain exercisable for a period of ninety (90) days following the date of termination of employment (or, such later date as may be permitted by the relevant stock option or equity plan, or, if earlier, until the expiration of the respective terms of the options), whereupon all such options shall terminate. Any remaining portion of Executive's stock options that have not

vested (or deemed to have vested) as of the date of termination shall terminate as of such date; and all shares of restricted stock as to which the restrictions shall not have lapsed as of the date of termination shall be forfeited as of such date.

(c) All other rights of Executive (and, except as provided in Section 5.6 below, all obligations of the Company) hereunder or otherwise in connection with Executive's employment with the Company shall terminate effective as of the date of such termination of employment and Executive shall not be entitled to any payments or benefits not specifically described in Section 5.5(a) through (d).

"Total Disability" shall mean any physical or mental disability that has prevented Executive from (a)(i) performing one or more of the essential functions of Executive's position for a period of not less than ninety (90) days in any twelve (12) month period and (ii) which is expected to be of permanent or indeterminate duration but expected to last at least twelve (12) continuous months or result in death of the Executive as determined (y) by a physician selected by the Company or its insurer or (z) pursuant to the Company's benefit programs; or (b) reporting to work for ninety (90) or more consecutive business days or unable to engage in any substantial activity.

5.6 Survival. In the event of any termination of Executive's employment, Executive and the Company nevertheless shall continue to be bound by the terms and conditions set forth in Section 4.7 and Sections 5 through 10 below, which shall survive the expiration of the Term; provided, however, the indemnification obligations in Section 4.7 shall not survive expiration of the Term in the event of termination of Executive's employment by the Company for Cause.

5.7 Change in Control Best Payments Determination. In the event the benefits described in Section 5.3(a) and (b) (the "Severance Benefits") are payable to Executive in connection with a Change in Control and, if paid, could subject Executive to an excise tax under Section 4999 of the Code (the "Excise Tax"), then notwithstanding the provisions of Section 5.3(a) and (b), the Company shall reduce the Severance Benefits (the "Benefit Reduction") under Section 5.3(a) and (b) by the amount necessary to result in the Executive not being subject to the Excise Tax if such reduction would result in the Executive's "Net After Tax Amount" attributable to the Severance Benefits described in Section 5.3(a) and (b) being greater than it would be if no Benefit Reduction was effected. For this purpose "Net After Tax Amount" shall mean the net amount of Severance Benefits Executive is entitled to receive under this Agreement after giving effect to all federal, state and local taxes which would be applicable to such payments, including, but not limited to, the Excise Tax. The determination of whether any such Benefit Reduction shall be affected shall be made by a nationally recognized public accounting firm selected by the Company prior to the occurrence of the Change in Control and such determination shall be binding on both Executive and the Company.

5.8 No Other Severance or Termination Benefits. Except as expressly set forth herein, Executive shall not be entitled to damages or to any severance or other benefits upon termination of employment with the Company under any circumstances and for any or

no reason, including, but not limited to any severance pay under any Company severance plan, policy or practice.

6. Protection of Confidential Information.

Executive acknowledges that during the course of Executive's employment with the Company, its subsidiaries, affiliates and strategic partners, Executive will be exposed to documents and other information regarding the confidential affairs of the Company, its subsidiaries, affiliates and strategic partners, including without limitation, information about their past, present and future financial condition, pricing strategy, prices, suppliers, cost information, business and marketing plans, the markets for their products, key personnel, past, present or future actual or threatened litigation, trade secrets and other intellectual property, current and prospective customer lists, operational methods, acquisition plans, prospects, plans for future development and other business affairs and information about the Company and its subsidiaries, affiliates and strategic partners not readily available to the public (the "Confidential Information"). Executive further acknowledges that the services to be performed under this Agreement are of a special, unique, unusual, extraordinary and intellectual character. In recognition of the foregoing, the Executive covenants and agrees as follows:

6.1 No Disclosure or Use of Confidential Information. At no time shall Executive ever divulge, disclose, or otherwise use any Confidential Information (other than as necessary to perform Executive's duties under this Agreement and in furtherance of the Company's best interests), unless and until such information is readily available in the public domain by reason other than Executive's disclosure or use thereof in violation of the first clause of this Section 6.1. Executive acknowledges that Company is the owner of, and that Executive has not rights to, any trade secrets, patents, copyrights, trademarks, know-how or similar rights of any type, including any modifications or improvements to any work or other property developed, created or worked on by Executive during the Term of this Agreement.

6.2 Return of Company Property, Records and Files. Upon the termination of Executive's employment at any time and for any reason, or at any other time the Board may so direct, Executive shall promptly deliver to the Company's offices in Harrisburg, Pennsylvania all of the property and equipment of the Company, its subsidiaries, affiliates and strategic partners (including any cell phones, pagers, credit cards, personal computers, etc.) and any and all documents, records, and files, including any notes, memoranda, customer lists, reports or any and all other documents, including any copies thereof, whether in hard copy form or on a computer disk or hard drive, which relate to the Company, its subsidiaries, affiliates, strategic partners, successors or assigns, and/or their respective past and present officers, directors, employees or consultants (collectively, the "Company Property, Records and Files"); it being expressly understood that, upon termination of Executive's employment at any time and for any reason, Executive shall not be authorized to retain any of the Company Property, Records and Files, any copies thereof or excerpts therefrom.

7. **Noncompetition and Other Matters.**

7.1 Noncompetition. During the Executive's employment with the Company or one of its subsidiaries and during the twelve (12) month period following the termination of Executive's employment (the "Restricted Period"), Executive will not directly, or indirectly knowingly cause any other person to, engage in Competition with the Company or any of its subsidiaries in the restricted area (the "Restricted Area"). "Competition" shall mean engaging in any activity for a Competitor of the Company or any of its subsidiaries, whether as a principal, agent, partner, officer, director, employee, independent contractor, investor, consultant or stockholder (except as a less than five percent (5%) shareholder of a publicly traded company) or otherwise. A "Competitor" shall mean any individual or entity that competes with one or more business units of the Company or its subsidiaries. As of the Effective Date, it is understood that the Company's business units include: (1) pharmacy benefits management ("PBM"), including the administration of pharmacy benefits for businesses, government agencies or health plans; mail order pharmacy; specialty pharmacy and Medicare Part D services; (2) the sale of prescription drugs either at retail or over the internet; and (3) retail health care ("RediClinic"). It is understood and agreed that PBM competitors include, but are not limited to, CVS Health, Express Scripts and Catamaran Corp., as well as health plans or insurers that provide PBM services that compete with the Company's PBM business. It is also understood and agreed that retail pharmacy competitors include any individual or entity that sells or has imminent plans to sell prescription drugs, including but not limited to, drugstore companies such as Walgreens Boots Alliance and CVS Health; mass merchants such as Wal-Mart Stores, Inc. and Target Corp.; and food/drug combinations such as Kroger Co., Albertsons LLC and Ahold USA. It is understood and agreed that RediClinic competitors shall include, but not be limited to, Walgreen's Take Care Clinics, CVS Health's Minute Clinics and The Little Clinic. During Executive's employment by the Company or one of its subsidiaries and during the Restricted Period, Executive will not directly, or indirectly knowingly cause any other person to, engage in any activity that involves providing audit review or other consulting or advisory services with respect to any relationship between the Company and any third party. The Restricted Area refers to those states within the United States in which the Company, including its subsidiaries, conducts its business, including the District of Columbia and Puerto Rico.

7.2 Noninterference. During the Restricted Period, Executive shall not, directly or indirectly, solicit, induce, or attempt to solicit or induce any officer, director, employee, agent or consultant of the Company or any of its subsidiaries, affiliates, strategic partners, successors or assigns to terminate his, her or its employment or other relationship with the Company or its subsidiaries, affiliates, strategic partners, successors or assigns for the purpose of associating with any competitor of the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, or otherwise encourage any such person or entity to leave or sever his, her or its employment or other relationship with the Company or its subsidiaries, affiliates, strategic partners, successors or assigns for any other reason.

7.3 Nonsolicitation. During the Restricted Period, Executive shall not, directly or indirectly, solicit, induce, or attempt to solicit or induce any customers, clients, vendors,

suppliers or consultants then under contract to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, to terminate, limit or otherwise modify his, her or its relationship with the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, for the purpose of associating with any competitor of the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, or otherwise encourage such customers, clients, vendors, suppliers or consultants then under contract to terminate his, her or its relationship with the Company or its subsidiaries, affiliates, strategic partners, successors or assigns for any reason. During the Restricted Period, Executive shall not hire, either directly or through any employee, agent or representative, any field and corporate management employee of the Company or any subsidiary or any such person who was employed by the Company or any subsidiary within 180 days of such hiring.

8. Rights and Remedies upon Breach.

If Executive breaches, or threatens to commit a breach of, any of the provisions of Sections 6 or 7 above (the “Restrictive Covenants”), the Company and its subsidiaries, affiliates, strategic partners, successors or assigns shall have the following rights and remedies, each of which shall be independent of the others and severally enforceable, and each of which shall be in addition to, and not in lieu of, any other rights or remedies available to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns at law or in equity.

8.1 Specific Performance. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction by injunctive decree or otherwise, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns and that money damages would not provide an adequate remedy to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns.

