Due Diligence

RITE AID ARBITRAGE

August 2016

Seven Corners Capital

Rite Aid / Walgreens Arbitrage

August 2016

Sym	Name	PPS	Shs O/S	Proxy	Rev'd	2014 Net Inc	2014 EPS	G E 15	Mkt Cap	SRK Valuation	*IV / Sh*	*Return*	CoC?	FCF %	14 E Yld	15 E Yld	Div %
RAD	Rite Aid Corp	7	1,050,000,000	Proxy	1-May	1,000,000	0.00	1.10	7,350,000,000	8,347,500,000	*7.95*	*14%*	Y	0.0%	0.0%	15.7%	0.00%

Valuation: 75% @ 9 cash BO by WBA + 25% @ 4.80 standalone.

OPEN ISSUES / KEY FACTS:

1. Antitrust Risk – see prior DD PDFs.
2. Expected Return = 75% complete merger at 9, 25% failed merger & PPS at 4.80 (see below)
3. What is RAD worth standalone? 5? 6? Traded ~6 before BO offer.
4. $0.21 TTM Adj E ➔ 3.5% E yield at 6 PPS, 7% at 3 PPS.
5. $0.24 Fwd Adj E ➔ 5% E yield at 4.8 PPS.

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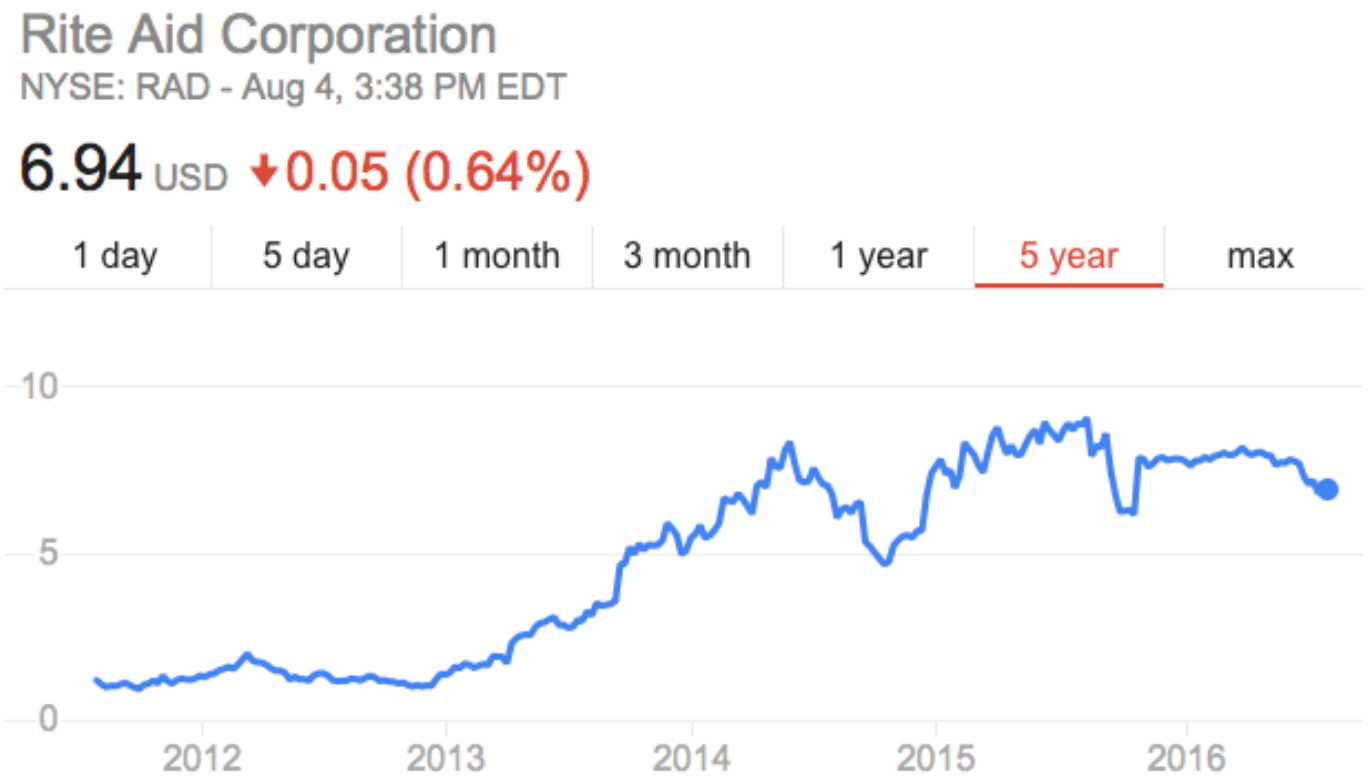

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Valuation Measures

Market Cap (intraday) [5]	7.27B
Enterprise Value [3]	14.5B
Trailing P/E	51.41
Forward P/E [1]	28.92
PEG Ratio (5 yr expected) [1]	-0.92
Price/Sales (ttm)	0.23
Price/Book (mrq)	12.24
Enterprise Value/Revenue [3]	0.45
Enterprise Value/EBITDA [6]	10.98

Financial Highlights

Fiscal Year

Fiscal Year Ends	Feb 27, 2016
Most Recent Quarter (mrq)	May 28, 2016

Profitability

Profit Margin	0.44%
Operating Margin (ttm)	2.42%

Trading Information

Stock Price History

Beta	1.61
52-Week Change [3]	-23.13%
S&P500 52-Week Change [3]	3.37%
52 Week High [3]	9.36
52 Week Low [3]	5.88
50-Day Moving Average [3]	7.26
200-Day Moving Average [3]	7.75

Share Statistics

Avg Vol (3 month) [3]	17.73M
Avg Vol (10 day) [3]	10.03M
Shares Outstanding [5]	1.05B
Float	1.03B
% Held by Insiders [1]	0.70%
% Held by Institutions [1]	60.90%
Shares Short [3]	38.84M
Short Ratio [3]	1.72

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Management Effectiveness	
Return on Assets (ttm)	4.48%
Return on Equity (ttm)	38.17%

Income Statement	
Revenue (ttm)	32.27B
Revenue Per Share (ttm)	31.08
Quarterly Revenue Growth (yoy)	23.10%
Gross Profit (ttm)	7.83B
EBITDA	1.32B
Net Income Avi to Common (ttm)	142.04M
Diluted EPS (ttm)	0.14
Quarterly Earnings Growth (yoy)	N/A

Balance Sheet	
Total Cash (mrq)	144.84M
Total Cash Per Share (mrq)	0.14
Total Debt (mrq)	6.97B
Total Debt/Equity (mrq)	1,179.10
Current Ratio (mrq)	1.53

Short % of Float [3]	3.72%
Shares Short (prior month) [3]	35.87M

Dividends & Splits	
Forward Annual Dividend Rate [4]	N/A
Forward Annual Dividend Yield [4]	0.00%
Trailing Annual Dividend Rate [3]	N/A
Trailing Annual Dividend Yield [3]	N/A
5 Year Average Dividend Yield [4]	N/A
Payout Ratio [4]	0.00%
Dividend Date [3]	N/A
Ex-Dividend Date [4]	Oct 14, 1999
Last Split Factor (new per old) [2]	2/1
Last Split Date [3]	Feb 3, 1998

Book Value Per Share (mrq)	0.57

Cash Flow Statement	
Operating Cash Flow (ttm)	789.51M
Levered Free Cash Flow (ttm)	244.54M

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Earnings Estimate	Current Qtr.	Next Qtr.	Current Year	Next Year
No. of Analysts	7	7	9	7
Avg. Estimate	0.03	0.06	0.16	0.24
Low Estimate	0.01	0.04	0.09	0.15
High Estimate	0.04	0.08	0.21	0.33
Year Ago EPS	0.02	0.06	0.16	0.16

Revenue Estimate	Current Qtr.	Next Qtr.	Current Year	Next Year
No. of Analysts	7	7	9	6
Avg. Estimate	8.17B	8.37B	32.97B	34.41B
Low Estimate	7.91B	8.29B	30.94B	33.85B
High Estimate	8.3B	8.44B	33.46B	35.01B
Year Ago Sales	7.66B	8.15B	30.74B	32.97B
Sales Growth (year/est)	6.50%	2.60%	7.30%	4.40%

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Earnings History	8/30/2015	11/29/2015	2/28/2016	5/30/2016
EPS Est.	0.04	0.06	0.06	0.05
EPS Actual	0.02	0.06	0.06	N/A
Difference	-0.02	N/A	N/A	-0.05
Surprise %	-50.00%	N/A	N/A	-100.00%

EPS Trend	Current Qtr.	Next Qtr.	Current Year	Next Year
Current Estimate	0.03	0.06	0.16	0.24
7 Days Ago	0.03	0.06	0.16	0.24
30 Days Ago	0.03	0.06	0.17	0.27
60 Days Ago	0.06	0.07	0.23	0.3
90 Days Ago	0.06	0.07	0.24	0.3

EPS Revisions	Current Qtr.	Next Qtr.	Current Year	Next Year
Up Last 7 Days	N/A	N/A	N/A	N/A
Up Last 30 Days	N/A	N/A	N/A	N/A
Down Last 30 Days	N/A	N/A	1	N/A

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WBA Q2 16 E CC

Our proposed acquisition of Rite Aid is progressing as planned. As you know, we are in the process of seeking a regulatory approval in parallel our integration team is continuing its work on preliminary planning. In June, we completed a $6 billion public bond offering to support the funding of the acquisition. Also in June, I am pleased to report that we achieved our $1 billion synergy goal for fiscal 2016 from Walgreens and Alliance Boots merger.

Alvin Concepcion

Great. Thank you. Just wanted to follow-up on Rite Aid, sounds like it's still on track just wondering when you expect to hear more color from the SEC, if you could give us anymore color on the discussions and related to other changes in the number of stores divestiture you expect.

