RITE AID CORP
Form DEF 14A
May 23, 2002

SCHEDULE 14A INFORMATION

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

Filed by the Registrant [X]
Filed by a Party other than the Registrant [_]

Check the appropriate box:

[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (As Permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-1

RITE AID CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

[X] No fee required
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(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

Notes:

[RITE AID LOGO]

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

Notice of Annual Meeting of Stockholders
To Be Held on June 26, 2002

To Our Stockholders:

What: Our Annual Meeting of Stockholders for Fiscal Year 2002

When: June 26, 2002 at 10:00 a.m., local time

Where: Harrisburg East Holiday Inn
4751 Lindle Road
Harrisburg, Pennsylvania 17111

Why: At this Annual Meeting, we plan to:

1. Elect two directors to hold office until the 2005 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified;

2. Consider a stockholder proposal, if properly presented at the meeting, requesting the Board of Directors to establish a policy that it will make its best efforts to appoint only independent directors to serve on

its Audit, Compensation and Nominating Committees; and

3. Transact such other business as may properly come before the Annual Meeting of Stockholders or any adjournments or postponements thereof.

Only Stockholders of record at the close of business on May 20, 2002 will receive notice of, and be eligible to vote at, the Annual Meeting and any adjournment or postponement thereof. The foregoing items of business are more fully described in the Proxy Statement accompanying this notice.

Your vote is important. Please read the Proxy Statement and the voting instructions on the enclosed proxy and then, whether or not you intend to attend the Annual Meeting in person, and no matter how many shares you own, please complete and promptly return your proxy in the envelope provided. This will not prevent you from voting in person at the meeting. It will, however, help to assure a quorum and to avoid added proxy solicitation costs. If you are a Stockholder of record, you may also authorize the individuals named on the enclosed proxy to vote your shares by calling a specially designated telephone number (TOLL FREE (800) 213-3668) or via the Internet at http://www.computershare.com/us/proxy. These telephone and Internet voting procedures are designed to authenticate your vote and to confirm that your voting instructions are followed. Specific instructions for Stockholders of record who wish to use telephone or Internet voting procedures are set forth on the enclosed proxy. You may revoke your proxy at any time before the vote is taken by (a) delivering to the Secretary of Rite Aid a written revocation or a proxy with a later date (including a proxy by telephone or via the Internet) or (b) voting your shares in person at the Annual Meeting.

By order of the Board of Directors

/s/ Robert B. Sari

Robert B. Sari
Secretary

Camp Hill, Pennsylvania
May 23, 2002

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

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS
To Be Held on June 26, 2002

The Board of Directors of Rite Aid Corporation, a Delaware corporation ("Rite Aid" or the "Company"), seeks your proxy for use in voting at our 2002 Annual Meeting of Stockholders to be held at the Harrisburg East Holiday Inn, 4751 Lindle Road, Harrisburg, Pennsylvania 17111, on June 26, 2002 at 10:00 a.m., local time, or any adjournment or postponement thereof (the "Meeting"). This proxy statement, the foregoing notice and the enclosed proxy are first being mailed on or about May 23, 2002 to all holders of our common stock, par value $1.00 per share ("Common Stock") and 8% Series D Cumulative Convertible Pay-in-Kind Preferred Stock ("Series D Preferred Stock") (collectively, "Stockholders") entitled to vote at the Meeting.

Purpose of the Meeting

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

Proposal No. 1: To elect two directors to hold office until the 2005 Annual Meeting of Stockholders and until their respective successors are duly elected and qualified; and

Proposal No. 2: To consider and vote upon a stockholder proposal, if properly presented at a meeting, requesting the Board of Directors to establish a policy that it will make its best efforts to appoint only independent directors to serve on its Audit, Compensation and Nominating Committees.

Record Date

Only Stockholders of record at the close of business on May 20, 2002 (the "Record Date") will receive notice of, and be entitled to vote at, the Meeting. At the close of business on the Record Date, the Company had outstanding and entitled to vote 515,113,894 shares of Common Stock and 3,637,228.6454 shares of Series D Preferred Stock (each of which is entitled to approximately 18.18 votes per share, or an aggregate of approximately 66,124,816 votes).

Quorum and Voting

The presence at the Meeting, in person or by proxy, of the holders of 290,619,355 shares (a majority of the aggregate number of shares of Common Stock and Series D Preferred Stock (on an as-if-converted basis) issued and outstanding and entitled to vote as of the Record Date) is necessary to constitute a quorum to transact business. Proxies marked "Abstain" and broker proxies that have not voted on a particular proposal ("Broker Non-Votes"), if any, will be counted in determining the presence of a quorum. In deciding all matters that come before the Meeting, each holder of Common Stock as of the Record Date is entitled to one vote per share of Common Stock and each holder of Series D Preferred Stock as of the Record Date is entitled to approximately 18.18 votes per share (one vote per share of Common Stock issuable upon conversion of the Series D Preferred Stock). As of the Record Date, the Series D Preferred Stock was convertible into an aggregate of approximately 66,124,816 shares of Common Stock. The holders of the Common Stock and Series D Preferred Stock vote together as a single class.

Required Votes

Election of the director nominees named in Proposal No. 1 requires the affirmative vote of a plurality of the total number of votes voted at the Meeting by the holders of shares of Common Stock and Series D

Preferred Stock, voting together as a single class. Votes may be cast in favor of or withheld with respect to all of the director nominees, or any of them. Abstentions and Broker Non-Votes, if any, will not be counted as having been voted and will have no effect on the outcome on the vote on the election of directors, except to the extent the failure to vote for a nominee results in another nominee receiving a larger number of votes. Stockholders may not cumulate votes in the election of directors.