8.2 Accounting. The right and remedy to require Executive to account for and pay over to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, as the case may be, all compensation, profits, monies, accruals, increments or other benefits derived or received by Executive as a result of any transaction or activity constituting a breach of any of the Restrictive Covenants.

8.3 Severability of Covenants. Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in geographic and temporal scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full force and effect without regard to the invalid portions.

8.4 Modification by the Court. If any court determines that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or scope of such provision, such court shall have the power (and is hereby instructed by the parties) to

modify or reduce the duration or scope of such provision, as the case may be (it being the intent of the parties that any such modification or reduction be limited to the minimum extent necessary to render such provision enforceable), and, in its modified or reduced form, such provision shall then be enforceable.

8.5 Enforceability in Jurisdictions. Executive intends to and hereby confers jurisdiction to enforce the Restrictive Covenants upon the courts of any jurisdiction within the geographic scope of such covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants unenforceable by reason of the breadth of such scope or otherwise, it is the intention of Executive that such determination not bar or in any way affect the right of the Company or its subsidiaries, affiliates, strategic partners, successors or assigns to the relief provided herein in the courts of any other jurisdiction within the geographic scope of such covenants, as to breaches of such covenants in such other respective jurisdictions, such covenants as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

8.6 Extension of Restriction in the Event of Breach. In the event that Executive breaches any of the provisions set forth in this Section 8, the length of time of the Restricted Period shall be extended for a period of time equal to the period of time during which Executive is in breach of such provision.

9. No Violation of Third-Party Rights. Executive represents, warrants and covenants that Executive:

(i) will not, in the course of employment, infringe upon or violate any proprietary rights of any third party (including, without limitation, any third party confidential relationships, patents, copyrights, mask works, trade secrets, or other proprietary rights);

(ii) is not a party to any conflicting agreements with third parties, which will prevent Executive from fulfilling the terms of employment and the obligations of this Agreement;

(iii) does not have in Executive's possession any confidential or proprietary information or documents belonging to others and will not disclose to the Company, use, or induce the Company to use, any confidential or proprietary information or documents of others; and

(iv) agrees to respect any and all valid obligations which Executive may now have to prior employers or to others relating to confidential information, inventions, discoveries or other intellectual property which are the property of those prior employers or others, as the case may be.

Executive agrees to indemnify and save harmless the Company from any loss, claim, damage, cost or expense of any kind (including without limitation, reasonable attorney fees)

to which the Company may be subjected by virtue of a breach by Executive of the foregoing representations, warranties, and covenants.

10. Arbitration.

Except as necessary for the Company and its subsidiaries, affiliates, strategic partners, successors or assigns or Executive to specifically enforce or enjoin a breach of this Agreement (to the extent such remedies are otherwise available), the parties agree that any and all disputes that may arise in connection with, arising out of or relating to this Agreement, or any dispute that relates in any way, in whole or in part, to Executive's employment with the Company or any subsidiary, affiliate or strategic partner, the termination of that employment or any other dispute by and between the parties or their subsidiaries, affiliates, strategic partners, successors or assigns, shall be submitted to final and binding arbitration in the Commonwealth of Pennsylvania according to the National Employment Dispute Resolution Rules and procedures of the American Arbitration Association at the time in effect. This arbitration obligation extends to any and all claims that may arise by and between the parties or their subsidiaries, affiliates, strategic partners, successors or assigns, and expressly extends to, without limitation, claims or causes of action for wrongful termination, impairment of ability to compete in the open labor market, breach of an express or implied contract, breach of the covenant of good faith and fair dealing, breach of fiduciary duty, fraud, misrepresentation, defamation, slander, infliction of emotional distress, disability, loss of future earnings, and claims under the Pennsylvania Constitution, the United States Constitution, and applicable state and federal fair employment laws, federal and state equal employment opportunity laws, and federal and state labor statutes and regulations, including, but not limited to, the Civil Rights Act of 1964, as amended, the Fair Labor Standards Act, as amended, the Americans With Disabilities Act of 1990, as amended, the Rehabilitation Act of 1973, as amended, the Employee Retirement Income Security Act of 1974, as amended, the Age Discrimination in Employment Act of 1967, as amended, and any other state or federal law. Executive understands that by entering into this Agreement, Executive is waiving Executive's rights to have a court determine Executive's rights, including under federal, state or local statutes prohibiting employment discrimination, including sexual harassment and discrimination on the basis of age, race, color, religion, national origin, disability, veteran status or any other factor prohibited by governing law. Executive further understands that there is no intent herein to interfere with the Equal Employment Opportunity Commission's right to enforce the laws it oversees or your right to file an administrative charge of employment discrimination or a similar state or local administrative agency.

11. Assignment.

Neither this Agreement, nor any of Executive's rights or obligations hereunder, may be assigned or otherwise subject to hypothecation by Executive. The Company may assign its rights and obligations hereunder, and hereby consents to any such assignment, in whole or in part, (i) to any of the Company's subsidiaries, affiliates, or parent corporations; or (ii) to any other successor or assign in connection with the sale of all or substantially all of the

Company's assets or stock or in connection with any merger, acquisition and/or reorganization involving the Company.

12. Notices.

All notices and other communications under this Agreement shall be in writing and shall be given by fax or first class mail, certified or registered with return receipt requested, and shall be deemed to have been duly given three (3) days after mailing or twenty-four (24) hours after transmission of a fax to the respective persons named below:

If to the Company: Rite Aid Corporation
30 Hunter Lane
Camp Hill, Pennsylvania 17011
Attention: General Counsel
Fax: (717) 760-7867

If to Executive: Bryan Everett, at Executive's last address shown on the payroll records of the Company.

Any party may change such party's address for notices by notice duly given pursuant hereto.

13. General.

13.1 No Offset or Mitigation. The Company's obligation to make the payments provided for in, and otherwise to perform its obligations under this Agreement shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that the Company may have against the Executive or others whether in respect of claims made under this Agreement or otherwise. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts, benefits and other compensation payable or otherwise provided to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced, regardless of whether the Executive obtains other employment.

13.2 Governing Law. This Agreement is executed in Pennsylvania and shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to conflicts of laws principles thereof which might refer such interpretations to the laws of a different state or jurisdiction. Any court action instituted by Executive relating in any way to this Agreement shall be filed exclusively in state or federal court in the Commonwealth of Pennsylvania and Executive consents to the jurisdiction and venue of said courts in any action instituted by or on behalf of the Company against Executive.

13.3 Entire Agreement. This Agreement sets forth the entire understanding of the parties relating to Executive's employment with the Company and cancels and supersedes all agreements, arrangements and understandings relating thereto made prior to

the date hereof, written or oral, between the Executive and the Company and/or any subsidiary or affiliate.

13.4 Amendments: Waivers. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by the parties, or in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right of such party at a later time to enforce the same. No waiver by any party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, **or a** waiver of the breach of any other term or covenant contained in this Agreement.

13.5 Conflict with Other Agreements. Executive represents and warrants that neither Executive's execution of this Agreement nor the full and complete performance of Executive's obligations hereunder will violate or conflict in any respect with any written or oral agreement or understanding with any person or entity.

13.6 Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon the Company (and its successors and assigns) and Executive and Executive's heirs, executors and personal representatives.

13.7 Withholding. Notwithstanding any other provision of this Agreement, the Company may withhold from amounts payable under this Agreement all federal, state, local and foreign taxes that are required to be withheld by applicable laws or regulations.

13.8 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

13.9 No Assignment. The rights and benefits of the Executive under this Agreement may not be anticipated, assigned, alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process except as required by law. Any attempt by the Executive to anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void. Payments hereunder shall not be considered assets of the Executive in the event of insolvency or bankruptcy.

13.10 Survival. This Agreement shall survive the termination of Executive's employment and the expiration of the Term to the extent necessary to give effect to its provisions.

13.11 Captions. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

13.12 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts; each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument.

14. Compliance with Code Section 409A.

(a) **Payment of Benefits** : To the extent necessary to avoid adverse tax consequences, and except as described below, any payment to which Executive becomes entitled under the Agreement, or any arrangement or plan referenced in this Agreement, that constitutes “deferred compensation” under section 409A of the Code (“409A”), and is (a) payable upon Executive’s termination; (b) at a time when the Executive is a “specified employee” as defined by 409A shall not be made until the first payroll date after the earliest of: (1) the expiration of the six (6) month period (the “Deferral Period”) measured from the date of Executive’s “separation from service” within the meaning of such term under 409A; or (2) the date of Executive’s death.

On the first payroll date after the expiration of the Deferral Period, all payments that would have been made during the Deferral Period (whether in a single lump sum or in installments) shall be paid as a single lump sum to Executive or, if applicable, Executive’s beneficiary. This section shall not apply to any payment which meets the short term deferral exception to 409A or constitutes “separation pay” as described in Treasury Regulation Section 409A-1(b)(9) (in general, payments (i) that are made on an involuntary separation from service which (ii) do not exceed the lesser of two (2) times (x) the Executive’s annualized compensation for the taxable year preceding the year in which the separation from service occurs or (y) the Code Section 401(a)(17) limit on compensation for the year in which separation from service occurs and (iii) are paid in total by the end of the second calendar year following the calendar year in which the separation from service occurs).