Stefano Pessina

We still believe that our initial estimate is correct. We still believe that at the end we will stay in the range of these stores that we initially indicated around 500. And time wise, we still believe that we will be able to really do the deal -- finish the deal by the end of this financial -- calendar year as we said. So by December, we believe that everything will be done. But of course, it doesn't depend on us, FTC will let us know when they are ready.

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Q1 FY 2017 E PR

Rite Aid Reports Fiscal 2017 First Quarter Results

- **Revenues of $8.2 Billion for the First Quarter, Up 23.1 Percent Year-Over-Year**
- **First Quarter Adjusted Net Income Per Diluted Share of $0.01, Compared to the Prior Year First Quarter Adjusted Net Income Per Diluted Share of $0.02**
- **First Quarter Net Loss Per Diluted Share of $0.00, Compared to the Prior Year's First Quarter Net Income Per Diluted Share of $0.02**
- **Adjusted EBITDA of $286.0 Million for the First Quarter, Compared to the Prior Year's Adjusted EBITDA of $299.3 Million**

CAMP HILL, Pa. (June 16, 2016) - Rite Aid Corporation (NYSE: RAD) today reported operating results for its first fiscal quarter ended May 28, 2016.

For the first quarter, the company reported revenues of $8.2 billion, a net loss of $4.6 million, or $0.00 per diluted share, Adjusted net income of $14.5 million, or $0.01 per diluted share and Adjusted EBITDA of $286.0 million, or 3.5 percent of revenues.

"Our results for the first quarter reflect strong performance in our Pharmacy Services Segment and our front-end business as well as good overall expense control," said Chairman and CEO John Standley. "Our challenge was pharmacy reimbursement rate pressure, which we were unable to offset largely due to drug purchasing efficiencies that did not meet our expectations. While drug cost reductions will continue to be short of our expectations in the near term, we anticipate improvements over the second half of the fiscal year. As we work to meet this challenge, we remain focused on executing our highly successful sales initiatives like **wellness+ with Plenti** and the Wellness store program while also making strategic investments for growth and delivering a consistently outstanding customer experience."

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First Quarter Summary

Revenues for the quarter were $8.2 billion compared to revenues of $6.6 billion in the prior year's first quarter, an increase of $1.5 billion or 23.1 percent. Retail Pharmacy Segment revenues were $6.7 billion and increased 0.4 percent compared to the prior year period primarily as a result of an increase in same store sales. Revenues in the company's Pharmacy Services Segment, which was acquired on June 24, 2015, were $1.6 billion.

Same store sales for the quarter increased 0.4 percent over the prior year, consisting of a 0.1 percent increase in pharmacy sales and a 1.2 percent increase in front-end sales. Pharmacy sales included an approximate 198 basis point negative impact from new generic introductions. The number of prescriptions filled in same stores increased 0.6 percent over the prior year period. Prescription sales accounted for 68.9 percent of total drugstore sales, and third party prescription revenue was 98.0 percent of pharmacy sales.

Net loss was $4.6 million or $0.00 per diluted share compared to last year's first quarter net income of $18.8 million or $0.02 per diluted share. The decline in operating results is due primarily to an increase in amortization expense related to EnvisionRx, a higher LIFO charge and a decline in Adjusted net income.

Adjusted net income and Adjusted net income per diluted share (which is reconciled to net (loss) income on the attached table) was $14.5 million or $0.01 per diluted share compared to last year's first quarter Adjusted net income of $23.7 million or $0.02 per diluted share. The decline in Adjusted net income and Adjusted net income per share is due to a decrease in Adjusted EBITDA, partially offset by lower income tax and interest expense.

Adjusted EBITDA (which is reconciled to net (loss) income on the attached table) was $286.0 million or 3.5 percent of revenues for the first quarter compared to $299.3 million or 4.5 percent of revenues for the same period last year. The decline in Adjusted EBITDA is due to a decrease of $54.4 million in the Retail Pharmacy Segment driven by lower pharmacy margin due to lower reimbursement rates that were not offset by purchasing efficiencies and script count growth. An improvement in front end gross profit offset inflationary increases in selling, general and administrative expenses. The decline in Retail Pharmacy Segment Adjusted EBITDA was partially offset by $41.2 million of Pharmacy Services Segment Adjusted EBITDA.

In the first quarter, the company opened 4 stores, relocated 4 stores, and remodeled 79 stores, bringing the total number of wellness stores chainwide to 2,126. The company also acquired 1 store and closed 6 stores, resulting in
a total store count of 4,560 at the end of the first quarter. The company also opened 2 clinics in the first quarter, bringing the total to 80.

As previously announced on October 27, 2015, Rite Aid and Walgreens Boots Alliance, Inc. ("WBA") entered into
a definitive agreement under which WBA will acquire all outstanding shares of Rite Aid for $9.00 per share in cash, for a total enterprise value of approximately $16.6 billion, including acquired net debt. The board of directors of both companies and Rite Aid's shareholders have approved the transaction, which is subject to certain conditions, including, among others, the receipt of approval under applicable antitrust laws and other customary closing conditions. The transaction is expected to close in the second half of calendar 2016.

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	May 28, 2016	February 27, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 144,840	$ 124,471
Accounts receivable, net	1,679,166	1,601,008
Inventories, net of LIFO reserve of $1,020,147 and $1,006,396	2,623,886	2,697,104
Prepaid expenses and other current assets	107,293	128,144
Total current assets	4,555,185	4,550,727
Property, plant and equipment, net	2,257,795	2,255,398
Goodwill	1,713,475	1,713,475
Other intangibles, net	964,709	1,004,379
Deferred tax assets	1,544,890	1,539,141
Other assets	218,893	213,890
Total assets	$ 11,254,947	$ 11,277,010
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt and lease financing obligations	$ 25,640	$ 26,848
Accounts payable	1,663,436	1,542,797
Accrued salaries, wages and other current liabilities	1,290,693	1,427,250
Total current liabilities	2,979,769	2,996,895
Long-term debt, less current maturities	6,899,025	6,914,393
Lease financing obligations, less current maturities	49,737	52,895
Other noncurrent liabilities	734,912	731,399
Total liabilities	10,663,443	10,695,582
Commitments and contingencies	-	-
Stockholders' equity:		
Common stock	1,048,768	1,047,754
Additional paid-in capital	4,835,634	4,822,665
Accumulated deficit	(5,245,798)	(5,241,210)
Accumulated other comprehensive loss	(47,100)	(47,781)
Total stockholders' equity	591,504	581,428
Total liabilities and stockholders' equity	$ 11,254,947	$ 11,277,010

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	Thirteen weeks ended May 28, 2016	Thirteen weeks ended May 30, 2015
Revenues	$ 8,184,181	$ 6,647,561
Costs and expenses:		
Cost of revenues	6,289,881	4,788,031
Selling, general and administrative expenses	1,793,247	1,699,585
Lease termination and impairment charges	5,781	5,022
Interest expense	105,113	123,607
Loss on sale of assets, net	1,056	39
	8,195,078	6,616,284
(Loss) income before income taxes	(10,897)	31,277
Income tax (benefit) expense	(6,309)	12,441
Net (loss) income	$ (4,588)	$ 18,836
Basic and diluted (loss) earnings per share:		
Numerator for (loss) earnings per share:		
(Loss) Income attributable to common stockholders - basic and diluted	$ (4,588)	$ 18,836
Denominator:		
Basic weighted average shares	1,042,437	986,691
Outstanding options and restricted shares, net	-	22,461
Diluted weighted average shares	1,042,437	1,009,152
Basic and diluted (loss) income per share	$ (0.00)	$ 0.02

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	Thirteen weeks ended May 28, 2016	Thirteen weeks ended May 30, 2015
Retail Pharmacy Segment		
Revenues (a)	$ 6,675,548	$ 6,647,561
Cost of revenues (a)	4,870,181	4,788,031
Gross profit	1,805,367	1,859,530
LIFO charge	13,751	5,987
FIFO gross profit	1,819,118	1,865,517
Gross profit as a percentage of revenues	27.04%	27.97%
LIFO charge as a percentage of revenues	0.21%	0.09%
FIFO gross profit as a percentage of revenues	27.25%	28.06%
Selling, general and administrative expenses	1,723,903	1,699,585
Selling, general and administrative expenses as a percentage of revenues	25.82%	25.57%
Cash interest expense	99,682	102,762
Non-cash interest expense	5,429	20,845
Total interest expense	105,111	123,607
Adjusted EBITDA	244,827	299,263
Adjusted EBITDA as a percentage of revenues	3.67%	4.50%
Pharmacy Services Segment		
Revenues (a)	$ 1,602,359	
Cost of revenues (a)	1,513,426	
Gross profit	88,933	
Gross profit as a percentage of revenues	5.55%	
Adjusted EBITDA	41,175	
Adjusted EBITDA as a percentage of revenues	2.57%	

(a) - Revenues and cost of revenues includes $93,726 of inter-segment activity that is eliminated in consolidation.