Proposal No. 2 requires the affirmative vote of a majority of the total number of votes of the Common Stock and the Series D Preferred Stock represented and entitled to vote at the meeting, voting together as a single class. In determining whether Proposal No. 2 has received the requisite number of affirmative votes, abstentions will be counted and will have the same effect as votes against the proposal, and Broker Non-Votes, if any, will have no effect on the votes for this proposal.

Voting Procedures

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

1. By mail: Sign, date and return the proxy in the enclosed pre-paid envelope.

2. By telephone: Call (TOLL FREE (800) 213-3668) and follow the instructions.

3. Via the Internet: Access "http://www.computershare.com/us/proxy" and follow the instructions.

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

Proxies

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

Proposal No. 1: FOR the nominees of the Board in the election of directors; and

Proposal No. 2: AGAINST the stockholder proposal.

Management does not intend to bring any matter before the Meeting other than as indicated in the notice and does not know of anyone else who intends to do so. If any other matters properly come before the Meeting, however, the persons named in the enclosed proxy, or their duly constituted substitutes acting at the Meeting, will be deemed authorized to vote or otherwise act thereon in accordance with their judgment on such matters.

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

- Delivering a written notice of revocation to the Secretary of Rite Aid, dated later than the proxy, before the vote is taken at the Meeting;

- Delivering a duly executed proxy bearing a later date (including proxy by telephone or via the Internet) before the vote is taken at the Meeting; or

- Voting in person at the Meeting (your attendance at the Meeting, in and of itself, will not revoke the proxy).

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

Rite Aid Corporation
30 Hunter Lane
Camp Hill, Pennsylvania 17011

Attention: Robert B. Sari, Secretary

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

2

PROPOSAL NO. 1
ELECTION OF DIRECTORS

General

Rite Aid's Board of Directors is divided into three classes, with each class to be composed as equally as possible. The Board of Directors currently consists of three directors whose terms expire this year, three directors whose terms expire in 2003 and three directors whose terms expire in 2004. The term of one class of directors expires at each annual meeting of Stockholders and each class serves a three-year term. Although the Board of Directors has a nominating committee, the nominees for directors were nominated by the entire Board.

The Company's By-Laws provide that the Board of Directors may be composed of up to 15 members, with the number to be fixed from time to time by the Board of Directors. The Board of Directors has fixed the number of directors for the year commencing at the Meeting at nine.

Director Nominees

The Board of Directors has nominated Robert G. Miller and Alfred M. Gleason to be elected directors at the Meeting. Each of the nominees for director to be elected at the Meeting currently serves as a director of the Company. Both directors elected at the Meeting will hold office until 2005. The other directors will remain in office for the remainder of their respective terms, as indicated below.

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

Nancy Lieberman, whose term as director expires this year, has decided not to stand for re-election as a director of the Company. At this time the Board of Directors has not completed its search for an appropriate candidate for nomination to the Board of Directors in place of Ms. Lieberman. As a result, one vacancy on the Board of Directors will remain after the Annual Meeting. Pursuant to the terms of the Company's Bylaws, the Board of Directors may fill this vacancy by a majority vote, and the director chosen to fill the vacancy will hold office until the next annual election at which the term of the directors of the class to which such director is elected expires, which in this case would be 2005.

The following table sets forth certain information with respect to the Company's directors and the director nominees as of the Record Date:

Name	Age	Position with Rite Aid	Year Fir Became Directo
Robert G. Miller...........	58	Chairman and Chief Executive Officer and Director	1999
William J. Bratton	54	Director	1997
Alfred M. Gleason	72	Director	2000
George G. Golleher	54	Director	2002
Leonard I. Green...........	68	Director	1999
Nancy A. Lieberman	45	Director	1996
Mary F. Sammons	55	President and Chief Operating Officer and Director	1999
Stuart M. Sloan	58	Director	2000
Jonathan D. Sokoloff	44	Director	1999

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

3

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

William J. Bratton. Prior to August 2000, when Mr. Bratton became President of Bratton Group LLC, which provides criminal justice consulting services, he was a self-employed criminal justice consultant. From January 1998 to March 2000, Mr. Bratton was President and Chief Operating Officer of Carco Group, Inc., a provider of employment background screening services. From April 1996 through 1997, he was Vice Chairman of First Security Services Corporation and President of its subsidiary, First Security Consulting, Inc. Mr. Bratton was Police Commissioner of the City of New York from 1994 through April 1996. Mr. Bratton serves as a director of Firearms Training Systems, Inc.

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

George G. Golleher. Mr. Golleher is currently a business consultant and a private equity investor. Mr. Golleher was formerly president, chief operating officer and director of Fred Meyer, Inc. from March 1998 to May 1999. Prior to joining Fred Meyer, Inc., Mr. Golleher served as chief executive officer of Ralphs Grocery Company, where he was employed in various capacities from 1983 to 1998. Mr. Golleher is also chairman of the board of directors of American Restaurant Group and a director of Simon Worldwide Inc.

Leonard I. Green. Mr. Green has been an executive officer of Leonard Green & Partners, L.P., an affiliate of Green Equity Investors III, L.P., since its formation in 1994. Mr. Green has also been, individually or through a corporation, a partner in a merchant banking firm affiliated with Leonard Green & Partners, L.P., since its inception in 1989. Mr. Green is also a director of Communications & Power Industries, Inc., Liberty Group Publishing, Inc. and Dollar Financial Group, Inc. Mr. Green was elected as a director pursuant to the October 1999 agreement of Green Equity Investors III, L.P. to purchase 3,000,000 shares of preferred stock of Rite Aid.