The Company shall pay to Executive the Accrued Benefits, within ten (10) days after the Date of Termination. Notwithstanding the foregoing, if the Executive is a “specified employee”, as defined by 409A, and payment of the Accrued Benefits is required to be delayed under 409A, the Company shall pay to Executive the Accrued Benefits on the first payroll date after the six (6) month anniversary of the Date of Termination.

For purposes of 409A, each payment and each installment described in this Agreement shall be considered a separate payment from each other payment or installment and to the extent required by 409A, a payment due upon termination of employment will only be paid upon Executive’s separation from service within the meaning of such term under 409A.

(b) **Reimbursements** : To the extent required by 409A, with regard to any provision that provides for the reimbursement of costs and expenses, or for the provision of in-kind benefits: (i) the right to such reimbursement or in-kind benefit shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses or in-kind benefits available or paid in one (1) year shall not affect the amount available or paid

in any subsequent year; and (iii) such payments shall be made on or before the last day of the Executive's taxable year in which the expense occurred.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement as of the date first written above.

RITE AID CORPORATION

/s/ Marc Strassler

By Marc Strassler

Its: Executive Vice President & General Counsel

EXECUTIVE

/s/ Bryan Everett

Bryan Everett

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is entered into as of the 3rd day of August 2015 by and between Rite Aid Corporation, a Delaware corporation (the “Company”) and David Abelman (“Executive”).

WHEREAS, the Company desires to hire and employ Executive and Executive desires to provide the Company with Executive’s services subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual representations, warranties, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and Executive (individually a “Party” and together the “Parties”), intending to be legally bound, agree as follows:

1. Term of Employment.

The term of Executive’s employment under this Agreement shall commence on August 3, 2015 (the “Effective Date”) and, unless earlier terminated pursuant to Section 5 below, shall continue for a period ending on the date that is two (2) years following the Effective Date (the “Original Term of Employment”). The Original Term of Employment shall be automatically renewed for successive one (1) year terms (the “Renewal Terms”) unless at least one hundred twenty (120) days prior to the expiration of the Original Term of Employment or any Renewal Term, either Party notifies the other Party in writing that Executive or it is electing to terminate this Agreement at the expiration of the then current Term of Employment. “Term” shall mean the Original Term of Employment and all Renewal Terms. For purposes of this Agreement, except as otherwise provided herein, the phrases “year during the Term” or similar language shall refer to each twelve (12) month period commencing on the Effective Date or applicable anniversaries thereof.

2. Position and Duties.

2.1 Generally. During the Term, Executive shall serve as the Executive Vice President of Marketing and shall have such officer level duties, responsibilities and authority as are customary for Executive Vice President and shall have such other officer level duties, responsibilities and authorities as shall be assigned by the Company from time to time consistent with such position. Executive shall devote Executive’s full working time, attention, knowledge and skills faithfully and to the best of Executive’s ability, to the duties and responsibilities assigned by the Company in furtherance of the business affairs and activities of the Company and its subsidiaries, affiliates and strategic partners. Executive shall report to the Company’s principal operating officer. Contemporaneously with termination of Executive’s employment for any reason, Executive shall automatically resign from all offices and positions Executive holds with the Company or any subsidiary without any further action on the part of Executive or the Company.

2.2 Other Activities. Anything herein to the contrary notwithstanding, nothing in this Agreement shall preclude the Executive from engaging in the following activities: (i) serving on the board of directors of a reasonable number of other corporations or the boards of a reasonable number of trade associations and/or charitable organizations, subject to the Company's approval, which shall not be unreasonably withheld, (ii) engaging in charitable activities and community affairs, and (iii) managing Executive's personal investments and affairs, provided that Executive's activities pursuant to clauses (i), (ii) or (iii) do not violate Sections 6 or 7 below or materially interfere with the proper performance of Executive's duties and responsibilities under this Agreement. Executive shall at all times be subject to, observe and carry out such rules, regulations, policies, directions, and restrictions as the Company may from time to time establish for officers of the Company or employees generally.

3. Compensation.

3.1 Base Salary. During the Term, as compensation for Executive's services hereunder, Executive shall receive a salary at the annualized rate of Three Hundred Seventy-Five Thousand Dollars (\$375,000) per year ("Base Salary" as may be adjusted from time to time), which shall be paid in accordance with the Company's normal payroll practices and procedures, less such deductions or offsets required by applicable law or otherwise authorized by Executive.

3.2 Annual Performance Bonus. The Executive shall participate each fiscal year during the Term in the Company's annual bonus plan as adopted and approved by the Company's Board of Directors (the "Board") or the Compensation Committee of the Board (the "Compensation Committee") from time to time. For the fiscal year ongoing as of the Effective Date ("FY 16"), Executive's annual bonus opportunity pursuant to such plan shall equal seventy-five percent (75%) (the "Annual Target Bonus") of the Base Salary and for each subsequent year, equal to the bonus opportunity of other Executive Vice Presidents. Payment of any bonus earned shall be made in accordance with the terms of the Company's annual bonus plan as in effect for the year for which the bonus is earned.

3.3 Equity Awards.

Executive will be eligible to participate during the Term in the Company's Long Term Incentive Plan ("LTIP"). Executive's long term incentive factor will be based upon one hundred fifty percent (150%) of Executive's Base Salary. Therefore, on each regular grant date occurring during the Term, Executive will be granted awards under the Company's 2014 Omnibus Equity Plan or any successor plan thereto (the "Equity Plan"), a copy of which Equity Plan has been filed as Exhibit 10.1 to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on June 23, 2014, pursuant to the LTIP valued at one hundred fifty percent (150%) of Base Salary calculated in a manner consistent with and containing the same terms and conditions as other senior executives.

4. **Additional Benefits.**

4.1 **Employee Benefits.** During the Term, Executive shall be eligible to participate in the employee benefit plans (including, but not limited to medical, dental and life insurance plans, short-term and long-term disability coverage, the Supplemental Executive Retirement Plan and 401(k) plans in which management employees of the Company are generally eligible to participate, subject to satisfaction of any eligibility requirements and the other generally applicable terms of such plans. Nothing in this Agreement shall prevent the Company from amending or terminating any employee benefit plans of the Company from time to time as the Company deems appropriate.

4.2 **Expenses.** During the Term, the Company shall reimburse Executive for any expenses reasonably incurred by Executive in furtherance of Executive's duties hereunder, including without limitation, travel, meals and accommodations, upon submission of vouchers or receipts and in compliance with such rules and policies relating thereto as the Company may from time to time adopt or as may be required in order to permit such payments to be taken as proper deductions by the Company or any subsidiary under the Internal Revenue Code of 1986, as amended, and the rules and regulations adopted pursuant thereto now or hereafter in effect (the "Code"). The provisions of Section 14(b) shall apply to all reimbursements made under this Section 4.2.

4.3 **Vacation.** Executive shall be entitled to four (4) weeks paid vacation during each year of the Term.

4.4 **Automobile Allowance.** During the Term, the Company shall provide Executive with an automobile allowance of \$1,000.00 per month.

4.5 **Annual Financial Planning Allowance.** During the Term, the Company shall provide Executive with a financial planning allowance in the amount of \$5,000.00. The provisions of Section 14(b) shall apply to any payments or reimbursements made under this Section 4.5.

4.6 **Relocation.** Executive shall be eligible to participate in the Company's Level 1 relocation plan for executives.

4.7 **Indemnification.** The Company shall (a) indemnify and hold Executive harmless, to the full extent permitted under applicable law, for, from and against any and all losses, claims, costs, expenses, damages, liabilities or actions (including security holder actions, in respect thereof) relating to or arising out of the Executive's employment with and service as an officer of the Company, and (b) pay all reasonable costs, expenses and attorney's fees incurred by Executive in connection with or relating to the defense of any such loss, claim, cost, expense, damage, liability or action, subject to Executive's undertaking to repay in the event it is ultimately determined that Executive is not entitled to be indemnified by the Company. Following termination (except for termination by the Company for Cause) of the Executive's employment or service with the Company or any subsidiaries of the Company, the Company shall cause any director and officer liability insurance policies applicable to the Executive prior to such termination to remain in effect

for six (6) years following the date of termination of employment. The provisions of Section 14(b) shall apply to any payments or reimbursements made under this Section 4.7.

5. Termination.

5.1 Termination of Executive's Employment by the Company for Cause. The Company may terminate Executive's employment hereunder for Cause (as defined below). Such termination shall be effected by written notice thereof delivered by the Company to Executive, indicating in reasonable detail the facts and circumstances alleged to provide a basis for such termination, and shall be effective as of the date of such notice in accordance with Section 12 hereof. "Cause", as determined in reasonable good faith by a committee comprised of three (3) senior officers (one of which shall be Executive's supervisor) of the Company, shall mean: (i) Executive's gross negligence or willful misconduct in the performance of the duties or responsibilities of Executive's position with the Company or any subsidiary, or failure to timely carry out any lawful directive of the Company; (ii) Executive's misappropriation of any funds or property of the Company or any subsidiary; (iii) the conduct by Executive which is a material violation of this Agreement or Company Policy or which materially interferes with the Executive's ability to perform Executive's duties; (iv) the commission by Executive of an act of fraud or dishonesty toward the Company or any subsidiary; (v) Executive's misconduct or negligence which damages or injures the Company or the Company's reputation; (vi) Executive is convicted of or pleads guilty to a misdemeanor involving moral turpitude or any felony; or (vii) the use or imparting by Executive of any confidential or proprietary information of the Company or any subsidiary.