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RITE AID CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
ADJUSTED NET INCOME
(Dollars in thousands, except per share amounts)
(unaudited)

	Thirteen weeks ended May 28, 2016	Thirteen weeks ended May 30, 2015
Net (loss) income	$ (4,588)	$ 18,836
Add back - Income tax (benefit) expense	(6,309)	12,441
(Loss) income before income taxes	(10,897)	31,277
Adjustments:		
Amortization of EnvisionRx intangible assets	20,315	-
LIFO charge	13,751	5,987
Merger and Acquisition-related costs	2,756	2,084
Adjusted income before income taxes	25,925	39,348
Adjusted income tax expense	11,459	15,661
Adjusted net income	$ 14,466	$ 23,687
Adjusted net income per diluted share:		
Numerator for adjusted net income per diluted share:		
Adjusted net income	$ 14,466	$ 23,687
Denominator:		
Basic weighted average shares	1,042,437	986,691
Outstanding options and restricted shares, net	17,187	22,461
Diluted weighted average shares	1,059,624	1,009,152
Adjusted net income per diluted share	$ 0.01	$ 0.02

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OPERATING ACTIVITIES:		
Net (loss) income	$ (4,588)	$ 18,836
Adjustments to reconcile to net cash provided by operating activities:		
Depreciation and amortization	138,788	109,649
Lease termination and impairment charges	5,781	5,022
LIFO charge	13,751	5,987
Loss on sale of assets, net	1,056	39
Stock-based compensation expense	11,144	7,370
Changes in deferred taxes	(5,749)	9,540
Excess tax benefit on stock options and restricted stock	(883)	(2,820)
Changes in operating assets and liabilities:		
Accounts receivable	(74,530)	11,027
Inventories	59,440	56,204
Accounts payable	115,646	79,715
Other assets and liabilities, net	(99,912)	67,266
Net cash provided by operating activities	159,944	367,835
INVESTING ACTIVITIES:		
Payments for property, plant and equipment	(106,077)	(141,037)
Intangible assets acquired	(16,381)	(14,293)
Proceeds from dispositions of assets and investments	3,088	2,838
Net cash used in investing activities	(119,370)	(152,492)
FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	-	1,800,000
Net payments to revolver	(20,000)	(141,000)
Principal payments on long-term debt	(5,721)	(5,577)
Change in zero balance cash accounts	2,262	(34,275)
Net proceeds from the issuance of common stock	2,371	3,378
Excess tax benefit on stock options and restricted stock	883	2,820
Deferred financing costs paid	-	(34,459)
Net cash (used in) provided by financing activities	(20,205)	1,590,887
Increase in cash and cash equivalents	20,369	1,806,230
Cash and cash equivalents, beginning of period	124,471	115,899
Cash and cash equivalents, end of period	$ 144,840	$ 1,922,129

SUPPLEMENTAL CASH FLOW INFORMATION		
Payments for property, plant and equipment	$ 106,077	$ 141,037
Intangible assets acquired	16,381	14,293
Total cash capital expenditures	122,458	155,330
Equipment received for noncash consideration	632	545
Equipment financed under capital leases	1,553	800
Gross capital expenditures	$ 124,643	$ 156,675

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January 27, 2016 – RAD / WBA Merger Arb

Sym	Name	PPS	Shs O/S	Proxy	Rev'd	2014 Net Inc	2014 EPS	G E 15	Mkt Cap	SRK Valuation	*IV / Sh*	*Return*	CoC?	FCF %	14 E Yld	15 E Yld	Div %
RAD	Rite Aid Corp	7.78	1,050,000,000	Proxy	1-May	1,000,000	0.00	1.10	8,169,000,000	9,450,000,000	***9.00***	***16%***	Y	0.0%	0.0%	14.1%	0.00%

Valuation = 9.00 cash / share.

OPEN ISSUES / KEY FACTS:

1. Antitrust issues – do HH index calculations, address whether any submarkets exist
2. Review merger documentation
3. Determine value of standalone RAD (including taxed merger termination fee)

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January 27, 2016 – RAD / WBA Merger Arb

HERFINDAHL-HIRSCHMAN INDEX

The term "HHI" means the Herfindahl–Hirschman Index, a commonly accepted measure of market concentration. The HHI is calculated by squaring the market share of each firm competing in the market and then summing the resulting numbers. For example, for a market consisting of four firms with shares of 30, 30, 20, and 20 percent, the HHI is 2,600 ($30^2 + 30^2 + 20^2 + 20^2 = 2{,}600$).

The HHI takes into account the relative size distribution of the firms in a market. It approaches zero when a market is occupied by a large number of firms of relatively equal size and reaches its maximum of 10,000 points when a market is controlled by a single firm. The HHI increases both as the number of firms in the market decreases and as the disparity in size between those firms increases.

The agencies generally consider markets in which the HHI is between 1,500 and 2,500 points to be moderately concentrated, and consider markets in which the HHI is in excess of 2,500 points to be highly concentrated. *See* U.S. Department of Justice & FTC, *Horizontal Merger Guidelines* § 5.2 (2010). Transactions that increase the HHI by more than 200 points in highly concentrated markets are presumed likely to enhance market power under the *Horizontal Merger Guidelines* issued by the Department of Justice and the Federal Trade Commission. *See id.*

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January 27, 2016 – RAD / WBA Merger Arb

Largest 15 U.S. Pharmacies Ranked by Total Prescription Revenues, 2014

Company	Stock Ticker	Estimated 2014 Prescription Revenues[1] (billions)	Share of 2014 Prescription Revenues	Primary Dispensing Format
CVS Health Corporation	CVS			
• Retail Pharmacy		$47.1	15.4%	Chain drugstore
• Pharmacy Services[2]		$25.4	8.3%	Mail pharmacy
Walgreen Company[3]	WAG	$49.4	16.1%	Chain drugstore
Express Scripts, Inc.	ESRX	$38.1	12.4%	Mail pharmacy
Walmart Stores, Inc.[4]	WMT	$18.8	6.1%	Mass merchant with pharmacy
Rite Aid Corporation	RAD	$18.1	5.9%	Chain drugstore
UnitedHealth	UNH	$8.9	2.9%	Mail pharmacy
The Kroger Company	KR	$8.6	2.8%	Supermarket with pharmacy
Safeway/Albertsons	SWY	$4.6	1.5%	Supermarket with pharmacy
Catamaran	CTRX	$4.0	1.3%	Mail pharmacy
Target Corporation	TGT	$3.7	1.2%	Mass merchant with pharmacy
Humana	HUM	$3.5	1.1%	Mail pharmacy
Prime Therapeutics	Private	$3.0	1.0%	Mail pharmacy
Diplomat Pharmacy	DPLO	$2.1	0.7%	Mail pharmacy
Ahold	AHONY	$2.1	0.7%	Supermarket with pharmacy
Sears Holding Corporation[5]	Private	$1.5	0.5%	Mass merchant with pharmacy
Total Top 15		$238.9	78.1%	
Total Industry Revenues		$305.8	100.0%	

Totals may not sum due to rounding.

1. Includes revenues from all pharmacy formats. Excludes estimated infusion services. Revenues reflect calendar year 2014, which does not correspond to fiscal year reporting.
2. Excludes revenues from 90-day Maintenance Choice claims filled in CVS retail pharmacies. These revenues are included in Retail Pharmacy.
3. Excludes non-outpatient prescription revenues from infusion services
4. Includes Walmart and Sam's Club stores
5. Includes Kmart

Source: Fein, Adam J., *2014–15 Economic Report on Retail, Mail, and Specialty Pharmacies*, Drug Channels Institute, January 2015. (http://drugchannelsinstitute.com/products/industry_report/pharmacy/)

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Entity	Market Share	HHI Score	PF Market Sh	PF HHI Score	Notes
CVS	23.7	561.69	24.2	585.64	Assumes 0.5% market share increase (WBA divestitures)
WBA	16.1	259.21	20.6	424.36	Assumes only 4.5% market share increase due to divestitures
ESRX	12.4	153.76	12.8	163.84	Assumes 0.4% market share increase (WBA divestitures)
WMT	6.1	37.21	6.3	39.69	Assumes 0.2% market share increase (WBA divestitures)
RAD	5.9	34.81	0	0	
UNH	2.9	8.41	3	9	Assumes 0.1% market share increase (WBA divestitures)
KR	2.8	7.84	2.9	8.41	Assumes 0.1% market share increase (WBA divestitures)
SWY	1.5	2.25	1.6	2.56	Assumes 0.1% market share increase (WBA divestitures)
CTRX	1.3	1.69	1.3	1.69	
TGT	1.2	1.44	1.2	1.44	
HUM	1.1	1.21	1.1	1.21	
Prime Thrx	1	1	1	1	
DPLO	0.7	0.49	0.7	0.49	
Ahold	0.7	0.49	0.7	0.49	
SHLD	0.5	0.25	0.5	0.25	
TOTAL	**77.9**	**1071.75**	**77.9**	**1240.07**	**Market NOT concentrated pre-merger or post-merger**

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Rite Aid is a drugstore chain in the United States and a Fortune 500 company headquartered in East Pennsboro Township, Cumberland County, Pennsylvania, near Camp Hill.[2][3] Rite Aid is the largest drugstore chain on the East Coast and the third largest drugstore chain in the U.S. An offer was presented by Walgreens Boots Alliance in October 2015. Rite Aid accepted the offer and is currently pending government antitrust committee approval. If approved Walgreens would form the world's largest retail pharmacy chain in terms of number of locations.

Rite Aid began in 1962 as a single store opened in Scranton, Pennsylvania called **Thrift D Discount Center**. After several years of growth, Rite Aid adopted its current name and debuted as a public company in 1968. Today, Rite Aid is publicly traded on the New York Stock Exchange under the ticker RAD. Rite Aid reported total sales of US$ 25.5 billion in fiscal year 2014. In 2008, its market capitalization dropped to under $500 million. As of 6 February 2015, the market capitalization of Rite Aid was about $7.15 billion.[4] Its major competitors are CVS and Walgreens. Walgreens announced on October 27, 2015 that it would acquire Rite Aid for $17.4 billion pending approval.[5]

Contents [hide]

Rite Aid Corporation

Type	Public
Traded as	NYSE: RAD
Industry	Ticker symbol ıg
Founded	1962; 54 years ago (as Thrift D Discount) 1968; 48 years ago (as Rite Aid Corporation)
Headquarters	East Pennsboro Township, Cumberland County, Pennsylvania, United States
Number of locations	4,572 Dec. 2014)[1]
Key people	John Standley, Chairman & CEO; Ken Martindale, President & Chief Operating Officer; Frank Vitrano, Chief Financial Officer & Chief Administrative Officer

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Products	Pharmacy
Revenue	▲ US$ 25.526 billion (FY2014)
Operating income	▲ US$ 721.26 million (FY2014)
Net income	▲ US$ 249.41 million (FY2014)
Total assets	▼ US$ 6.944 billion (FY2014)
Total equity	▲ US$ -2.113 billion (FY2014)
Number of employees	89,346 (2014)
Slogan	With us, it's personal.
Website	www.riteaid.com

History [edit]

Alex Grass founded the Rite Aid chain in Scranton, Pennsylvania in September 1962. The first store was called Thrift D Discount Center, a health and beauty aids store, without a pharmacy. It was an offshoot of Rack Rite Distributors, a subsidiary of his father-in law's Lehrman & Sons which Alex Grass launched in 1958, that rented and stocked racks with health and beauty aids in grocery stores. In 1965 their 23rd store added a pharmacy and the company name was changed to Rite Aid.[6] Through acquisitions and new stores, Rite Aid quickly expanded into 5 northeast states by 1965. The chain was officially named Rite Aid Corporation in 1968 and made its debut on the American Stock Exchange. It moved to the New York Stock Exchange in 1970. In 2011, Rite Aid was ranked #100 on Fortune 500 Largest U.S. Corporations.