Nancy A. Lieberman. Ms. Lieberman has been a partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP since 1987. Skadden, Arps, Slate, Meagher & Flom LLP provides legal services to Rite Aid.

Mary F. Sammons. Ms. Sammons has been President and Chief Operating Officer and a member of Rite Aid's Board of Directors since December 5, 1999. From April 1999 to December 1999, Ms. Sammons served as President and Chief Executive Officer of Fred Meyer Stores, Inc., a subsidiary of The Kroger Company. From January 1998 to April 1999, Ms. Sammons served as President and Chief Executive Officer of Fred Meyer Stores, Inc., a subsidiary of Fred Meyer, Inc. From 1985 through 1997, Ms. Sammons held several senior level positions with Fred Meyer Stores Inc., the last being that of Executive Vice President.

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

Jonathan D. Sokoloff. Mr. Sokoloff has been an executive officer of Leonard Green & Partners, L.P., an affiliate of Green Equity Investors III, L.P. since its formation in 1994. Since 1990, Mr. Sokoloff has also been a partner in a merchant banking firm affiliated with Leonard Green & Partners, L.P. Mr. Sokoloff is also a director of Twinlab Corporation, Diamond Triumph Auto Glass, Inc., Dollar Financial Group, Inc. and Gart Sports Company. Mr. Sokoloff was elected as a director pursuant to the October 1999 agreement of Green Equity Investors III, L.P. to purchase 3,000,000 shares of preferred stock of Rite Aid.

Directors' Attendance at Meetings

The Board of Directors held four regular meetings and four special meetings during fiscal year 2002. Each incumbent director of the Company attended at least 75% of the meetings of the Board of Directors and meetings held by all committees on which such director served after appointment to such committees, except that William J. Bratton attended 50% of the Board meetings and 71% of the Audit Committee meetings and Leonard I. Green attended 60% of the Compensation Committee meetings.

Committees of the Board of Directors

Executive Committee. The Executive Committee met two times during fiscal year 2002. The Executive Committee, except as limited by Delaware law, is empowered to exercise all of the powers of the Board of Directors. The members of the Executive Committee are Robert G. Miller (Chairman), Leonard I. Green, Stuart M. Sloan and Alfred M. Gleason.

Audit Committee. The Audit Committee, which held seven meetings during fiscal year 2002, currently consists of Alfred M. Gleason (Chairman), William J. Bratton and Stuart M. Sloan. The Audit Committee:

- oversees management's fulfillment of its financial reporting and disclosure responsibilities and its maintenance of appropriate internal control systems,

- recommends appointment of the Company's independent public accountants, and

- oversees the activities of the Company's internal audit function.

The independent public accountants and internal auditors meet with the Audit Committee with and without the presence of management representatives.

Compensation Committee. The Compensation Committee, which met five times during fiscal year 2002, currently consists of Stuart Sloan (Chairman), Leonard I. Green, Jonathan D. Sokoloff and Nancy A. Lieberman (until her term as a director expires). The Compensation Committee administers the Company's stock option and other equity incentive plans and reviews and recommends to the Board of Directors senior officers' salaries and bonuses. See "Report of the Compensation Committee on Executive Compensation."

Nominating Committee. The Nominating Committee did not meet during fiscal year 2002. Current members of the Nominating Committee are Leonard I. Green (Chairman), Jonathan D. Sokoloff and Nancy A. Lieberman (until her term as a director expires). The Nominating Committee may develop general criteria regarding the qualifications and selection of board members and may recommend candidates for election to the Board of Directors. The Nominating Committee will consider persons recommended by stockholders for inclusion as nominees for election to the Board of Directors if the names of such persons are submitted in writing in a timely manner to the Secretary of the Company. All recommendations should be accompanied by a complete statement of such person's qualifications and an indication of the person's willingness to serve.

Directors' Compensation

In fiscal year 2002, Rite Aid's non-employee directors received $1,000 for each Board of Directors and committee meeting attended or $1,500 for each meeting attended at which such non-employee director served as the chairman of a committee, except that Leonard I. Green, Jonathan D. Sokoloff and Nancy A. Lieberman received no compensation. In fiscal year 2002, the same non-employee directors received 5,655 restricted shares of Common Stock which represented the number of shares having a value of $50,000, based on the average trading price of the Common Stock on the five trading days preceding July 31, 2002. A new compensation plan for directors was approved earlier this year, and pursuant to that new plan, on January 30, 2002, the same non-employee directors, other than Mr. Golleher, each received non-qualified stock options to purchase 50,000 shares of Common Stock under the Rite Aid Omnibus Equity Plan, with an exercise price of $2.26 per share. On the date Mr. Golleher was appointed to the Board of Directors, he received non-qualified stock options to purchase 100,000 shares of Common Stock with an exercise price of $2.26 per share, in accordance with provisions of a new Board of Directors compensation plan applicable to directors first elected or appointed after January 1, 2002. All of the options received by the directors vest ratably over a three-year period beginning on the first anniversary of the date they were granted. None of such options vests

after the non-employee director ceases to be a director, except in the case of a director whose service terminates after he or she reaches age 72 and who has served as a director for eighteen months or more following the date of grant of options, in which case such options will vest immediately upon termination.

All of the options vest immediately upon a change in control. Under the new director compensation plan put in place earlier this year, all non-employee directors who are not affiliated with entities that provide services to the Company will continue to receive the meeting fees and the annual stock option grant discussed above, and, beginning on June 26, 2002, will receive an annual payment of $50,000 in cash, payable quarterly in arrears, but will no longer receive the Common Stock issuance noted above. Directors who are officers and full-time employees of the Company or who are affiliated with entities that provide services to the Company receive no separate compensation for service as directors or committee members. Directors are reimbursed for travel and lodging expenses associated with attending Board of Directors meetings.