5.2 Compensation upon Termination by the Company for Cause or by Executive without Good Reason. In the event of Executive's termination of employment (i) by the Company for Cause or (ii) by Executive voluntarily without Good Reason:

(a) Executive shall be entitled to receive (i) all amounts of accrued but unpaid Base Salary through the effective date of such termination, (ii) reimbursement for reasonable and necessary expenses incurred by Executive through the date of notice of such termination, to the extent otherwise provided under Section 4.2 above, and (iii) all other vested payments and benefits to which Executive may otherwise be entitled pursuant to the terms of the applicable benefit plan or arrangement through the effective date of such termination ((i), (ii) and (iii), (the "Accrued Benefits")). All other rights of Executive (and, except as provided in Section 5.6 below, all obligations of the Company) hereunder or otherwise in connection with Executive's employment with the Company shall terminate effective as of the date of such termination of employment and Executive shall not be entitled to any payments or benefits not specifically described in this subsection (a) or (b) below.

(b) Any portion of any restricted stock or any other equity incentive awards as to which the restrictions have not lapsed or as to which any other conditions shall not have been satisfied prior to the date of termination shall be forfeited as of such date and any portion of Executive's stock options that have vested and become exercisable prior to the date of termination shall remain exercisable for a period of ninety (90) days following

the date of termination of employment (or, such later date as may be permitted by the relevant stock option or equity plan, or, if earlier, until the expiration of the respective terms of the options), whereupon all such options shall terminate; provided, however, in the event of termination of Executive by the Company for Cause, any stock options that have not been exercised prior to the date of termination shall immediately terminate as of such date.

Any termination of Executive's employment by Executive voluntarily without Good Reason shall be effective upon a thirty (30) day notice to the Company or such earlier date as the Company determines in its discretion and designates in writing. A termination of Executive's employment by the Company for Cause or by the Executive other than for Good Reason shall not constitute a breach of this Agreement.

5.3 Compensation upon Termination of Executive's Employment by the Company Other Than for Cause or by Executive for Good Reason.

Executive's employment hereunder may be terminated by the Company other than for Cause or by Executive for Good Reason. In the event that Executive's employment hereunder is terminated by the Company other than for Cause or by Executive for Good Reason:

(a) Executive shall be entitled to receive (i) the Accrued Benefits, (ii) an amount equal to two (2) years of Executive's then Base Salary as of the date of termination of employment, such amount payable in equal installments pursuant to the Company's standard payroll procedures for management employees over a period of two (2) years following the date that the release of claims (referred to below) becomes irrevocable (provided, if as of the date of termination the release of claims could become irrevocable in either of two taxable years of Executive, payments will not commence before the first day of the later such taxable year), and (iii) with respect to health insurance coverage, the cost of COBRA benefits (and equivalent benefits which shall be provided by the Company following expiration of any COBRA continuation period) to Executive and his immediate family for a period of two (2) years following the date of termination of employment.

(b) The Executive's stock option awards held by Executive shall vest and become immediately exercisable and the restrictions with respect to any awards of non-performance based restricted stock ("Restricted Stock") shall lapse, in each case to the extent such options would otherwise have become vested and exercisable (or such restrictions would have lapsed) had Executive remained in the employ of the Company for a period of two (2) years following the date of termination. Such portion of Executive's stock options (together with any portion of Executive's stock options that have vested and become exercisable prior to the date of termination) shall remain exercisable for a period of ninety (90) days following the date of termination of employment (or, such later date as may be permitted by the relevant stock option or equity plan, or, if earlier, until the expiration of the respective terms of the options), whereupon all such options shall terminate. Any remaining portion of Executive's stock options that have not vested (or deemed to have vested) as of the date of termination shall terminate as of such date; and all shares of Restricted Stock as to which the restrictions shall not have lapsed as of the date of termination shall be forfeited as of such date.

(c) If a termination pursuant to Section 5.3 of the Agreement occurs following the start of the Company's fiscal year, Executive shall also be entitled to receive, to the extent not previously paid (which shall be paid at the same time paid to other eligible participants in the bonus plan) and following determination by the Compensation Committee (or the Board) that the Company has achieved or exceeded its annual performance targets for the fiscal year, a pro rata annual bonus determined by multiplying the performance level achieved (relative to Executive's Annual Target Bonus amount) by the fraction (x) the numerator of which is the number of days between the beginning of the then current fiscal year of the Company and the date of termination of employment and (y) the denominator of which is 365. Executive shall also receive any unpaid annual bonus earned for any completed fiscal year preceding the date of termination.

(d) All other rights of Executive (and, except as provided in Section 5.6 below, all obligations of the Company) hereunder or otherwise in connection with Executive's employment with the Company shall terminate effective as of the date of such termination of employment and Executive shall not be entitled to any payments or benefits not specifically described in 5.3(a) through (c).

Any termination of employment pursuant to this Section 5.3 shall be effective upon a thirty (30) day notice thereof or the Company may elect in its sole discretion to reduce or eliminate the notice period and pay the Executive's Base Salary for some or all of the notice period in lieu of notice. A termination of Executive's employment by the Company other than for Cause or by the Executive for Good Reason shall not constitute a breach of this Agreement. To be eligible for the payment, benefits and stock rights described in Section 5.3(a)(ii) and (b) and (c) above, Executive must execute, not revoke, and abide by a release (which shall be substantially in the form attached hereto as Appendix A) of all other claims, cooperate with the Company in the event of litigation and fully comply with Executive's obligations under Sections 6 and 7 below.

5.4 **Definition of Good Reason.** For purposes of this Agreement, "Good Reason" shall mean the occurrence of any one of the following:

- (a) the assignment to Executive of any duties or responsibilities materially inconsistent with Executive's status and position as an Executive Vice President of the Company or any material adverse change in Executive's title or reporting relationships; or
 - (b) any decrease in Executive's then Base Salary to which Executive has not agreed to in writing; or
 - (c) a material breach by the Company of this Agreement; or
 - (d) notification to Executive by the Company that it has elected to terminate the Agreement at the expiration of the then current Term;
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provided, however, that the Executive has provided written notice (which shall set forth in reasonable detail the specific conduct of the Company that constitutes Good Reason and the specific provisions of this Agreement on which Executive relies) to the Company of the existence of any condition described in any one of the subparagraphs (a), (b), (c) or (d) within thirty (30) days of the initial existence of such condition, and the Company has not cured the condition within thirty (30) days of the receipt of such notice. Any termination of employment by the Executive for Good Reason pursuant to Section 5.3 must occur no later than the date that is the three (3) month anniversary of the initial existence of the condition giving rise to the termination right

5.5 Compensation upon Termination of Executive's Employment by Reason of Executive's Death or Total Disability. In the event that Executive's employment with the Company is terminated by reason of Executive's death or Total Disability (as defined below), subject to the requirements of applicable law:

(a) Executive or Executive's estate, as the case may be, shall be entitled to receive (i) the Accrued Benefits, (ii) any other benefits payable under the then current disability and/or death benefit plans, as applicable, in which Executive is a participant and (iii) continued health insurance coverage for Executive and/or Executive's immediate family, as applicable, for a period of two (2) years following the date of termination of employment. Executive or Executive's estate shall also be entitled to receive, at the same time as is paid to other eligible participants in the bonus plan, following determination by the Compensation Committee (or the Board) of the Company's performance under the applicable annual performance goals for the fiscal year, a pro rata annual bonus determined by multiplying the performance level achieved (relative to Executive's Annual Target Bonus amount) by the fraction (x) the numerator of which is the number of days between the beginning of the then current fiscal year of the Company and the date of termination of employment and (y) the denominator of which is 365. Executive or Executive's estate shall also be entitled to any unpaid annual bonus earned for any completed fiscal year preceding the date of termination.

(b) All stock option awards held by Executive shall vest and become immediately exercisable and the restrictions with respect to any awards of Restricted Stock shall lapse, in each case to the extent such options would otherwise have become vested and exercisable (or such restrictions would have lapsed) had Executive remained in the employ of the Company for a period of two (2) years following the date of termination. Such portion of Executive's stock options (together with any portion of Executive's stock options that have vested and become exercisable prior to the date of termination) shall remain exercisable for a period of ninety (90) days following the date of termination of employment (or, such later date as may be permitted by the relevant stock option or equity plan, or, if earlier, until the expiration of the respective terms of the options), whereupon all such options shall terminate. Any remaining portion of Executive's stock options that have not vested (or deemed to have vested) as of the date of termination shall terminate as of such date; and all shares of Restricted Stock as to which the restrictions shall not have lapsed as of the date of termination shall be forfeited as of such date.

(c) All other rights of Executive (and, except as provided in Section 5.6 below, all obligations of the Company) hereunder or otherwise in connection with Executive's employment with the Company shall terminate effective as of the date of such termination of employment and Executive shall not be entitled to any payments or benefits not specifically described in Section 5.5(a) through (d).