Growth and acquisitions [edit]

Rite Aid in Tawas City, Michigan

Just ten years after its first store opened, Rite Aid operated 267 locations in 10 states. It was named the third largest drugstore in the United States by 1981; shortly thereafter, 1983 marked a sales milestone of $1 billion. A 420-store acquisition along the east coast expanded Rite Aid's holdings beyond 2,000 locations, as did the acquisition of Gray Drug in 1987. Among the companies acquired was Baltimore, Maryland's Read's Drug Store. On April 10, 1989, Peoples Drug's 114 unit Lane Drug of Ohio was purchased by Rite Aid.[7]

Rite Aid acquired twenty-four Hook's Drug stores from Revco in 1994, selling nine of those stores to Perry Drug Stores, a Michigan-based pharmacy chain. One year later, in turn, the 224-store Perry chain was acquired by Rite Aid.[8][9] The 1,000-store West Coast chain Thrifty PayLess was later acquired in 1996. The acquisition of Thrifty PayLess included the Northwest-based Bi-Mart membership discount stores, which was sold off in 1998. Acquisitions of Harco, Inc. and K&B, Inc. brought Rite Aid into the Gulf Coast area.

In the 1990s, Rite Aid partnered with Carl Paladino's Ellicott Development Co. to expand the company's presence in Upstate New York.[10]

Partnership with GNC [edit]

General Nutrition Corporation (GNC) and Rite Aid formed a partnership in January 1999, bringing GNC mini-stores within the Rite Aid pharmacies. A partnership with drugstore.com in June 1999 allowed customers of Rite Aid to place medical prescription orders online for same-day, in-store pickup.

Company troubles [edit]

Rite Aid had a major accounting scandal that led to the departure (and subsequent jail time) of several top ranking executives, including the CEO, Martin Grass, son of company founder Alex Grass. Former Rite Aid vice chairman Franklin C. Brown is serving a 10-year sentence in a medium-security facility at Federal Correctional Complex, Butner, near Raleigh, North Carolina.[11] After serving six years in prison, Martin Grass was released on January 18, 2010.[12] Founder Alex Grass died of cancer on August 27, 2009.[13]

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Company troubles [edit]

Rite Aid in Scott Depot, West Virginia

Rite Aid had a major accounting scandal that led to the departure (and subsequent jail time) of several top ranking executives, including the CEO, Martin Grass, son of company founder Alex Grass. Former Rite Aid vice chairman Franklin C. Brown is serving a 10-year sentence in a medium-security facility at Federal Correctional Complex, Butner, near Raleigh, North Carolina.[11] After serving six years in prison, Martin Grass was released on January 18, 2010.[12] Founder Alex Grass died of cancer on August 27, 2009.[13]

At the time, Rite Aid had just acquired Thrifty PayLess and was integrating those into the company. As a result, Leonard Green, who ran the investment firm that had sold those stores to Rite Aid, took control of the company and installed Mary Sammons from Fred Meyer as CEO.

In July 2001, Rite Aid agreed to improve their pharmacy complaint process by implementing a new program to respond to consumer complaints.[14]

On July 25, 2004, Rite Aid agreed to pay $7 million to settle allegations that the company had submitted false prescription claims to United States government health insurance programs.[15]

In August 2007, Rite Aid acquired approximately 1,850 Brooks/Eckerd Stores throughout the United States in hopes of improving their accessibility to a wider range of consumers. On December 21, 2007, The New York Times reported that Rite Aid had record-breaking losses that year, despite the acquisition of the Brooks and Eckerd chains.[16] The following fiscal quarter saw an increase in revenue but a sharp fall in net income as Rite Aid began the integration process. Rite Aid shares fell over 75% between September 2007 and September 2008, closing at a low of $0.98 on September 11, 2008. Rite Aid shares subsequently dropped to $0.20 on March 6, 2009, the all-time low as of 8 December 2011.[4]

Scott Cole & Associates, APC filed a class action lawsuit against Rite Aid Corporation on behalf of its salaried California Store Managers. It was alleged that Rite Aid failed to pay overtime to these workers and denied them their meal and rest periods. In 2009, the action settled for $6.9 million. Scott Cole & Associates - Rite Aid Class Action

In June, 2010 John Standley was promoted from Chief Operating Officer to Chief Executive Officer, with former CEO Mary Sammons retaining her position as Chairperson;[17] Ken Martindale, previously co-President of Pathmark, was named Chief Operating Officer.[18]

Customer loyalty and rewards programs [edit]

The **Wellness Plus** card (officially rendered as **wellness+**) is Rite Aid's shopping rewards card that started nationwide on April 18, 2010. Membership is free, and benefits include free health and wellness benefits as well as shopping and prescription drug discounts and special prices. Earlier, in March 2005, Rite Aid had introduced **Living More**, a seniors' loyalty program which offered similar discounts and benefits. This program was very similar to the former Revco program which was called "Senior Shoppers" (Rite Aid had attempted to purchase Revco in 1996). The Living More program was being discontinued as of October 31, 2010, having been essentially superseded by the Wellness Plus card. However, as of 2013, the Wellness+ plus card allows seniors to upgrade to the Wellness 65+ card, basically reintroducing the previous Living More benefits along with the newly created Wellness card. Rite Aid also holds some surveys for their loyal customers to share praise and complaints. Surveys are just like a platform where good and bad estimations are mingled together. Upon the completion of the customer satisfaction survey, customers are invited to try to win the grand prize and monthly prize as a feedback.[19]

In May 2015, Wellness Plus was integrated into the new American Express-backed Plenti rewards card, which Rite Aid shares with AT&T Mobility, Direct Energy, Enterprise Rent-A-Car, ExxonMobil, Hulu, Macy's, and Nationwide Insurance; Rite Aid was the only one of the group that had an existing loyalty program before the creation of Plenti. The new system

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Walgreens

From Wikipedia, the free encyclopedia

The **Walgreen Company** (**Walgreens,** or sometimes archaically **Walgreen**) is the largest[2] drug retailing chain in the United States. As of May 31, 2014, the company operated 8,217 stores in all 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. It was founded in Chicago, Illinois, in 1901. The Walgreens headquarters office is in the Chicago suburb of Deerfield, Illinois.

In 2014, the company agreed to purchase the remaining 55% of Switzerland-based Alliance Boots that it did not already own to form a global business. Under the terms of the purchase, the two companies merged to form a new holding company, Walgreens Boots Alliance Inc., on December 31, 2014. Walgreens became a subsidiary of the new company, which retains its Deerfield headquarters and trades on the Nasdaq under the symbol WBA .[3]

Contents [hide]

Walgreen Company

Walgreens

Type	Subsidiary
Industry	Retail
Founded	1901; 115 years ago Chicago, Illinois, United States
Founder	Charles Rudolph Walgreen
Headquarters	200 Wilmot Road, Deerfield, Illinois, United States
Number of locations	8,229 [1]
Area served	United States
Key people	James A. Skinner (Executive Chairman) Alex Gourlay, President
Products	Drug store Pharmacy
Parent	Walgreens Boots Alliance
Slogan	At the Corner of Happy and Healthy
Website	walgreens.com

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Transaction overview

- $9.00 per share in cash, total enterprise value of $17.2 billion
- Subject to approval by Rite Aid shareholders, regulatory clearances and other customary closing conditions
  - Contract provides for divestments up to 1,000 stores if required by regulators
  - WBA believes the most likely outcome is divestments of less than half this number
- Expected timing of close: second half of calendar 2016
- Expected to be accretive during first full year post deal closing (excluding integration and merger related items and costs)
- Synergies: in excess of $1 billion based on due diligence to date
  - Primarily from procurement, cost savings and operational synergies
  - Expected to be fully realized within 3-4 years of closing
- Suspension of activity (other than anti-dilutive activity) under $3.0 billion share buyback program

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Walgreens Boots Alliance to Acquire Rite Aid for $17.2 Billion in All-Cash Transaction

- *Acquisition furthers Walgreens Boots Alliance's commitment to accessible, affordable, quality healthcare in the U.S. and advances consumer access to pharmacy-led health and wellbeing*
- *Acquisition underscores Walgreens Boots Alliance's global approach to growth opportunities*
- *Rite Aid shareholders to receive $9.00 per share in cash, a premium of 48 percent to the closing price on 26 October 2015*
- *Transaction expected to be accretive to Walgreens Boots Alliance's adjusted earnings per share in its first full year after completion*

Deerfield, Ill. and Camp Hill, Penn., 27 October 2015 — Walgreens Boots Alliance, Inc. (Nasdaq: WBA) and Rite Aid Corporation (NYSE: RAD) today announced that they have entered into a definitive agreement under which Walgreens Boots Alliance will acquire all outstanding shares of Rite Aid, a U.S. retail pharmacy chain, for $9.00 per share in cash, for a total enterprise value of approximately $17.2 billion, including acquired net debt. The purchase price represents a premium of 48 percent to the closing price per share on 26 October 2015, the day before the agreement was signed. The combination of Walgreens Boots Alliance and Rite Aid creates a further opportunity to deliver a high-quality retail pharmacy choice for U.S. consumers in an evolving and increasingly personalized healthcare environment.