RECOMMENDATION

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

PROPOSAL NO. 2

STOCKHOLDER PROPOSAL -- APPOINT ONLY INDEPENDENT DIRECTORS ON AUDIT, COMPENSATION AND NOMINATING COMMITTEES

The Massachusetts State Carpenters Pension Fund, the owner of 5,885 shares of Common Stock, has notified the Company, through the Carpenters Combined Benefits Funds of Massachusetts, 350 Fordham Road, Wilmington, Massachusetts 01887, that it intends to present the following proposal at the Annual Meeting:

Independent Committees Proposal

Resolved, that the shareholders of Rite Aid Corporation ("Company") request that the Company's Board of Directors establish a policy that it will make its best efforts to appoint only independent directors to serve on its key committees (Audit Committee, Compensation Committee, and Nominating Committee). In the event that this Proposal is implemented, the Board and its Nominating Committee should endeavor to nominate a sufficient number of independent directors so that adequate independent directors will be available to serve on these committees should shareholders vote to elect management-sponsored nominees to the Board.

Statement of Support: The board of directors must operate independently of the corporation's chief executive officer and senior management if it is to fulfill its duty to hire, oversee, compensate, and if necessary replace management. Independence has been referred to as "a director's greatest virtue" (Robert Rock, Chair of National Association of Corporate Directors, "Directors and Boards," Summer edition 1996) and we believe independent boards are better positioned to remove non-performing senior executives.

While the Company's Board is free under the Proposal to define "independent" as it believes appropriate, the following criteria may be useful for it to consider. We believe that a director should not be considered independent if he or she is currently or during the past five years has been:

- Employed by the company or an affiliate in an executive capacity;
- Affiliated with a firm that is one of the Company's paid advisors or consultants;
- Affiliated with a significant customer or supplier;

- o Affiliated with a tax-exempt organization that receives significant contributions from the Company;
- o Paid by the Company pursuant to any personal services contract with the Company;
- o Serving in an executive capacity or as a director of a corporation on which the Company's chairman or chief executive officer is a board member; or
- o Related to a member of management of the Company.

6

In our opinion none of the Company's key committees currently is comprised only of independent directors. The Company's most recent proxy statement disclosed that during fiscal year 2001 the Company paid Leonard Green & Partners, L.P. $5.5 million in fees. Leonard Green and Jonathan D. Sokoloff, members of Rite Aid's Board of Directors, are equity owners in Leonard Green & Partners, L.P. Messrs. Green and Sokoloff serve on the Compensation and Nominating Committees.

The Hartz Mountain Corporation, which was owned by Leonard N. Stern, sold merchandise to the Company and its subsidiaries in the approximate amount of $5,000,000 during the year ended December 31, 2000. Mr. Stern sold his interest in The Hartz Mountain Corporation on December 29, 2000. Mr. Stern serves on the Audit Committee.

The law firm of Skadden, Arps, Slate, Meagher & Flom LLP provides legal services to Rite Aid. Nancy Lieberman, a director of Rite Aid, is a partner of that law firm. Ms. Lieberman serves on the Compensation and Nominating Committees.

THE BOARD OF DIRECTORS' STATEMENT IN OPPOSITION:

The Board of Directors recommends a vote "against" Proposal No. 2.

The Board of Directors has considered this proposal and believes that it is not in the best interests of the stockholders of the Company.

We benefit greatly by having highly qualified directors, with diverse skills and backgrounds, serving on our Board and on its committees. In some cases, as the proposal notes, members or former members of our committees have relationships with Rite Aid in addition to Board and committee memberships. However, the Board views such relationships as advantageous to Rite Aid because, as a result of such relationships, those individuals have a better understanding of Rite Aid's business and can contribute more effectively to informed decision-making by the Board and its committees.

Rite Aid is already subject to, or otherwise favors, some restrictions on Audit, Compensation and Nominating Committee membership. The members of our Audit Committee must be "independent" directors as that term is defined by the listing standards of the New York Stock Exchange, and the current members of our Compensation Committee and Nominating Committee all are non-employee directors. In addition, relationships between the Company and any of its directors are disclosed in this Proxy Statement to the extent required by the proxy rules of the Securities and Exchange Commission.

The Board is a strong proponent of board and committee independence, but believes that a formal independence policy would make it more difficult for Rite Aid to select directors (and potential members of the Audit, Compensation and Nominating Committees) based on their experience, judgment and knowledge.

We urge you to vote against Proposal No. 2.

RECOMMENDATION

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

7

EXECUTIVE OFFICERS

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

Name	Age	Position with Rite Aid
Robert G. Miller*	58	Chairman and Chief Executive Officer
Mary F. Sammons*	55	Director, President and Chief Operating Officer
David R. Jessick	48	Senior Executive Vice President and Chief Administrative Office
Elliot S. Gerson	60	Senior Executive Vice President and General Counsel
John T. Standley	39	Senior Executive Vice President and Chief Financial Officer
James P. Mastrian	59	Senior Executive Vice President -- Marketing and Logistics
Christopher Hall.......	37	Executive Vice President, Finance and Accounting
Mark C. Panzer	45	Executive Vice President, Store Operations
Eric S. Sorkin	53	Executive Vice President, Pharmacy Services
Robert B. Sari	46	Senior Vice President, Deputy General Counsel and Secretary
Kevin Twomey	51	Senior Vice President and Chief Accounting Officer

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* Mr. Miller's and Ms. Sammons' biographical information is provided above as a director.