"Total Disability" shall mean any physical or mental disability that has prevented Executive from (a)(i) performing one or more of the essential functions of Executive's position for a period of not less than ninety (90) days in any twelve (12) month period and (ii) which is expected to be of permanent or indeterminate duration but expected to last at least twelve (12) continuous months or result in death of the Executive as determined (y) by a physician selected by the Company or its insurer or (z) pursuant to the Company's benefit programs; or (b) reporting to work for ninety (90) or more consecutive business days or unable to engage in any substantial activity.

5.6 Survival. In the event of any termination of Executive's employment, Executive and the Company nevertheless shall continue to be bound by the terms and conditions set forth in Section 4.7 and Sections 5 through 10 below, which shall survive the expiration of the Term; provided, however, the indemnification obligations in Section 4.7 shall not survive expiration of the Term in the event of termination of Executive's employment by the Company for Cause.

5.7 Change in Control Best Payments Determination. In the event the benefits described in Section 5.3(a) and (b) (the "Severance Benefits") are payable to Executive in connection with a Change in Control and, if paid, would subject Executive to an excise tax under Section 4999 of the Code (the "Excise Tax"), then notwithstanding the provisions of Section 5.3(a) and (b), the Company shall reduce the Severance Benefits (the "Benefit Reduction") under Section 5.3(a) and (b) by the amount necessary to result in the Executive not being subject to the Excise Tax if such reduction would result in the Executive's "Net After Tax Amount" attributable to the Severance Benefits described in Section 5.3(a) and (b) being greater than it would be if no Benefit Reduction was effected. For this purpose "Net After Tax Amount" shall mean the net amount of Severance Benefits Executive is entitled to receive under this Agreement after giving effect to all federal, state and local taxes which would be applicable to such payments, including, but not limited to, the Excise Tax. The determination of whether any such Benefit Reduction shall be affected shall be made by a nationally recognized public accounting firm selected by the Company prior to the occurrence of the Change in Control and such determination shall be binding on both Executive and the Company.

5.8 No Other Severance or Termination Benefits. Except as expressly set forth herein, Executive shall not be entitled to damages or to any severance or other benefits upon termination of employment with the Company under any circumstances and for any or no reason, including, but not limited to any severance pay under any Company severance plan, policy or practice.

6. Protection of Confidential Information.

Executive acknowledges that during the course of Executive's employment with the Company, its subsidiaries, affiliates and strategic partners, Executive will be exposed to documents and other information regarding the confidential affairs of the Company, its subsidiaries, affiliates and strategic partners, including without limitation, information about their past, present and future financial condition, pricing strategy, prices, suppliers, cost information, business and marketing plans, the markets for their products, key personnel, past, present or future actual or threatened litigation, trade secrets and other intellectual property, current and prospective customer lists, operational methods, acquisition plans, prospects, plans for future development and other business affairs and information about the Company and its subsidiaries, affiliates and strategic partners not readily available to the public (the "Confidential Information"). Executive further acknowledges that the services to be performed under this Agreement are of a special, unique, unusual, extraordinary and intellectual character. In recognition of the foregoing, the Executive covenants and agrees as follows:

6.1 No Disclosure or Use of Confidential Information. At no time shall Executive ever divulge, disclose, or otherwise use any Confidential Information (other than as necessary to perform Executive's duties under this Agreement and in furtherance of the Company's best interests), unless and until such information is readily available in the public domain by reason other than Executive's disclosure or use thereof in violation of the first clause of this Section 6.1. Executive acknowledges that Company is the owner of, and that Executive has not rights to, any trade secrets, patents, copyrights, trademarks, know-how or similar rights of any type, including any modifications or improvements to any work or other property developed, created or worked on by Executive during the Term of this Agreement.

6.2 Return of Company Property, Records and Files. Upon the termination of Executive's employment at any time and for any reason, or at any other time the Board may so direct, Executive shall promptly deliver to the Company's offices in Harrisburg, Pennsylvania all of the property and equipment of the Company, its subsidiaries, affiliates and strategic partners (including any cell phones, pagers, credit cards, personal computers, etc.) and any and all documents, records, and files, including any notes, memoranda, customer lists, reports or any and all other documents, including any copies thereof, whether in hard copy form or on a computer disk or hard drive, which relate to the Company, its subsidiaries, affiliates, strategic partners, successors or assigns, and/or their respective past and present officers, directors, employees or consultants (collectively, the "Company Property, Records and Files"); it being expressly understood that, upon termination of Executive's employment at any time and for any reason, Executive shall not be authorized to retain any of the Company Property, Records and Files, any copies thereof or excerpts therefrom.

7. Noncompetition and Other Matters.

7.1 Noncompetition. During the Executive's employment with the Company or one of its subsidiaries and during the twelve (12) month period following the termination

of Executive's employment (the "Restricted Period"), Executive will not directly, or indirectly knowingly cause any other person to, engage in Competition with the Company or any of its subsidiaries in the restricted area (the "Restricted Area"). "Competition" shall mean engaging in any activity for a Competitor of the Company or any of its subsidiaries, whether as a principal, agent, partner, officer, director, employee, independent contractor, investor, consultant or stockholder (except as a less than five percent (5%) shareholder of a publicly traded company) or otherwise. A "Competitor" shall mean any individual or entity that competes with one or more business units of the Company or its subsidiaries. As of the Effective Date, it is understood that the Company's business units include: (1) pharmacy benefits management ("PBM"), including the administration of pharmacy benefits for businesses, government agencies or health plans; mail order pharmacy; specialty pharmacy and Medicare Part D services; (2) the sale of prescription drugs either at retail or over the internet; and (3) retail health care ("RediClinic"). It is understood and agreed that PBM competitors include, but are not limited to, CVS Health, Express Scripts and Catamaran Corp., as well as health plans or insurers that provide PBM services that compete with the Company's PBM business. It is also understood and agreed that retail pharmacy competitors include any individual or entity that sells or has imminent plans to sell prescription drugs, including but not limited to, drugstore companies such as Walgreens Boots Alliance and CVS Health; mass merchants such as Wal-Mart Stores, Inc. and Target Corp.; and food/drug combinations such as Kroger Co., Albertsons LLC and Ahold USA. It is understood and agreed that RediClinic competitors shall include, but not be limited to, Walgreen's Take Care Clinics, CVS Health's Minute Clinics and The Little Clinic. During Executive's employment by the Company or one of its subsidiaries and during the Restricted Period, Executive will not directly, or indirectly knowingly cause any other person to, engage in any activity that involves providing audit review or other consulting or advisory services with respect to any relationship between the Company and any third party. The Restricted Area refers to those states within the United States in which the Company, including its subsidiaries, conducts its business, including the District of Columbia and Puerto Rico.

7.2 Noninterference. During the Restricted Period, Executive shall not, directly or indirectly, solicit, induce, or attempt to solicit or induce any officer, director, employee, agent or consultant of the Company or any of its subsidiaries, affiliates, strategic partners, successors or assigns to terminate his, her or its employment or other relationship with the Company or its subsidiaries, affiliates, strategic partners, successors or assigns for the purpose of associating with any competitor of the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, or otherwise encourage any such person or entity to leave or sever his, her or its employment or other relationship with the Company or its subsidiaries, affiliates, strategic partners, successors or assigns for any other reason.

7.3 Nonsolicitation. During the Restricted Period, Executive shall not, directly or indirectly, solicit, induce, or attempt to solicit or induce any customers, clients, vendors, suppliers or consultants then under contract to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, to terminate, limit or otherwise modify his, her or its relationship with the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, for the purpose of associating with any competitor of the Company or its

subsidiaries, affiliates, strategic partners, successors or assigns, or otherwise encourage such customers, clients, vendors, suppliers or consultants then under contract to terminate his, her or its relationship with the Company or its subsidiaries, affiliates, strategic partners, successors or assigns for any reason. During the Restricted Period, Executive shall not hire, either directly or through any employee, agent or representative, any field and corporate management employee of the Company or any subsidiary or any such person who was employed by the Company or any subsidiary within 180 days of such hiring.

8. Rights and Remedies upon Breach.

If Executive breaches, or threatens to commit a breach of, any of the provisions of Sections 6 or 7 above (the “Restrictive Covenants”), the Company and its subsidiaries, affiliates, strategic partners, successors or assigns shall have the following rights and remedies, each of which shall be independent of the others and severally enforceable, and each of which shall be in addition to, and not in lieu of, any other rights or remedies available to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns at law or in equity.

8.1 Specific Performance. The right and remedy to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction by injunctive decree or otherwise, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns and that money damages would not provide an adequate remedy to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns.

8.2 Accounting. The right and remedy to require Executive to account for and pay over to the Company or its subsidiaries, affiliates, strategic partners, successors or assigns, as the case may be, all compensation, profits, monies, accruals, increments or other benefits derived or received by Executive as a result of any transaction or activity constituting a breach of any of the Restrictive Covenants.

8.3 Severability of Covenants. Executive acknowledges and agrees that the Restrictive Covenants are reasonable and valid in geographic and temporal scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full force and effect without regard to the invalid portions.