Walgreens Boots Alliance is highly focused on building a differentiated in-store experience for health, wellness and beauty, and this combination will help accelerate Rite Aid's own efforts toward that end. Once the acquisition closes, Walgreens Boots Alliance plans to further transform Rite Aid's stores to better meet consumer needs.

"Today's announcement is another step in Walgreens Boots Alliance's global development and continues our profitable growth strategy. In both mature and newer markets across the world, our approach is to advance and broaden the delivery of retail health, wellbeing and beauty products and services," said Walgreens Boots Alliance Executive Vice Chairman and CEO Stefano Pessina. "This combination will further strengthen our commitment to making quality healthcare accessible to more customers and patients. Our complementary retail pharmacy footprints in the U.S. will create an even better network, with more health and wellness solutions available in stores and online. Walgreens Boots Alliance will provide to Rite Aid its global expertise and resources to accelerate the delivery of integrated frontline care, and to offer innovative solutions for providers, payers and other entities in the U.S. healthcare system. Finally, this combination will generate a stronger base for sustainable growth and investment into Rite Aid stores, while realizing synergies over time."

"Joining together with Walgreens Boots Alliance will enhance our ability to meet the health and wellness needs of Rite Aid's customers while also delivering significant value to our shareholders," said Rite Aid Chairman and CEO John Standley. "This transaction is a testament to the hard work of all our associates to deliver a higher level of care to the patients and communities we serve. Together with Walgreens Boots Alliance, the Rite Aid team can continue to build upon this great work through access to increased capital that will enhance our store base and expand opportunities as part of the first global pharmacy-led, health and wellbeing enterprise."

The boards of directors of both companies have approved the transaction, which is subject to approval by the holders of Rite Aid's common stock, the expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and other customary closing conditions. The transaction is expected to close in the second half of calendar 2016.

The transaction is expected to be accretive to Walgreens Boots Alliance's adjusted earnings per share in its first full year after completion. Additionally, Walgreens Boots Alliance expects to realize synergies in excess of $1 billion.

Upon completion of the merger, Rite Aid will be a wholly owned subsidiary of Walgreens Boots Alliance, and is expected to initially operate under its existing brand name. Working together, decisions will be made over time regarding the integration of the two companies, ultimately creating a fully harmonized portfolio of stores and infrastructure.

Walgreens Boots Alliance expects to finance the transaction through a combination of existing cash, assumption of existing Rite Aid debt and issuance of new debt.

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Merger Agreement

On October 27, 2015, Rite Aid Corporation ("Rite Aid") entered into an Agreement and Plan of Merger (the "Merger Agreement") with Walgreens Boots Alliance, Inc., a Delaware corporation ("Walgreens"), and Victoria Merger Sub, Inc., a Delaware corporation and a wholly-owned direct subsidiary of Walgreens ("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 wholly-owned direct subsidiary of Walgreens.

At the effective time of the Merger, each share of Rite Aid common stock, par value $1.00 per share, ("Rite Aid Common Stock") issued and outstanding immediately prior to the effective time (other than shares owned by (i) Walgreens, 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 Walgreens (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 (the "Per Share Merger Consideration").

Subject to the terms of the Merger Agreement, at the effective time of the Merger, each vested option to purchase Rite Aid Common Stock with a per share exercise price less than the Per Share Merger Consideration that is outstanding immediately prior to the effective time will be converted into the right to receive, without interest, an amount in cash equal to the product of (x) the total number of shares of Rite Aid Common Stock subject to such option and (y) the excess, if any, of the Per Share Merger Consideration over the per share exercise price of such option, less applicable withholding taxes. Subject to the terms of the Merger Agreement, at the effective time of the Merger, each unvested option to purchase Rite Aid Common Stock, and each vested option to purchase Rite Aid Common Stock with a per share exercise price equal to or greater than the Per Share Merger Consideration, that is outstanding immediately prior to the effective time will be converted into an option to acquire, on the same terms and conditions as were applicable immediately prior to the effective time, a number of shares of Walgreens common stock equal to the product of (x) the number of shares of Rite Aid Common Stock subject to such option and (y) a fraction, the numerator of which is the Per Share Merger Consideration and the denominator of which is the volume weighted average trading price of Walgreens common stock on the five consecutive trading days immediately preceding the closing date of the Merger (the "Conversion Ratio"), with the exercise price of such converted option equitably adjusted to be equal to the quotient of (x) the exercise price per share of Rite Aid Common Stock subject to such option and (y) the Conversion Ratio.

Subject to the terms of the Merger Agreement, at the effective time of the Merger, each Rite Aid restricted share award and Rite Aid performance unit that is outstanding immediately prior to the effective time will be cancelled and converted into a Walgreens restricted share or performance unit, as applicable, relating to the number of shares of Walgreens common stock equal to the product of (x) the number of shares of Rite Aid Common Stock relating to such restricted share award or such performance unit (in the case of performance units for which the applicable performance period has not completed, the target number of shares) and (y) the Conversion Ratio, with each such converted restricted share award and performance unit subject to the same terms and conditions as were applicable immediately prior to the effective time; provided, that with respect to each converted performance unit award, (i) following the effective time of the Merger, the performance goals or conditions will not apply with respect to a pro-rata portion of such award (with such portion based on the number of days elapsed in the performance period through the effective time of the Merger), which portion of such award will continue to be subject to service-based vesting on the same schedule as applied prior to the effective time of the Merger, and (ii) the remaining portion of the converted performance unit award will continue to be subject to performance-based vesting (based on the achievement of adjusted performance goals) and service-based vesting on the applicable vesting dates following the effective time of the Merger.

Subject to the terms of the Merger Agreement, at the effective time of the Merger, each Rite Aid restricted share unit outstanding immediately prior to the effective time will automatically be cancelled and converted into the right to receive an amount in cash equal to the product of (x) the total number of shares of Rite Aid Common Stock subject to the restricted share unit and (y) the Per Share Merger Consideration.

Consummation 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 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.

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The parties to the Merger Agreement have each made customary representations and warranties. Rite Aid has agreed to various covenants and agreements, including, among others, (i) Rite Aid's agreement to conduct its business in the ordinary course consistent with past practice during the period between the execution of the Merger Agreement and the closing of the Merger, and (ii) Rite Aid's agreement to not solicit proposals relating to alternative transactions to the Merger or engage in discussions or negotiations with respect thereto, subject to certain exceptions. Walgreens also has agreed to various covenants and agreements in the Merger Agreement, including, among other things, (i) Walgreens' agreement to take actions that may be necessary in order to obtain antitrust approval of the Merger, subject to certain exceptions, and (ii) Walgreens' agreement to use reasonable best efforts to arrange and obtain the debt financing contemplated by the debt commitment letter executed in connection with the Merger Agreement, or such alternative financing as contemplated by the Merger Agreement.

The Merger Agreement contains specified termination rights for Walgreens and Rite Aid, including a mutual termination right in the event that the Merger is not consummated by October 27, 2016, subject to extension to January 27, 2017 under certain circumstances. Rite Aid must pay Walgreens a $325 million termination fee if Walgreens terminates the Merger Agreement following a change of recommendation (as defined in the Merger Agreement) for the Merger by Rite Aid's board of directors, or if Rite Aid terminates the Merger Agreement to enter into a definitive agreement with a third party with respect to a superior proposal, as set forth in, and subject to the conditions of, the Merger Agreement. Under certain additional circumstances described in the Merger Agreement, Rite Aid must also pay Walgreens a $325 million termination fee if the Merger Agreement is terminated in certain specified circumstances while an alternative acquisition proposal to the Merger has been publicly made or communicated to the Board and not withdrawn and, within twelve months following such termination, Rite Aid enters into a definitive agreement with respect to a business combination transaction of the type described in the relevant provisions of the Merger Agreement, or such a transaction is consummated. The Merger Agreement further provides that, upon termination of the Merger Agreement under specified circumstances, Rite Aid will be required to pay to Walgreens up to $45 million for expenses incurred by Walgreens (with such payment credited to any termination fee subsequently paid by Rite Aid). In the event the Merger Agreement is terminated in certain circumstances involving a failure to obtain required regulatory approvals, Walgreens is required to pay Rite Aid a $325 million termination fee, which will be increased to $650 million if Walgreens enters into, consummates or announces certain acquisitions within eight to twelve months of the date of the Merger Agreement.

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SECTION 7.1 *Conditions to Obligations of Each Party to Effect the Merger.* The respective obligations of each Party to effect the Merger shall be subject to the satisfaction (or, to the extent permitted by applicable Law, waiver by the Company and Parent) at or prior to the Closing of the following conditions:

(a) *Stockholder Approval*. The Company shall have obtained the Company Requisite Vote;

(b) *No Legal Restraints*. No Law or injunction (whether temporary, preliminary or permanent) shall have been enacted, entered, promulgated or enforced by any Governmental Entity of competent jurisdiction (collectively, the "*Legal Restraints*") which prevents, makes illegal, prohibits, restrains or enjoins the consummation of the Merger; and

(c) *Antitrust Consents*. The waiting period (and any extension thereof) applicable to the consummation of the Merger under the HSR Act shall have expired or been earlier terminated.