David R. Jessick. Mr. Jessick has been Senior Executive Vice President and Chief Administrative Officer since December 5, 1999. From 1997 to July 1999, Mr. Jessick served as Executive Vice President of Finance and Investor Relations of Fred Meyer, Inc. From 1979 to 1997, Mr. Jessick held several senior management positions at Thrifty PayLess Holdings, Inc., a west coast-based drugstore chain that had annual sales of $5.0 billion before being acquired by Rite Aid in 1996. Mr. Jessick was Executive Vice President and Chief Financial Officer of Thrifty PayLess Holdings, Inc. before Thrifty PayLess was acquired by Rite Aid. Mr. Jessick serves as a Director of AdvancePCS.

Elliot S. Gerson. Mr. Gerson is Senior Executive Vice President and General Counsel of Rite Aid. He has held those positions since October 1999 and July 1997, respectively. Mr. Gerson also served as Secretary from July 1997 to May 2000. Mr. Gerson joined Rite Aid in November 1995 as Senior Vice President and Assistant Chief Legal Counsel.

John T. Standley. Mr. Standley was appointed Senior Executive Vice President and Chief Financial Officer of Rite Aid in September 2000. He had been Executive Vice President and Chief Financial Officer since December 5, 1999. Previously, he was Executive Vice President and Chief Financial Officer of Fleming Companies, Inc., a food marketing and distribution company from May 1999 to December 1999. Between July 1998 and May 1999, Mr. Standley was Senior Vice President and Chief Financial Officer of Fred Meyer, Inc. Mr. Standley served as Senior Vice President and Chief Financial Officer of Ralphs Grocery Company between January 1997 and July 1998. Mr. Standley also served as Senior Vice President of Administration at Smith's Food & Drug from May 1996 to February of 1997 and as Chief Financial Officer of Smitty's Supervalue, Inc. from December 1994 to May 1996.

James P. Mastrian. Mr. Mastrian was appointed Senior Executive Vice President, Marketing and Logistics of Rite Aid in October 2000. He had been Executive Vice President, Marketing since November 15, 1999. Mr. Mastrian was also Executive Vice President, Category Management of Rite Aid from July 1998 to November 1999. Mr. Mastrian was Senior Executive Vice President, Merchandising and Marketing of OfficeMax from June 1997 to July 1998 and Executive Vice President, Marketing of Revco D.S., Inc. from July 1994 to June 1997.

Christopher Hall. Mr. Hall has been Executive Vice President Finance and Accounting since January 10, 2001. Prior to that, he served as Senior Vice President and Chief Accounting Officer since January 25, 2000, when he joined the Company. From April 1999 to January 2000, Mr. Hall was Executive Vice President and Chief Financial Officer at Golden State Foods. Between July 1998 and March 1999, Mr. Hall served as Senior Vice President of Finance at Ralphs Grocery Company. Mr. Hall joined Ralphs Grocery as Vice President of Accounting in June 1995.

Mark C. Panzer. Mr. Panzer has been Executive Vice President, Store Operations since June 28, 2001. Prior to that, he served as Senior Vice President, Marketing & Sales, General Merchandise at Albertson's, Inc. since 1998, when Albertson's, Inc. merged with his former employer American Stores Company. From 1989 to 1998, Mr. Panzer held several senior positions at American Stores Company including District Manger, Director of Sales and Marketing, Vice President of Sales, Marketing & Advertising and Senior Vice President of Marketing & Formats.

Eric S. Sorkin. Mr. Sorkin has been Executive Vice President, Pharmacy Services since February 2001. From December 1999 to February 2001 he served as Senior Vice President, Pharmacy, and from May 1997 to December 1999 he served as Vice President, Pharmacy Purchasing of Rite Aid. From 1991 to 1997, Mr. Sorkin served in senior positions at Express Scripts, Pathmark, Thrifty Drugs and Pharmacy Direct Network, and as President of Sorkin Consulting. Prior to 1991, Mr. Sorkin held various executive positions at Rite Aid in operations, personnel, third party, information systems and pharmacy services.

Robert B. Sari. Mr. Sari has been Senior Vice President, Deputy General Counsel and Secretary since October 2000. From May 2000 to October 2000, he served as Secretary. Mr. Sari also served as Vice President, Law from May 2000 to October 2000 and as Associate General Counsel from May 1997 to May 2000. Prior to May 1997, Mr. Sari was Vice President, Legal Affairs for Thrifty PayLess, Inc.

Kevin Twomey. Mr. Twomey has been Senior Vice President and Chief Accounting Officer since December 2000. From September 1989 to November 2000, Mr. Twomey held several accounting and finance management positions at Fleming Companies, Inc., a food marketing and distribution company. He was Senior Vice President -- Finance and Control at Fleming when he left. Prior to joining Fleming, he was an audit partner at Deloitte & Touche.