8.4 Modification by the Court. If any court determines that any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or scope of such provision, such court shall have the power (and is hereby instructed by the parties) to modify or reduce the duration or scope of such provision, as the case may be (it being the intent of the parties that any such modification or reduction be limited to the minimum extent necessary to render such provision enforceable), and, in its modified or reduced form, such provision shall then be enforceable.

8.5 **Enforceability in Jurisdictions.** Executive intends to and hereby confers jurisdiction to enforce the Restrictive Covenants upon the courts of any jurisdiction within the geographic scope of such covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants unenforceable by reason of the breadth of such scope or otherwise, it is the intention of Executive that such determination not bar or in any way affect the right of the Company or its subsidiaries, affiliates, strategic partners, successors or assigns to the relief provided herein in the courts of any other jurisdiction within the geographic scope of such covenants, as to breaches of such covenants in such other respective jurisdictions, such covenants as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

8.6 **Extension of Restriction in the Event of Breach.** In the event that Executive breaches any of the provisions set forth in this Section 8, the length of time of the Restricted Period shall be extended for a period of time equal to the period of time during which Executive is in breach of such provision.

9. **No Violation of Third-Party Rights.** Executive represents, warrants and covenants that Executive:

(i) will not, in the course of employment, infringe upon or violate any proprietary rights of any third party (including, without limitation, any third party confidential relationships, patents, copyrights, mask works, trade secrets, or other proprietary rights);

(ii) is not a party to any conflicting agreements with third parties, which will prevent Executive from fulfilling the terms of employment and the obligations of this Agreement;

(iii) does not have in Executive's possession any confidential or proprietary information or documents belonging to others and will not disclose to the Company, use, or induce the Company to use, any confidential or proprietary information or documents of others; and

(iv) agrees to respect any and all valid obligations which Executive may now have to prior employers or to others relating to confidential information, inventions, discoveries or other intellectual property which are the property of those prior employers or others, as the case may be.

Executive agrees to indemnify and save harmless the Company from any loss, claim, damage, cost or expense of any kind (including without limitation, reasonable attorney fees) to which the Company may be subjected by virtue of a breach by Executive of the foregoing representations, warranties, and covenants.

10. Arbitration.

Except as necessary for the Company and its subsidiaries, affiliates, strategic partners, successors or assigns or Executive to specifically enforce or enjoy a breach of this Agreement (to the extent such remedies are otherwise available), the parties agree that any and all disputes that may arise in connection with, arising out of or relating to this Agreement, or any dispute that relates in any way, in whole or in part, to Executive's employment with the Company or any subsidiary, affiliate or strategic partner, the termination of that employment or any other dispute by and between the parties or their subsidiaries, affiliates, strategic partners, successors or assigns, shall be submitted to final and binding arbitration in the Commonwealth of Pennsylvania according to the National Employment Dispute Resolution Rules and procedures of the American Arbitration Association at the time in effect. This arbitration obligation extends to any and all claims that may arise by and between the parties or their subsidiaries, affiliates, strategic partners, successors or assigns, and expressly extends to, without limitation, claims or causes of action for wrongful termination, impairment of ability to compete in the open labor market, breach of an express or implied contract, breach of the covenant of good faith and fair dealing, breach of fiduciary duty, fraud, misrepresentation, defamation, slander, infliction of emotional distress, disability, loss of future earnings, and claims under the Pennsylvania Constitution, the United States Constitution, and applicable state and federal fair employment laws, federal and state equal employment opportunity laws, and federal and state labor statutes and regulations, including, but not limited to, the Civil Rights Act of 1964, as amended, the Fair Labor Standards Act, as amended, the Americans With Disabilities Act of 1990, as amended, the Rehabilitation Act of 1973, as amended, the Employee Retirement Income Security Act of 1974, as amended, the Age Discrimination in Employment Act of 1967, as amended, and any other state or federal law. Executive understands that by entering into this Agreement, Executive is waiving Executive's rights to have a court determine Executive's rights, including under federal, state or local statutes prohibiting employment discrimination, including sexual harassment and discrimination on the basis of age, race, color, religion, national origin, disability, veteran status or any other factor prohibited by governing law. Executive further understands that there is no intent herein to interfere with the Equal Employment Opportunity Commission's right to enforce the laws it oversees or your right to file an administrative charge of employment discrimination or a similar state or local administrative agency.

11. Assignment.

Neither this Agreement, nor any of Executive's rights or obligations hereunder, may be assigned or otherwise subject to hypothecation by Executive. The Company may assign its rights and obligations hereunder, and hereby consents to any such assignment, in whole or in part, (i) to any of the Company's subsidiaries, affiliates, or parent corporations; or (ii) to any other successor or assign in connection with the sale of all or substantially all of the Company's assets or stock or in connection with any merger, acquisition and/or reorganization involving the Company.

12. Notices

All notices and other communications under this Agreement shall be in writing and shall be given by fax or first class mail, certified or registered with return receipt requested, and shall be deemed to have been duly given three (3) days after mailing or twenty-four (24) hours after transmission of a fax to the respective persons named below:

If to the Company: Rite Aid Corporation
 30 Hunter Lane
 Camp Hill, Pennsylvania 17011
 Attention: General Counsel
 Fax: (717) 760-7867

If to Executive: David Abelman, at Executive's last address shown on the payroll records of the Company.

Any party may change such party's address for notices by notice duly given pursuant hereto.

13. General

13.1 No Offset or Mitigation. The Company's obligation to make the payments provided for in, and otherwise to perform its obligations under this Agreement shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action that the Company may have against the Executive or others whether in respect of claims made under this Agreement or otherwise. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts, benefits and other compensation payable or otherwise provided to the Executive under any of the provisions of this Agreement, and such amounts shall not be reduced, regardless of whether the Executive obtains other employment.

13.2 Governing Law. This Agreement is executed in Pennsylvania and shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Pennsylvania without giving effect to conflicts of laws principles thereof which might refer such interpretations to the laws of a different state or jurisdiction. Any court action instituted by Executive relating in any way to this Agreement shall be filed exclusively in state or federal court in the Commonwealth of Pennsylvania and Executive consents to the jurisdiction and venue of said courts in any action instituted by or on behalf of the Company against Executive.

13.3 Entire Agreement. This Agreement sets forth the entire understanding of the parties relating to Executive's employment with the Company and cancels and supersedes all agreements, arrangements and understandings relating thereto made prior to the date hereof, written or oral, between the Executive and the Company and/or any subsidiary or affiliate, including without limitation that certain Employment Agreement between Executive and the Company dated March 21, 2014.

13.4 Amendments: Waivers. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by the parties, or in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right of such party at a later time to enforce the same. No waiver by any party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.

13.5 Conflict with Other Agreements. Executive represents and warrants that neither Executive's execution of this Agreement nor the full and complete performance of Executive's obligations hereunder will violate or conflict in any respect with any written or oral agreement or understanding with any person or entity.

13.6 Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon the Company (and its successors and assigns) and Executive and Executive's heirs, executors and personal representatives.

13.7 Withholding. Notwithstanding any other provision of this Agreement, the Company may withhold from amounts payable under this Agreement all federal, state, local and foreign taxes that are required to be withheld by applicable laws or regulations.

13.8 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

13.9 No Assignment. The rights and benefits of the Executive under this Agreement may not be anticipated, assigned, alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process except as required by law. Any attempt by the Executive to anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void. Payments hereunder shall not be considered assets of the Executive in the event of insolvency or bankruptcy.

13.10 Survival . This Agreement shall survive the termination of Executive's employment and the expiration of the Term to the extent necessary to give effect to its provisions.

13.11 Captions. The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

13.12 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts; each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument.

14. Compliance with Code Section 409A.

(a) **Payment of Benefits:** To the extent necessary to avoid adverse tax consequences, and except as described below, any payment to which Executive becomes entitled under the Agreement, or any arrangement or plan referenced in this Agreement, that constitutes “deferred compensation” under section 409A of the Code (“409A”), and is (a) payable upon Executive’s termination; (b) at a time when the Executive is a “specified employee” as defined by 409A shall not be made until the first payroll date after the earliest of: (1) the expiration of the six (6) month period (the “Deferral Period”) measured from the date of Executive’s “separation from service” within the meaning of such term under 409A; or (2) the date of Executive’s death.

On the first payroll date after the expiration of the Deferral Period, all payments that would have been made during the Deferral Period (whether in a single lump sum or in installments) shall be paid as a single lump sum to Executive or, if applicable, Executive’s beneficiary. This section shall not apply to any payment which meets the short term deferral exception to 409A or constitutes “separation pay” as described in Treasury Regulation Section 409A-1(b)(9) (in general, payments (i) that are made on an involuntary separation from service which (ii) do not exceed the lesser of two (2) times (x) the Executive’s annualized compensation for the taxable year preceding the year in which the separation from service occurs or (y) the Code Section 401(a)(17) limit on compensation for the year in which separation from service occurs and (iii) are paid in total by the end of the second calendar year following the calendar year in which the separation from service occurs).

The Company shall pay to Executive the Accrued Benefits, within ten (10) days after the Date of Termination. Notwithstanding the foregoing, if the Executive is a “specified employee”, as defined by 409A, and payment of the Accrued Benefits is required to be delayed under 409A, the Company shall pay to Executive the Accrued Benefits on the first payroll date after the six (6) month anniversary of the Date of Termination.