SECTION 7.2 *Conditions to Obligations of Parent and Merger Sub*. The obligations of Parent and Merger Sub to effect the Merger shall be further subject to the satisfaction (or, to the extent permitted by applicable Law, waiver by Parent) at or prior to the Closing of the following conditions:

(a) *Representations and Warranties*. (i) The representations and warranties of the Company set forth in the first sentence of *Section 3.1* (*Organization and Qualification; Subsidiaries*), *Section 3.4* (*Authority*), *Section 3.9(b)* (*Absence of Certain Changes and Events*) and *Section 3.19* (*Brokers*) shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), (ii) the representations and warranties of the Company set forth in *Section 3.3(a)* and the first sentence and clause (i) of the second sentence of *Section 3.3(b)* (*Capitalization*) shall be true and correct in all but *de minimis* respects as of the date of this Agreement and as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct in all but *de minimis* respects as of such earlier date) and (iii) the representations and warranties of the Company set forth in this Agreement (other than those identified in clauses (i) and (ii)) shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date); *provided*, *however*, that notwithstanding anything herein to the contrary, the condition set forth in this *Section 7.2(a)(iii)* shall be deemed to have been satisfied unless the failure of such representations and warranties of the Company to be so true and correct (without giving effect to any "Material Adverse Effect," "materiality" or similar qualifications contained therein) has had or would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(b) *Performance of Obligations of the Company*. The Company shall have performed in all material respects each of the obligations, and complied in all material respects with each of the agreements and covenants, required to be performed by, or complied with by, it under this Agreement at or prior to the Closing, *provided* that the Company shall have performed in all respects the obligations, and complied in all respects with the agreements and covenants, required to be performed by, or complied with by, it under *Section 5.1(c)(xiii)(A)* of this Agreement at or prior to the Closing;

(c) *Certificate*. Parent shall have received a certificate of the Chief Executive Officer or the Chief Financial Officer of the Company, certifying that the conditions set forth in *Section 7.2(a)*, *Section 7.2(b)* and *Section 7.2(d)* have been satisfied; and

(d) *No Material Adverse Effect*. Since the date of this Agreement, there shall not have occurred a Material Adverse Effect; *provided* that clause (C) of the definition of Material Adverse Effect shall be excluded from such definition for the purpose of determining the satisfaction of this *Section 7.2(d)*.

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SECTION 7.3 *Conditions to Obligations of the Company*. The obligation of the Company to effect the Merger shall be further subject to the satisfaction (or, to the extent permitted by applicable Law, waiver by the Company) at or prior to the Closing of the following conditions:

(a) *Representations and Warranties*. (i) The representations and warranties of Parent and Merger Sub set forth in the first sentence of *Section 4.1* (*Organization*), *Section 4.2* (*Authority*) and

Section 4.5 (*Operations and Ownership of Merger Sub*) shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date); and (ii) the representations and warranties of Parent and Merger Sub set forth in this Agreement (other than those identified in clause (i)) shall be true and correct, in each case as of the date of this Agreement and as of the Closing Date as though made on and as of such date (except to the extent that any such representation or warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date); *provided*, *however*, that notwithstanding anything herein to the contrary, the condition set forth in this *Section 7.3(a)(ii)* shall be deemed to have been satisfied unless the failure of any such representations and warranties to be true and correct would not, individually or in the aggregate, reasonably be expected to prevent, materially impair or have a material adverse effect on the ability of Parent or Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement;

(b) *Performance of Obligations of Parent and Merger Sub*. Each of Parent and Merger Sub shall have performed in all material respects each of the obligations, and complied in all material respects with each of the agreements and covenants, required to be performed by, or complied with by, it under this Agreement at or prior to the Closing; and

(c) *Certificate*. The Company shall have received a certificate of the Chief Executive Officer or the Chief Financial Officer of Parent, certifying that the conditions set forth in *Section 7.3(a)* and *Section 7.3(b)* have been satisfied.

ARTICLE VIII

TERMINATION

SECTION 8.1 *Termination*. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, notwithstanding the adoption of this Agreement by the stockholders of the Company (except in the case of a termination pursuant to *Section 8.1(d)(ii)* which may only be invoked prior to the receipt of the Company Requisite Vote):

(a) by mutual written consent of Parent and the Company;

(b) by Parent or the Company if any court of competent jurisdiction or other Governmental Entity shall have issued a Legal Restraint which prevents, makes illegal, prohibits, restrains or enjoins the consummation of the Merger and such Legal Restraint is or shall have become final and nonappealable; *provided* that the right to terminate this Agreement pursuant to this *Section 8.1(b)* shall not be available to a Party whose breach of this Agreement was the primary cause of, or primarily resulted in, the issuance of such Legal Restraint;

(c) by either Parent or the Company if the Effective Time shall not have occurred on or before October 27, 2016 (the "*End Date*"); *provided* that the right to terminate this Agreement pursuant to this *Section 8.1(c)* shall not be available to a Party whose breach of this Agreement was the primary cause of, or primarily resulted in, the failure of the Effective Time to occur on or before the End Date; *provided*, *further*, that, if on the End Date all of the conditions set forth in *Section 7.1*, *Section 7.2* and *Section 7.3* have been satisfied (or, with respect to the conditions that by their terms must be satisfied at the Closing, would have been so satisfied if the Closing would have occurred) or remain capable of being satisfied but any of the conditions set forth in *Section 7.1(b)* and/or *Section 7.1(c)* has not been satisfied, then either Parent or the Company may extend the End Date to January 27, 2017 by delivery of written notice of such extension to the

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other party not less than three (3) Business Days prior to the End Date, in which case the End Date shall be deemed for all purposes to be such later date;

(d) by written notice of the Company:

(i) if there shall have been a breach of any (A) representation or warranty or (B) covenant or agreement on the part of Parent or Merger Sub contained in this Agreement, or any such representation or warranty shall have become inaccurate, such that the conditions set forth in *Section 7.3(a)* or *Section 7.3(b)* would not be satisfied, and such breach or inaccuracy has not been cured within thirty (30) days after the receipt of notice thereof or such breach or inaccuracy is not reasonably capable of being cured within such period; *provided* that the Company shall not have the right to terminate this Agreement pursuant to this *Section 8.1(d)(i)* if the Company is then in material breach of any of its covenants or agreements contained in this Agreement; or

(ii) prior to, but not after, obtaining the Company Requisite Vote, in accordance with, and subject to compliance with the terms and conditions of, *Section 6.1(c)*;

(e) by written notice of Parent if:

(i) there shall have been a breach of any (A) representation or warranty or (B) covenant or agreement on the part of the Company contained in this Agreement, or any such representation or warranty shall have become inaccurate, such that the conditions set forth in *Section 7.2(a)* or *Section 7.2(b)* would not be satisfied, and such breach or inaccuracy has not been cured within thirty (30) days after the receipt of notice thereof or such breach or inaccuracy is not reasonably capable of being cured within such period; *provided* that Parent shall not have the right to terminate this Agreement pursuant to this *Section 8.1(e)(i)* if Parent or Merger Sub is then in material breach of any of its covenants or agreements contained in this Agreement; or

(ii) the Company Board shall have made a Change of Recommendation; or

(f) by either Parent or the Company if the Company Requisite Vote shall not have been obtained at the Stockholders Meeting duly convened therefor or at any adjournment or postponement thereof, in each case, at which a vote on the adoption of this Agreement was taken.

SECTION 8.2 *Effect of Termination*.

(a) In the event of the termination of this Agreement pursuant to *Section 8.1*, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of any Party hereto, except as provided in *Section 6.6(b)*, *Section 6.8*, this *Section 8.2*, *Section 8.3* and *Article IX*, which shall survive such termination; *provided*, *however*, that nothing herein shall relieve any Party hereto of any liability for damages resulting from fraud or Willful Breach prior to such termination by any Party hereto (which the Parties acknowledge and agree shall be determined by a court of competent jurisdiction in accordance with *Section 9.13* applying the governing Law in accordance with *Section 9.9*), in which case the aggrieved Party shall be entitled to all rights and remedies available at law or equity. Notwithstanding anything contained in this Agreement to the contrary, Parent expressly acknowledges and agrees that Parent's and Merger Sub's obligations hereunder are not conditioned in any manner upon Parent or Merger Sub obtaining any financing. The failure, for any reason, of Parent or Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement on the date that the Closing is required to occur pursuant to *Section 1.2* hereof shall constitute a Willful Breach of this Agreement by Parent and Merger Sub. The Parties acknowledge and agree that (i) nothing in this *Section 8.2* shall be deemed to affect their right to specific performance under *Section 9.12* and (ii) no termination of this Agreement shall affect the obligations of the Parties contained in the Confidentiality Agreement and Clean Room Agreement.

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(b) In the event that:

(i) this Agreement is terminated (x) by the Company pursuant to *Section 8.1(d)(ii)* or (y) by Parent pursuant to *Section 8.1(e)(ii)*, then the Company shall pay $325 million (the "*Company Termination Fee*") to Parent (or its designee), at or prior to the time of termination and as a condition to such termination in the case of a termination by the Company or as promptly as reasonably practicable in the case of a termination pursuant by Parent (and, in any event, within two (2) Business Days following such termination), payable by wire transfer of immediately available funds to an account designated by Parent;

(ii) this Agreement is terminated by either Parent or the Company pursuant to *Section 8.1(f)*, or by Parent pursuant to *Section 8.1(e)(i)* or by either Parent or the Company pursuant to *Section 8.1(c)* and (A) at any time after the date of this Agreement, but prior to the date of the Stockholders Meeting (in the case of *Section 8.1(f)*), prior to the breach giving rise to such right of termination (in the case of *Section 8.1(e)(i)*) or prior to such termination (in the case of *Section 8.1(c)*), any Person shall have publicly announced an intention (whether or not conditional) to make an Acquisition Proposal, or an Acquisition Proposal shall have otherwise become publicly known, and (B) within twelve (12) months after such termination, the Company or any of its subsidiaries shall have entered into a definitive agreement with respect to an Acquisition Proposal (regardless of whether consummated), or an Acquisition Proposal shall have been consummated involving the Company or any of its subsidiaries (whether or not involving the same Acquisition Proposal as that which was publicly announced or otherwise became publicly known prior to such termination), then, in any such event, the Company shall pay to Parent (or its designee) the Company Termination Fee, at or prior to the earlier to occur of the Company entering into a definitive agreement with respect to such Acquisition Proposal or the consummation of such Acquisition Proposal, payable by wire transfer of immediately available funds to an account designated by Parent; *provided*, *however*, that, for purposes of this *Section 8.2(b)(ii)*, references to "twenty percent (20%)" in the definition of Acquisition Proposal shall be deemed to be references to "fifty percent (50%)";