Executive Officer Compensation

The following table provides a summary of compensation paid during the last three fiscal years to Rite Aid's current chief executive officer and the four most highly compensated executive officers who were serving as executive officers at the end of fiscal year 2002. As used herein, the term "Named Executive Officers" means all persons identified in the Summary Compensation Table.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term	
Name and Principal Position	Fiscal Year	Salary(1)	Bonus	Other Annual Compensation	Restricted Stock Awards (2)	Sec Und O G
Robert G. Miller...........	2002	$1,240,000	$ 500,000	--	--	
Chairman & Chief	2001	1,398,654	1,268,991	$111,100(4)	$6,248,438(5)	8,
Executive Officer	2000	328,462	--	--	4,950,000(6)	3,
Mary F. Sammons............	2002	1,080,000	337,500	--	--	
Director, President &	2001	1,013,654	768,930	--	5,092,186(7)	6,
Chief Operating Officer	2000	203,076	--	--	1,650,000(8)	2,
David R. Jessick...........	2002	720,000	180,000	--	--	
Senior Executive Vice	2001	731,538	575,192	--	2,734,946(9)	4,
President & Chief	2000	158,461	--	--	825,000(10)	1,
Administrative Officer						
John T. Standley...........	2002	720,000	150,000	--	--	
Senior Executive Vice	2001	675,769	528,317	--	2,734,946(11)	4,
President & Chief	2000	135,385	--	--	825,000(12)	1,
Financial Officer						
James P. Mastrian..........	2002	575,000	172,500	--	--	
Senior Executive Vice	2001	551,442	232,126	--	128,125(13)	1,
President, Marketing &	2000	425,000	125,000	--	--	
Logistics						

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(1) Mr. Miller, Ms. Sammons, Mr. Jessick and Mr. Standley commenced employment with the Company on December 5, 1999. Salary amounts for Mr. Miller, Ms. Sammons, Mr. Jessick and Mr. Standley include amounts contributed by Rite Aid to each such executive officer's account under the deferred compensation plan in which they participate.

(2) Each Named Executive Officer has the right to vote the shares of restricted stock and to receive any dividends paid on such shares.

(3) "All Other Compensation" includes the following for 2002: For Mr. Miller: $5,971,321 pursuant to his agreement with the Company relating to his severance dispute with The Kroger Company (Mr. Miller is required repay to the Company any amount that is paid to him by The Kroger Company related to the severance dispute, net of any excess taxes payable by him on account of the repayment and any legal expenses not reimbursed by the Company under his employment agreement); $789,434 resulting from the surrender of restricted stock to repay the loan from the Company to Mr. Miller for the payment of taxes due as a result of vesting of such restricted stock, plus the intrinsic value of such restricted stock and the tax gross up paid as compensation for the tax consequences of the loan forgiveness; and $3,394 in supplemental life insurance premiums paid by the Company. For Ms. Sammons: $1,930,736 pursuant to her agreement with the Company relating to her severance dispute with The Kroger Company (Ms. Sammons is required repay to the Company any amount that is paid to her by The Kroger Company related to the severance dispute, net of any excess taxes payable by her on account of the repayment and any legal expenses not reimbursed by the Company under her employment agreement); $126,589 resulting from the surrender of restricted stock to repay the loan from the Company to Ms. Sammons for the payment of taxes due as a result of vesting of such restricted stock, plus the intrinsic value of such restricted stock and the tax gross up paid as compensation for the tax consequences of the loan forgiveness; and $4,287 in supplemental life insurance premiums paid by the Company. For Mr. Jessick: $235,362 resulting from the surrender of restricted stock to repay the loan from the Company to Mr. Jessick for the payment of taxes due as a result of vesting of such restricted stock, plus the intrinsic value of such restricted stock and the tax gross up paid as compensation for the tax consequences of the loan forgiveness; and $1,028 in supplemental life insurance premiums paid by the Company. For Mr. Standley: $55,545 resulting from the surrender of restricted stock to repay the loan from the Company to Mr. Standley for the payment of taxes due as a result of vesting of such restricted stock, plus the intrinsic value of such restricted stock and the tax gross up paid as compensation for the tax consequences of the loan forgiveness; and $617 in supplemental life insurance

premiums paid by the Company. For Mr. Mastrian: $25,428 resulting from the surrender of restricted stock to repay the loan from the Company to Mr. Mastrian for the payment of taxes due as a result of vesting of such restricted stock, plus the intrinsic value of such restricted stock; and $2,913 in supplemental life insurance premiums paid by the Company.

(4) Includes $100,424 Mr. Miller received as gross up to cover taxes on restricted stock granted to him in December 1999 when he commenced employment.

(5) On June 15, 2000, Mr. Miller was awarded 600,000 shares of restricted Common Stock; restrictions on 240,000 shares lapsed on June 15, 2001 (and these 240,000 shares were subsequently surrendered to repay a Company loan), restrictions on 120,000 shares lapsed on January 15, 2002, and restrictions on 120,000 will lapse on each of July 15, 2002 and January 15, 2003. On November 29, 2000, Mr. Miller was awarded 75,000 shares of restricted Common Stock; restrictions on 9,375 shares

lapsed ratably on a quarterly basis from March 3, 2001 through September 1, 2001 (and these 28,125 shares were subsequently surrendered to repay a Company loan), and restrictions on 9,375 shares lapse on each of January 15, 2002, May 15, 2002, July 15, 2002, October 15, 2002 and January 15, 2003. On January 10, 2001, Mr. Miller was awarded 409,091 shares of restricted Common Stock; restrictions on 163,637 shares lapsed on June 15, 2001 (and these shares were subsequently surrendered to repay a Company loan), restrictions on 81,818 shares lapsed on January 15, 2002, and restrictions on 81,818 shares will lapse on each of July 15, 2002 and January 15, 2003. At the end of fiscal year 2002, Mr. Miller held 1,252,329 restricted shares with an aggregate market value of $3,782,034.

(6) On December 5, 1999, pursuant to his employment agreement with the Company, Mr. Miller was awarded 600,000 shares of restricted Common Stock. The restrictions on those shares lapse in thirty-six equal monthly installments commencing January 5, 2000, unless accelerated upon a change of control of the Company.