For purposes of 409A, each payment and each installment described in this Agreement shall be considered a separate payment from each other payment or installment and to the extent required by 409A, a payment due upon termination of employment will only be paid upon Executive’s separation from service within the meaning of such term under 409A.

(b) **Reimbursements:** To the extent required by 409A, with regard to any provision that provides for the reimbursement of costs and expenses, or for the provision of in-kind benefits: (i) the right to such reimbursement or in-kind benefit shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses or in-kind

benefits available or paid in one (1) year shall not affect the amount available or paid in any subsequent year; and (iii) such payments shall be made on or before the last day of the Executive's taxable year in which the expense occurred.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement as of the date first written above.

RITE AID CORPORATION

/s/ Marc A. Strassler

By Marc A. Strassler
Its: Executive Vice President & General Counsel

/s/ David Abelman

David Abelman

Appendix A to Employment Agreement

Date

Name
Address
City, State Zip

Re: Severance Agreement and General Release

Dear Name:

We are interested in resolving cooperatively your separation of employment with Rite Aid Corporation (the Company), which will take place on (date), your Separation Date. Toward this end, we propose the following Severance Agreement, which includes a General Release.

Whereas, the Company has previously entered into an employment agreement with you, dated (Date) (the Employment Agreement), which contains among other things, certain provisions regarding severance compensation payable upon termination of your employment with the Company under certain circumstances. Other than what is expressly set forth herein, the terms and conditions of the Employment Agreement shall remain in full force and effect.

The terms and conditions set forth in Paragraph 1 below will apply regardless of whether you decide to sign this Severance Agreement and General Release. However, you will not be eligible to receive the payments and benefits set forth in Paragraph 2 below unless you sign and do not revoke this Severance Agreement and General Release, within the time period specified below. (Please see Paragraph 3 below for what it means to revoke this Severance Agreement and General Release.)

You may consider for twenty-one (21) days whether you wish to sign this Severance Agreement and General Release. Since this Severance Agreement and General Release ("Agreement") is a legal document, you are advised to review it with an attorney prior to signing it.

1. **General Terms of Termination.** As noted above, whether or not you sign this Agreement:

- (a) Your last day of employment is (date) which is your Separation Date. You will be paid for all time worked up to and including your termination.
 - (b) You will be paid for earned but unused vacation days and any properly documented reasonable expenses incurred in connection with your employment through your Separation Date.
 - (c) Except as contemplated by the Employment Agreement, your eligibility to participate in all other group benefits except Company sponsored health insurance including medical, dental, vision and prescription as an employee of the Company will end on the last day of the calendar month in which separation occurs.
-

(d) You acknowledge (i) receipt of all compensation and benefits due through the Separation Date as a result of services performed for the Company with the receipt of a final paycheck, except as provided in this Agreement; (ii) you have reported to the Company any and all work-related injuries incurred during employment; (iii) the Company properly provided any leave of absence because of your or your family member's health condition and you have not been subjected to any improper treatment, conduct or actions due to a request for or taking such leave; and (iv) you have provided the Company with written notice of any and all concerns regarding suspected ethical and compliance issues or violations on the part of the Company or any of the Released Parties.

2. **Separation Payment.** Except with respect to the Accrued Benefits as defined in the Employment Agreement, if you sign this Agreement, agreeing to be bound by the General Release in Paragraph 3 below and the other terms and conditions of this Agreement described below, and comply with the requirements of this Paragraph 2 (other than the Accrued Benefits), you will receive the compensation and benefits as contemplated by the Employment Agreement. You will not be eligible for the payment and benefits described in this Paragraph 2 unless: (i) you sign this Agreement no later than twenty-one (21) days after you receive it, promptly return the Agreement to the Company after you sign it, and do not timely revoke it; and (ii) you have returned all Company property and documents in accordance with Paragraph 15 below.

3. **General Release.** In consideration of the benefits provided by the Company, you personally and for your heirs, executors, administrators, successors and assigns, fully, finally and forever release and discharge the Company and its parents, subsidiaries, and affiliates, as well as their respective successors, assigns, officers, owners, directors, agents, representatives, attorneys, and employees (collectively, the "Released Parties"), of and from all claims, demands, actions, causes of action, suits, damages, losses, and expenses, of any and every nature whatsoever, as a result of actions or omissions occurring through the date Employee signs this Agreement. Specifically included in this waiver and release are, among other things, any and all claims under the Age Discrimination in Employment Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Pennsylvania Human Relations Act, or any other federal, state or local statute, rule, ordinance, or regulation, as well as any claims under common law for tort, contract, or wrongful discharge (the "Released Claims") The above release does not waive claims (i) for unemployment or workers' compensation benefits, (ii) for vested rights under ERISA-covered employee benefit plans as applicable on the date Employee signs this Agreement, (iii) as a whistleblower under the Sarbanes-Oxley Act or Dodd-Frank Wall Street Reform and Consumer Protection Act, (iv) to interpret or enforce this Agreement, (v) that may arise after Employee signs this Agreement and (iv) which cannot be released by private agreement. Nothing in this release generally prevents you from filing a charge or complaint with or from participating in an investigation or proceeding conducted by the EEOC, NLRB or any other federal, state or local agency charged with the enforcement of any employment laws, although by signing this release you waive the right to individual relief based on claims asserted in such a charge or complaint, except with the NLRB or anywhere else such a waiver is prohibited.

4. The parties agree and acknowledge that this Agreement and the considerations exchanged herein shall not constitute and shall not be interpreted as an admission on the part of the Company of a violation of any statute, law, or ordinance or of any other wrongdoing by the Company.

5. The parties further agree that this Agreement is in full, complete, and final settlement by you of any and all claims, actions, causes of action, damages, or costs against the Company resulting from or pertaining to the Released Claims, your employment with, treatment at, severance from, or

separation of employment from the Company.

6. The parties agree that this Agreement shall supersede and replace any and all prior written or oral agreements previously entered into between them, which agreements shall be null and void and of no consequence, except that the parties agree that this paragraph does not apply to any agreements referenced in this Agreement or to any applicable confidentiality, noncompetition, noninterference, and/or nonsolicitation agreements.

7. The parties agree that the laws of the Commonwealth of Pennsylvania shall apply to the terms and conditions of this Agreement, and they consent to the exclusive jurisdiction of the Pennsylvania courts with respect to the enforcement of this Agreement.

8. You agree not to seek future employment with and waive any and all claims or rights to reemployment or reinstatement to your former position or any position within the Company or any of its affiliates.

9. You understand and agree that in the event any claim, suit, or action whatsoever shall be commenced by you, your heirs, executors, or administrators against the Company, based upon the Released Claims, this Agreement shall constitute a complete defense to any such claim, suit, or action.

10. Except as specifically set forth herein, you waive any common law and/or statutory right to recover attorneys' fees and costs, if any.

11. It is intended that this Agreement, and all payments or income to you contemplated by it, comply with, or are exempt from, the provisions of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the Treasury Regulations promulgated thereunder. This Agreement shall be construed, administered, and governed in a manner consistent with this intent. The Company hereby agrees to indemnify and hold you harmless on an after-tax basis for any federal or state taxes imposed under Code section 409A (or similar state law) and any interest, penalties, or additions to tax imposed with respect thereto (collectively, "409A Taxes") as well as related reasonable out-of-pocket expenses resulting from contesting the imposition of 409A Taxes that result from the payment of, or right to, any amount or property provided for in this Agreement. Any such indemnity payment shall be made within thirty (30) days of the date you remit the 409A Taxes to the applicable taxing authority imposing the 409A Taxes.

12. It is agreed that the terms and provisions of this Agreement are to remain strictly confidential and that any disclosure of the terms of this Agreement by you to any employee or former employee of the Company, or to any other person, other than your legal counsel, tax advisors, or your immediate family members will constitute a material breach of this Agreement.

13. You agree that you will not make any disparaging statements, oral or written, regarding the Company to any person, firm or other entity. You further agree, without limiting any other applicable remedies, that in the event of any breach of this provision, the Company's obligation to provide any and all consideration provided for in Paragraph 2 above will terminate. The Company agrees that members of its senior management team will not disparage you.

14. Regardless of whether you sign this Agreement, and as a condition of receiving the consideration set forth in Paragraph 2 above, you must return to your supervisor, retaining no copies, all Company property, including computers, wireless devices, papers, files, documents, reference guides,

equipment, keys, access key tag/card, identification cards, credit cards, software, computer access codes, disks, supplies and institutional manuals, and you shall not retain any copies, duplicates, reproductions or excerpts of any of the foregoing, whether in hardcopy or electronic format and are prohibited from using or disclosing confidential and/or proprietary information which you accrued in the course of your employment with the Company.

15. You agree to make yourself available at mutually agreeable times to cooperate with the Company with respect to any legal proceedings that the Company believes, in its sole discretion, may be in any way related to your employment with the Company. Such cooperation encompasses your assistance with matters preliminary to the investigation of any legal proceedings and assistance during and throughout any litigation or legal proceeding, including, but not limited to, participating in any fact-finding or investigation, speaking with the Company's attorneys, testifying in depositions, testifying at hearings or at trial, and assisting with any post-litigation matter or appeal. Upon submission of appropriate documentation, you shall be reimbursed for reasonable out-of-pocket expenses incurred in rendering such cooperation, which shall not include any attorneys' fees. Nothing in this paragraph should be construed as suggesting or implying in any way that you should testify untruthfully.