(iii) this Agreement is terminated by either the Company or Parent pursuant to *Section 8.1(f)*, then the Company shall promptly, but in no event later than two (2) days after being notified of such by Parent, pay to Parent (or its designee) all of the documented out-of-pocket expenses incurred by Parent or Merger Sub in connection with or related to the authorization, preparation, negotiation, execution and performance of this Agreement and the transactions contemplated by this Agreement up to a maximum amount of $45 million, payable by wire transfer of immediately available funds; *provided* that any amounts paid under this *Section 8.2(b)(iii)* shall be credited (without interest) against any Company Termination Fee if paid to Parent (or its designee) pursuant to the terms of this Agreement; or

(iv) this Agreement is terminated by Parent or the Company pursuant to (x) *Section 8.1(b)* and the applicable Legal Restraint giving rise to such termination right is issued under or pursuant to any Antitrust Law or (y) *Section 8.1(c)*, and, in either case of clause (x) or (y), on the termination date the only conditions to closing set forth in *Section 7.1* or *Section 7.2* that have not been satisfied (other than those conditions that by their nature are to be satisfied at the Closing which conditions would be capable of being satisfied at the Closing if the Closing Date were on the termination date) are the conditions set forth in *Section 7.1(b)* (but only if the applicable Legal Restraint causing such condition not to be satisfied is issued under or pursuant to any Antitrust Law) and *Section 7.1(c)*, then Parent shall pay $325 million (the "*Parent Termination Fee*") to the Company (or its designee) by wire transfer of immediately available funds to the account designated by the relevant Party, at or prior to the time of termination in the case of a termination by Parent, or as promptly as reasonably practicable (and, in any event, within two (2) Business Days following such

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termination) in the case of a termination by the Company; *provided*, *however*, that the amount of the Parent Termination Fee shall be increased to $650 million if, following a date that is the seven (7) month anniversary of the date of this Agreement but prior to the date that is the twelve (12) month anniversary of the date of this Agreement, a Parent Permitted Transaction has been consummated or entered into or Parent has announced any plans to enter into any specific Parent Permitted Transaction. The Parties agree that, solely for purposes of this Section 8.2(b)(iv), Parent shall not be deemed to have announced any plans to enter into any specific Parent Permitted Transaction solely as a result of, following the seven (7) month anniversary of the date of this Agreement, having engaged or otherwise participated in any negotiations or discussions concerning such a transaction or having made any public acknowledgments with respect to such negotiations or discussions. Notwithstanding anything to the contrary herein, the Parties agree that, for purposes of this Agreement, Parent shall be deemed to have announced plans to enter into any specific Parent Permitted Transaction as a result of having made publicly available a "bear hug" letter, or a tender or exchange, take-over bid or other public offer to acquire all or a controlling interest with respect to a Parent Permitted Transaction.

(c) The Parties acknowledge and hereby agree that in no event shall the Company be required to pay the Company Termination Fee or Parent be required to pay the Parent Termination Fee on more than one occasion.

(d) Each of the Company, Parent and Merger Sub acknowledges that the agreements contained in this *Section 8.2* are an integral part of the transactions contemplated by this Agreement and that, without these agreements, the Parties would not enter into this Agreement. Accordingly, if a Party fails to promptly pay any amount due pursuant to this *Section 8.2*, and the other Party commences a Proceeding that results in a judgment against the failing Party for the amount set forth in this *Section 8.2* or a portion thereof, the failing Party shall pay to the other Party all fees, costs and expenses of enforcement (including attorney's fees as well as expenses incurred in connection with any such action), together with interest on such amount or such portion thereof at the prime lending rate as published in the *Wall Street Journal*, in effect on the date such payment is required to be made.

SECTION 8.3 *Expenses*. Except as otherwise specifically provided herein, each Party shall bear its own expenses in connection with this Agreement and the transactions contemplated hereby.

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(cc) "*Material Adverse Effect*" means any event, development, circumstance, change, effect, condition, or occurrence that, individually or in the aggregate, with all other events, developments, circumstances, changes, effects, conditions or occurrences, (A) has, or would reasonably be expected to have, a material adverse effect on or with respect to the business, assets, liabilities, results of operations or financial condition of the Company and its subsidiaries, taken as a whole, (B) without limiting clause (A), results in, at Closing, a last twelve (12)-month Adjusted EBITDA of less than $1,075,000,000 determined as of the end of the last fiscal month ended prior to Closing for which internal financial statements of the Company are available, which financial statements shall be available no later than fifteen (15) days following the end of each fiscal month (it being understood that such monthly financial statements are not full financial statements and do not contain all required footnotes and other disclosures and are prepared in the Company's ordinary course of business) or (C) prevents, materially delays or materially impairs the ability of the Company to consummate the Merger and the other transactions contemplated by this Agreement; *provided*, *however*, in the case of clause (A) or (B), any event, development, circumstance, change, effect, condition or occurrence to the extent arising out of or resulting from any of the following after the date hereof shall not be deemed, either alone or in combination, to constitute or be taken into account in determining whether there has been, a Material Adverse Effect: (i) any change or development generally affecting the economy or the financial, debt, capital, credit or securities markets in the United States or elsewhere in the world, including as a result of changes or developments in prevailing interest or exchange rates or the disruption of any securities markets, (ii) national or international political or social conditions, (iii) the execution and delivery of this Agreement or the public announcement or pendency of the Merger or other transactions contemplated hereby, including any Parent Permitted Transaction, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, or employees of the Company or its subsidiaries (*provided* that this exception shall not be applied to clause (B) above), (iv) any change in any applicable Laws or applicable accounting regulations or principles, including GAAP, or interpretations thereof, (v) any hurricane, tornado, earthquake, flood, tsunami or other natural disaster or outbreak or escalation of hostilities or war (whether or not declared), military actions or any act of sabotage, terrorism or other international or national emergency, or other force majeure event or natural disaster or act of God or other comparable

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events, (vi) any change in the price or trading volume of Company Common Stock or the credit rating of the Company, in and of itself, (vii) any failure by the Company to meet (x) any published analyst estimates, expectations, projections or forecasts of the Company's revenue, earnings, cash flow, cash positions or other financial performance or results of operations for any period or (y) its internal or published projections, budgets, plans, forecasts, guidance, estimates, milestones of its revenues, earnings or other financial performance or results of operations, in and of itself, (viii) any change or development in the industries in which the Company and its subsidiaries operate, (ix) the identity of Parent or its subsidiaries (*provided* that this exception shall not be applied to clause (B) above), (x) any communication by Parent or its subsidiaries regarding the plans or intentions of Parent with respect to the conduct of the business of the Surviving Corporation or its subsidiaries or (xi) any action taken by the Company, or which the Company causes to be taken by any of its subsidiaries, in each case which is expressly required or permitted by this Agreement (other than pursuant to clause (a) of *Section 5.1*) or at Parent's express written request (*provided* that this exception shall not be applied to clause (B) above); except (A) to the extent (and only to the extent) any such event, development, circumstance, change, effect, condition or occurrence described in clauses (i), (ii), (iv), (v) or (viii) is disproportionately adverse to the business, assets, liabilities, results of operations or financial condition of the Company and its subsidiaries, taken as a whole, as compared to other participants in the industries in which the Company and its subsidiaries operate and (B) that clauses (vi) and (vii) shall not prevent or otherwise affect a determination that any events, developments, circumstances, changes, effects, conditions or occurrences underlying such changes or failures constitute or contribute to a Material Adverse Effect; *provided*, *further*, that the exceptions in clause (iii) above shall not apply with respect to references to Material Adverse Effect in those portions of the representations and warranties contained in *Section 3.5(a)* (and in *Section 7.2(a)* and *Section 8.1(e)(i)* to the extent related to such portions of such representation) to the extent the purposes of such representations and warranties is to address the consequences resulting from the execution, delivery and performance of this Agreement by the Company or the consummation of the Merger and the other transactions contemplated by this Agreement;

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(d) Notwithstanding anything in this Agreement to the contrary, in each case to the extent necessary in order to obtain the requisite Consents of Governmental Entities, Parent shall, and shall cause its subsidiaries to, (A) (1) sell, lease, license, transfer, dispose of, divest or otherwise encumber, or hold separate pending any such action, or (2) proffer, propose, negotiate, offer to effect or consent, commit or agree to any sale, lease, licensing, transfer, disposal, divestiture, or other encumbrance of, or hold separate, in each case before or after the Effective Time, the assets, licenses, properties, businesses and interests of Parent, the Company and any of their respective subsidiaries and (B) take or agree to take any other action, and agree or consent to any limitations or restrictions on freedom of actions with respect to, or its ability to own, control, retain or make changes in, the assets, licenses, properties, businesses and interests of Parent, the Company and any of their respective subsidiaries or Parent's ability to vote, transfer, receive dividends or