(7) On June 15, 2000, Ms. Sammons was awarded 600,000 shares of restricted Common Stock; restrictions on 240,000 shares lapsed on June 15, 2001 (and these shares were subsequently surrendered to repay a Company loan), restrictions on 120,000 shares lapsed on January 15, 2002, and restrictions on 120,000 shares will lapse on each of July 15, 2002 and January 15, 2003. On November 29, 2000, Ms. Sammons was awarded 75,000 shares of restricted Common Stock; restrictions on 9,375 shares of Common Stock lapsed ratably on a quarterly basis from March 3, 2001 through September 1, 2001 (and these 28,125 shares were subsequently surrendered to repay a Company loan), and restrictions on 9,375 shares lapse on each of January 15, 2002, May 15, 2002, July 15, 2002, October 15, 2002 and January 15, 2003. On January 10, 2001, Ms. Sammons was awarded 72,727 shares of restricted Common Stock; restrictions on 29,091 shares lapsed on June 15, 2001 (and these shares were subsequently surrendered in exchange for forgiveness of a Company loan), restrictions on 14,546 shares lapsed on January 15, 2002 and restrictions on 14,545 shares will lapse on each of July 15, 2002 and January 15, 2003. At the end of fiscal year 2002, Ms. Sammons held 650,511 restricted shares with an aggregate market value of $1,964,543.

(8) On December 5, 1999, pursuant to her employment agreement with the Company, Ms. Sammons was awarded 200,000 shares of restricted Common Stock. The restrictions on those shares lapse in thirty-six equal monthly installments commencing January 5, 2000, unless accelerated upon a change of control of the Company.

(9) On June 15, 2000, Mr. Jessick was awarded 336,364 shares of restricted Common Stock; restrictions on 134,546 shares lapsed on June 15, 2001 (and these shares were subsequently surrendered to repay a Company loan), restrictions on 67,273 shares lapsed on January 15, 2002, and restrictions on 67,273 shares will lapse on each of July 15, 2002 and January 15, 2003. On November 29, 2000, Mr. Jessick was awarded 50,000 shares of restricted Common Stock; restrictions on 6,250 shares of Common Stock lapsed ratably on a quarterly basis from March 3, 2001 through September 1, 2001 (and these 18,750 shares were subsequently surrendered to repay a Company loan), and restrictions on 6,250 shares lapse on each of January 15, 2002, May 15, 2002, July 15, 2002, October 15, 2002 and January 15, 2003. At the end of fiscal year 2002, Mr. Jessick held 333,068 restricted shares with an aggregate market value of $1,005,865.

(10) On December 5, 1999, pursuant to his employment agreement with the Company, Mr. Jessick was awarded 100,000 shares of restricted Common

Stock. The restrictions on those shares lapse in thirty-six equal monthly installments commencing January 5, 2000, unless accelerated upon a change of control of the Company.

(11) On June 15, 2000, Mr. Standley was awarded 336,364 shares of restricted Common Stock; restrictions on 134,546 shares lapsed on June 15, 2001 and restrictions on 67,273 shares lapsed on December 15, 2001 (and 134,546 of these shares were subsequently surrendered to repay a Company loan), and restrictions on 67,273 shares will lapse on each of July 15, 2002 and January 15, 2003. On November 29, 2000, Mr. Standley was awarded 50,000 shares of restricted Common Stock; restrictions on 6,250 shares of Common Stock lapsed ratably on a quarterly basis from March 3, 2001 through September 1, 2001 (and these 18,750 shares were subsequently surrendered to repay a Company loan), and restrictions on 6,250 shares lapse on each of January 15, 2002, May 15, 2002, July 15, 2002, October 15, 2002 and January 15, 2003. At the end of fiscal year 2002, Mr. Standley held 300,118 restricted shares with an aggregate market value of $906,356.

(12) On December 5, 1999, pursuant to his employment agreement with the Company, Mr. Standley was awarded 100,000 shares of restricted Common Stock. The restrictions on those shares lapse in thirty-six equal monthly installments commencing January 5, 2000, unless accelerated upon a change of control of the Company.

(13) On November 29, 2000, Mr. Mastrian was awarded 50,000 shares of restricted Common Stock; restrictions on 6,250 shares lapsed ratably on a quarterly basis from March 3, 2001 to September 1, 2001 (and these 18,750 shares were subsequently surrendered to repay a Company loan), and restrictions on 6,250 shares lapse on each of January 15, 2002, May 15, 2002, July 15, 2002, October 15, 2002 and January 15, 2003. At the end of fiscal year 2002, Mr. Mastrian held 31,250 restricted shares with an aggregate market value of $94,375.

(14) 4,200,000 of these options replaced options that were cancelled on November 20, 2000.

(15) These options were cancelled on November 20, 2000.

(16) 3,050,000 of these options replaced options that were cancelled on November 20, 2000.

(17) 1,575,000 of these options replaced options that were cancelled on November 20, 2000.

(18) 1,575,000 of these options replaced options that were cancelled on November 20, 2000.

(19) 300,000 of these options replaced options that were cancelled on November 20, 2000.

(20) 33,546 of these options were cancelled on November 20, 2000.

(21) Represents a guaranteed bonus in the amount of $600,000 paid in April 2000 in respect of calendar year 1999 to compensate Mr. Miller for lost bonus opportunities with his prior employer.

(22) Represents a guaranteed bonus in the amount of $200,000 paid in April 2000 in respect of calendar year 1999 to compensate Ms. Sammons for lost bonus opportunities with her prior employer.

(23) Represents a guaranteed bonus in the amount of $150,000 paid in April 2000 in respect of calendar year 1999.

(24) Represents a guaranteed bonus in the amount of $150,000 paid in April 2000 in respect of calendar year 1999.