16. No provision of this Agreement shall be construed or enforced in a manner that would prevent Employee from testifying fully and truthfully under oath in any court, arbitration or administrative agency proceeding, or from filing a charge or providing complete and truthful information in the course of any government investigation. No provision of this Agreement shall be construed or enforced in a manner that would interfere with Employee's rights under the National Labor Relations Act, if any, to discuss or comment on terms and conditions of employment.

17. You are advised to consult with an attorney prior to signing this Agreement. You have 21 days to consider whether to sign this Agreement (the "Consideration Period"). You must return this signed Agreement to the Company's representative set forth below within the Consideration Period but not prior to the Separation Date. If you sign and return this Agreement before the end of the Consideration Period, it is because you freely chose to do so after carefully considering its terms. Additionally, you shall have seven (7) days from the date of the signing of this Agreement to revoke this Agreement by delivering a written notice of revocation within the seven-day revocation period to the same person as you returned this Agreement. If the revocation period expires on a weekend or holiday, you will have until the end of the next business day to revoke. This Agreement will become effective on the eighth day after you sign this Agreement provided you do not revoke this Agreement. Any modification or alteration of any terms of this Agreement by you voids this Agreement in its entirety. You agree with the Company that changes, whether material or immaterial, do not restart the running of the Consideration Period.

18. In the event that, any one or more provisions (or portion thereof) of this Agreement is held to be invalid, unlawful or unenforceable for any reason, the invalid, unlawful or unenforceable provision (or portion thereof) shall be construed or modified so as to provide the Company with the maximum protection that is valid, lawful and enforceable, consistent with the intent of the Company and you in entering into this Agreement. If such provision (or portion thereof) cannot be construed or modified so as to be valid, lawful and enforceable, that provision (or portion thereof) shall be construed as narrowly as possible and shall be severed from the remainder of this Agreement (or provision), and the remainder shall remain in effect and be construed as broadly as possible, as if such invalid, unlawful or unenforceable provision (or portion thereof) had never been contained in this Agreement.

19. No changes to this Agreement can be effective *except* by another written agreement signed by you and by the Company's authorized representative.

20. You and the Company execute this Agreement voluntarily, with full knowledge of its significance, and you acknowledge that you have read and fully understand the meaning of this Agreement, intend to be legally bound by the Agreement, and that no inducement, duress, or coercion caused either party to enter into this understanding.

PLEASE READ CAREFULLY

1. THIS AGREEMENT CONSTITUTES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS. IT DOES NOT WAIVE RIGHTS OR CLAIMS THAT MAY ARISE AFTER THE DATE IT IS EXECUTED;

2. YOU AGREE THAT YOU ARE WAIVING RIGHTS AND CLAIMS YOU MAY HAVE IN EXCHANGE FOR CONSIDERATION IN ADDITION TO THINGS OF VALUE TO WHICH YOU ARE ALREADY ENTITLED;

3. YOU UNDERSTAND THAT YOU HAVE THE RIGHT TO CONSULT WITH AN ATTORNEY PRIOR TO EXECUTING THIS AGREEMENT;

4. YOU UNDERSTAND THAT YOU HAVE TWENTY-ONE (21) DAYS WITHIN WHICH TO CONSIDER THIS AGREEMENT;

5. YOU UNDERSTAND THAT YOU HAVE SEVEN (7) DAYS FOLLOWING YOUR EXECUTION OF THIS AGREEMENT TO REVOKE IT AND THAT THIS AGREEMENT SHALL NOT BECOME EFFECTIVE OR ENFORCEABLE UNTIL THE REVOCATION PERIOD HAS EXPIRED. REVOCATION MUST BE IN WRITING AND TIMELY DELIVERED TO: GENERAL COUNSEL, RITE AID CORPORATION, 30 HUNTER LANE, CAMP HILL, PENNSYLVANIA, 17011; AND

In witness whereof, the parties hereto have executed this Agreement on the day and date indicated below.

RITE AID CORPORATION

By:

Its

Dated

Dated

October 26, 2015

Mr. Kenneth Martindale
President & COO
Rite Aid Corporation
30 Hunter Lane
Camp Hill, PA 17011

RE: Agreement dated as of December 3, 2008 by and between Rite Aid Corporation (the “Company”) and Kenneth Martindale (the “Executive”), as amended from time to time (the “Agreement”)

Dear Ken:

On June 20, 2013, the Board of Directors elected you to the position of President of the Company. Accordingly, Section 2.1 of the Agreement is hereby updated by deleting the term “Senior Executive Vice President” and replacing it with the term “President” in the first sentence of said Section 2.1. Further, you shall report solely to the Chief Executive Officer and/or the Board of Directors of the Company. Additionally, Section 3.1 of the Agreement is hereby updated by deleting the term “\$600,000” and replacing it with the term “\$900,000” in the first sentence of said Section 3.1.

In consideration of your appointment and of other good and valuable consideration, the receipt of which is acknowledged:

1. Section 3.2 of the Agreement (“Annual Performance Bonus”) is hereby deleted in its entirety and replaced with the following provision:

Annual Performance Bonus. The Executive shall participate each fiscal year during the Term in the Company’s annual bonus plan as adopted and approved by the Board or Compensation Committee from time to time. For the current fiscal year (Fiscal Year 2016), Executive’s annual bonus opportunity pursuant to such plan shall be equal to one hundred fifty percent (150%) (the “Annual Target Bonus”) of the annualized Base Salary. For subsequent fiscal years, the Annual Target Bonus may be adjusted (however in no event shall it be less than one hundred fifty percent (150%)) and shall be based upon the Board approved plan for that year.

2. Section 5.7 of the Agreement (“Excise Tax Gross-Up”) is hereby deleted in its entirety and replaced with the following provision:

Change in Control Best Payments Determination. Any other provision of this Agreement to the contrary notwithstanding, if any portion of any payment or benefit under this Agreement either individually or in conjunction with any

payment or benefit under any other plan, agreement or arrangement (all such payments and benefits, the “ Total Payments ”) would constitute an “excess parachute payment” within the meaning of Internal Revenue Code Section 280G, that is subject to the tax imposed by Section 4999 of such Code (the “ Excise Tax ”), then the Total Payments to be made to Executive shall be reduced, but only to the extent that Executive would retain a greater amount on an after-tax basis than he would retain absent such reduction, such that the value of the Total Payments that Executive is entitled to receive shall be \$1 less than the maximum amount which the Employee may receive without becoming subject to the Excise Tax. For purposes of this Section 5.7, the determination of whichever amount is greater on an after-tax basis shall be (x) based on maximum federal, state and local income and employment tax rates and the Excise Tax that would be imposed on Executive and (y) made at the Company’s expense by independent accountants selected by the Company and Executive (which may be the Company’s income tax return preparers if Executive so agrees) which determination shall be binding on both Executive and the Company. Any such reduction as may apply under this Section 5.7 shall be applied in the following order: (i) payments that are payable in cash the full amount of which are treated as parachute payments under Treasury Regulation Section 1.280G-1, Q&A 24(a) will be reduced (if necessary, to zero), with amounts that are payable last reduced first; (ii) payments and benefits due in respect of any equity the full amount of which are treated as parachute payments under Treasury Regulation Section 1.280G-1, Q&A 24(a), with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; (iii) payments that are payable in cash that are valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with amounts that are payable last reduced first, will next be reduced; (iv) payments and benefits due in respect of any equity valued at less than full value under Treasury Regulation Section 1.280G-1, Q&A 24, with the highest values reduced first (as such values are determined under Treasury Regulation Section 1.280G-1, Q&A 24) will next be reduced; and (v) all other non-cash benefits not otherwise described in clauses (ii) or (iv) will be next reduced pro-rata.

If you are in agreement with the changes described in the above paragraphs, please sign both copies of this letter below where indicated, returning one copy to me and retaining one copy for your records.

Sincerely,

Rite Aid Corporation

By: /s/ James Comitale

Name: James Comitale

Title: SVP and General Counsel

Agreed:

/s/ Kenneth Martindale

Kenneth Martindale

Certification of Chief Executive Officer

I, John T. Standley, Chairman and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rite Aid Corporation (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: January 6, 2016

By: /s/ JOHN T. STANDLEY
John T. Standley
Chairman and Chief Executive Officer

Certification of Chief Financial Officer

I, Darren W. Karst, Senior Executive Vice President, Chief Financial Officer and Chief Administrative Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rite Aid Corporation (the "Registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: January 6, 2016

By: /s/ DARREN W. KARST

Darren W. Karst

*Senior Executive Vice President , Chief Financial
Officer and Chief Administrative Officer*

**Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Rite Aid Corporation (the "Company") for the quarterly period ended November 28, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), John T. Standley, as Chief Executive Officer of the Company, and Darren W. Karst, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOHN T. STANDLEY

Name: John T. Standley
Title: *Chairman and Chief Executive Officer*
Date: January 6, 2016

/s/ DARREN W. KARST

Name: Darren W. Karst
Title: *Senior Executive Vice President, Chief Financial Officer
and Chief Administrative Officer*
Date: January 6, 2016