Option Grants in the Fiscal Year

The following table sets forth certain information regarding options granted during fiscal year 2002 to the Named Executive Officers.

Name	Number of Securities Underlying Options Granted (1)	% of Total Options Granted To Employees in Fiscal Year	Exercise Price (2)	Expiration Date	To Grant Present
Robert G. Miller.	431,762	3.98%	$2.26	01/30/12	$582
Mary F. Sammons..	297,216	2.74%	$2.26	01/30/12	401
	200,000	1.84%	$2.26	01/30/12	270
David R. Jessick.	153,296	1.41%	$2.26	01/30/12	206
John T. Standley.	153,296	1.41%	$2.26	01/30/12	206
	150,000	1.38%	$2.26	01/30/12	202
James P. Mastrian	18,750	.17%	$2.26	01/30/12	25
	150,000	1.38%	$2.26	01/30/12	202

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(1) Options in the amount of 431,762, 297,216, 153,296, 153,296 and 18,750 granted to Mr. Miller, Ms. Sammons, Mr. Jessick, Mr. Standley and Mr. Mastrian, respectively, vested on the date of grant and were granted to these Executives based on the amounts of restricted shares of Common Stock surrendered by these Executives to the Company in consideration of the Company's cancellation of certain loans to these Executives. See "Certain Relationships and Related Transactions." Options in the amount of 200,000, 150,000, and 150,000 granted to Ms. Sammons, Mr. Standley and Mr. Mastrian, respectively, vest ratably over a four-year period beginning on the first anniversary of the date of grant.

(2) All options have an exercise price equal to the fair market value on the date of grant.

(3) The hypothetical present values on the grant date were calculated under the Black-Scholes option pricing model, which is a mathematical formula used to value options traded on stock exchanges. The formula considers a number of assumptions in hypothesizing an option's present value. Assumptions used to value the options include the stock's expected volatility rate of 67.62% projected dividend yield of 0%, a risk-free rate of return of 4.25% and projected time of exercise being one year after vesting. The ultimate realizable value of an option will depend on the actual market value of the Common Stock on the date of exercise as compared to the exercise price of the option. Consequently, there is no assurance that the hypothetical present value of the stock options reflected in this table will be realized.

Option Exercises and Year-End Value Table

The following table summarizes the value at March 2, 2002 of all shares subject to options granted to the Named Executive Officers. No options were exercised during fiscal year 2002.

	Shares	Number of Securities Underlying Unexercised Options at Year-End (#)	In-th At Y

Name	Acquired on Exercise (#)	Value Realized ($)	Exercisable	Unexercisable	Exercisa
Robert G. Miller......	0	$0	4,926,015	4,205,747	$1,136,5
Mary F. Sammons.......	0	0	3,632,465	3,414,751	811,4
David R. Jessick......	0	0	2,070,921	2,107,375	409,2
John T. Standley......	0	0	2,070,921	2,257,375	409,2
James P. Mastrian.....	0	0	764,586	1,304,164	39,0

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(1) "In-the-Money" options are options with a base (or exercise) price less than the market price of the Common Stock on March 2, 2002. The value of such options is calculated using a stock price of $3.02, which was the closing price of the Common Stock on the NYSE on March 1, 2002.

EMPLOYMENT AND EMPLOYMENT-RELATED AGREEMENTS AND TERMINATION OF EMPLOYMENT

Executive Employment Agreements

On December 5, 1999, Rite Aid entered into employment agreements with Robert G. Miller, Mary F. Sammons, David R. Jessick and John T. Standley, and, on November 18, 2000, Rite Aid entered into an employment agreement, effective as of September 27, 2000, with James P. Mastrian (the "Executives"). Pursuant to their individual employment agreements:

- Mr. Miller was appointed Chief Executive Officer and elected as Chairman of the Board of Directors of Rite Aid;

- Ms. Sammons was appointed President and Chief Operating Officer of Rite Aid and was appointed to Rite Aid's Board of Directors;

- Mr. Jessick was appointed Senior Executive Vice President and Chief Administrative Officer;

- Mr. Standley was appointed Executive Vice President and Chief Financial Officer and is now Senior Executive Vice President and Chief Financial Officer; and

- Mr. Mastrian was appointed Senior Executive Vice President, Marketing and Logistics.

Term. The term of each Executive's employment agreement commenced on the date of his or her employment agreement and, unless terminated earlier, will terminate on the third anniversary (the "Employment Period"), but will automatically renew for an additional year on each anniversary of the effective date of the agreement (a "Renewal Date") unless either the Executive or Rite Aid provides the other with notice of non-renewal at least 180 days prior to a Renewal Date.

Salary and Incentive Bonus. The respective agreements provide each Executive with a base salary and incentive compensation, including, with respect to fiscal year 2002:

- Mr. Miller was entitled to receive an annual base salary of not less than

$1,250,000, however, Mr. Miller volunteered to receive a base salary of not less than $1,000,000. Mr. Miller received a bonus of $500,000, and he has the opportunity to receive future annual bonuses that shall equal or exceed his annual base salary then in effect if Rite Aid's performance meets certain annual target goals based on the business plan developed by the Executives and the Board of Directors (the "targets").

- Ms. Sammons was entitled to receive an annual base salary of not less than $900,000. She received a bonus of $337,500 pursuant to her employment agreement and in the future may, if Rite Aid's performance meets the targets, receive an annual bonus that, if paid, will equal or exceed 75% of her annual base salary then in effect.

- Mr. Jessick was entitled to receive an annual base salary of not less than $600,000. He was awarded a bonus of $180,000 pursuant to his e