otherwise exercise full ownership rights with respect to the stock of the Surviving Corporation (each action under clause (A) (1) or (2) or clause (B), a "*Divestiture Action*"); *provided* that (i), with respect to any sale, transfer, disposition, divestiture or hold separate of any retail stores of Parent, the Company or any of their respective subsidiaries, neither Parent nor any of its subsidiaries shall be required to (x) sell, transfer, dispose of, divest or hold separate, or (y) proffer, propose, negotiate, offer to effect or consent, commit or agree to any sale, transfer, disposal, divestiture or hold separate, in each case before or after the Effective Time, more than an aggregate of 1,000 retail stores of Parent and its subsidiaries and the Company and its subsidiaries and (ii) with respect to any Divestiture Action not described in the preceding clause (i), Parent will not be required to take such other Divestiture Action other than (a) the actions set forth on *Section 6.4(d)* of the Parent Disclosure Schedule and (b) such Divestiture Actions as would not, individually or in the aggregate, result in an impact exceeding $100 million in the aggregate (without taking into account any impact arising from or relating to any action set forth on *Section 6.4(d)* of the Parent Disclosure Schedule) as a result of (x) the divestiture of non-earnings generating assets, properties or businesses, in each case with such impact calculated as the fair market value of such assets, properties or businesses so divested or (y) the divestiture of earnings generating assets, properties or businesses, or any other adverse impact on the assets, businesses, liabilities or financial condition of Parent, the Company or their respective subsidiaries (including, with respect to Parent, the Surviving Corporation), in each case with such impact calculated by multiplying any reduction of Adjusted EBITDA on an annual basis resulting therefrom by twelve (12) (any or all of the actions set forth in clauses (a) and (b) of this proviso, a "*Required Antitrust Action*"); *provided*, *further*, that, as between Parent and the Company, Parent shall determine in its sole discretion the retail stores of Parent, the Company or any of their respective subsidiaries to be so sold, transferred, disposed of, divested, held separate or subject to any restriction or limitation; *provided*, *further*, that nothing in this *Section 6.4* or otherwise shall obligate Parent to agree to any Divestiture Action not conditioned upon the Closing or the satisfaction or (to the extent permitted by applicable Law) waiver of all of the conditions to Closing (other than those conditions that by their nature are to be satisfied at the Closing) in a case where the Closing will occur immediately following consummation of such Divestiture Action; *provided*, *further*, that in the event that a Parent Permitted Transaction has been entered into or consummated, any remedies requested or required by any Governmental Entity as a result of or that relate to such Parent Permitted Transaction that are taken by Parent shall not be considered in determining whether the Required Antitrust Action threshold has been met. Upon Parent's reasonable request, the Company shall, and shall cause its subsidiaries to, (i) reasonably assist Parent in any sales process (including through facilitation of reasonable due diligence) with potential purchasers of any of the Company's or its subsidiaries' businesses or other assets proposed by Parent to be subject to any Divestiture Action and (ii) enter into one or more agreements to be entered into by any of them prior to the Closing with respect to any Divestiture Action (each, a "*Company Divestiture Action*"); *provided*, *however*, that no such agreement with respect to a Company Divestiture Action shall become effective until the Effective Time. The Company shall not, and shall not permit any of its Representatives to, agree to any Divestiture Action without the prior written consent of Parent.

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Symbol	Name	PPS	Shs O/S	Proxy	Rev'd	2014 Net Inc	2014 EPS	G E 15	Mkt Cap	SRK Valuation	*IV / Sh*	*Return*	CoC?	FCF %	14 E Yld	15 E Yld	Div %
RAD	Rite Aid Corp	7.86	1,050,000,000	Proxy	1-Jan	1,000,000	0.00	1.10	8,253,000,000	9,450,000,000	***9.00***	***15%***	Y	0.0%	0.0%	14.0%	0.00%

Valuation = 9 cash / share from WBA.

RAD script to employees: https://www.sec.gov/Archives/edgar/data/84129/000110465915073782/a15-21848_38k.htm

It's important to keep in mind that this news is just the first step in a lengthy process. The transaction is subject to Rite Aid shareholder and regulatory approvals and other customary closing conditions. Both Rite Aid and Walgreens Boots Alliance have had extensive consultation with anti-trust counsel, and based upon the complementary nature of the market profiles of both companies, and the amount of pharmacy counters in the U.S., we do not believe the combination should cause regulatory concern. Nonetheless, under the terms of the merger agreement, Walgreens Boots Alliance can divest some stores if needed to obtain FTC approval.

We expect the transaction to close in the second half of calendar 2016. Upon completion of the merger, Rite Aid will be a wholly owned subsidiary of Walgreens Boots Alliance, and is expected to initially operate under its existing brand name. Working together, decisions will be made over time regarding the integration of the two companies.

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Merger Agreement

On October 27, 2015, Rite Aid Corporation ("Rite Aid") entered into an Agreement and Plan of Merger (the "Merger Agreement") with Walgreens Boots Alliance, Inc., a Delaware corporation ("Walgreens"), and Victoria Merger Sub, Inc., a Delaware corporation and a wholly-owned direct subsidiary of Walgreens ("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 wholly-owned direct subsidiary of Walgreens.

At the effective time of the Merger, each share of Rite Aid common stock, par value $1.00 per share, ("Rite Aid Common Stock") issued and outstanding immediately prior to the effective time (other than shares owned by (i) Walgreens, 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 Walgreens (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 (the "Per Share Merger Consideration").

Subject to the terms of the Merger Agreement, at the effective time of the Merger, each vested option to purchase Rite Aid Common Stock with a per share exercise price less than the Per Share Merger Consideration that is outstanding immediately prior to the effective time will be converted into the right to receive, without interest, an amount in cash equal to the product of (x) the total number of shares of Rite Aid Common Stock subject to such option and (y) the excess, if any, of the Per Share Merger Consideration over the per share exercise price of such option, less applicable withholding taxes. Subject to the terms of the Merger Agreement, at the effective time of the Merger, each unvested option to purchase Rite Aid Common Stock, and each vested option to purchase Rite Aid Common Stock with a per share exercise price equal to or greater than the Per Share Merger Consideration, that is outstanding immediately prior to the effective time will be converted into an option to acquire, on the same terms and conditions as were applicable immediately prior to the effective time, a number of shares of Walgreens common stock equal to the product of (x) the number of shares of Rite Aid Common Stock subject to such option and (y) a fraction, the numerator of which is the Per Share Merger Consideration and the denominator of which is the volume weighted average trading price of Walgreens common stock on the five consecutive trading days immediately preceding the closing date of the Merger (the "Conversion Ratio"), with the exercise price of such converted option equitably adjusted to be equal to the quotient of (x) the exercise price per share of Rite Aid Common Stock subject to such option and (y) the Conversion Ratio.

Subject to the terms of the Merger Agreement, at the effective time of the Merger, each Rite Aid restricted share award and Rite Aid performance unit that is outstanding immediately prior to the effective time will be cancelled and converted into a Walgreens restricted share or performance unit, as applicable, relating to the number of shares of Walgreens common stock equal to the product of (x) the number of shares of Rite Aid Common Stock relating to such restricted share award or such performance unit (in the case of performance units for which the applicable performance period has not completed, the target number of shares) and (y) the Conversion Ratio, with each such converted restricted share award and performance unit subject to the same terms and conditions as were applicable immediately prior to the effective time; provided, that with respect to each converted performance unit award, (i) following the effective time of the Merger, the performance goals or conditions will not apply with respect to a pro-rata portion of such award (with such portion based on the number of days elapsed in the performance period through the effective time of the Merger), which portion of such award will continue to be subject to service-based vesting on the same schedule as applied prior to the effective time of the Merger, and (ii) the remaining portion of the converted performance unit award will continue to be subject to performance-based vesting (based on the achievement of adjusted performance goals) and service-based vesting on the applicable vesting dates following the effective time of the Merger.

Subject to the terms of the Merger Agreement, at the effective time of the Merger, each Rite Aid restricted share unit outstanding immediately prior to the effective time will automatically be cancelled and converted into the right to receive an amount in cash equal to the product of (x) the total number of shares of Rite Aid Common Stock subject to the restricted share unit and (y) the Per Share Merger Consideration.

Consummation 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 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.

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Transaction Funding

Merger Agreement (cont'd)

SECTION 4.7 Funding. As of the date of this Agreement, Parent has delivered to the Company a true and complete copy of an executed commitment letter, including all exhibits, schedules and annexes thereto, in each case, as amended, supplemented or otherwise modified from time to time (the "Debt Commitment Letter") and a copy of an executed fee letter (which fee letter may be redacted with respect to the fee amounts and economic terms contained therein, which redacted information does not relate to the amount or conditionality of the debt financing contemplated by such Debt Commitment Letter) from UBS AG, Stamford Branch ("UBS Bank") and UBS Securities LLC ("UBS Securities" and, together with UBS Bank, "UBS"), dated as of the date hereof, pursuant to which, among other things, UBS has committed to provide debt financing to Parent in an aggregate amount set forth therein and subject to the terms and conditions set forth therein (the "Debt Financing"). Assuming the Debt Financing is funded in accordance with the conditions set forth in the Debt Commitment Letter and assuming that each of the conditions set forth in Section 7.1 and Section 7.2 of this Agreement is satisfied at Closing, as of the date hereof, the funds provided by the Debt Financing, together with any cash on hand, available lines of credit and other sources of immediately available funds will be sufficient for Parent and Merger Sub to pay (i) the aggregate Per Share Merger Consideration, (ii) all amounts owing under each Payoff Letter, (iii) all other required payments payable in connection with the transactions contemplated hereby, including the transactions contemplated by Section 6.15, and (iv) all fees and expenses associated therewith for which any of them is responsible. As of the date of this Agreement, the Debt Commitment Letter constitutes a legal, valid and binding obligation of Parent in accordance with its terms and, to its knowledge, each of the other parties thereto, enforceable against Parent and, to its knowledge, each of the other parties thereto in accordance with its terms subject to the Bankruptcy and Equity Exception. As of the date of this Agreement, the Debt Commitment Letter has not been withdrawn or terminated or amended or modified in any respect. There are no conditions precedent related to the funding of the Debt Financing, other than as set forth in the Debt Commitment Letter. There are no agreements, side letters or arrangements relating to the Debt Financing that could impair the availability of any of the Debt Financing other than as expressly set forth in or contemplated by the Debt Commitment Letter. As of the date of this Agreement and assuming that each of the conditions set forth in Section 7.1 and Section 7.2 of this Agreement are satisfied at Closing, Parent does not have any reason to believe that (i) any of the conditions to the Debt Financing will not be satisfied or (ii) except to the extent reduced prior to the Closing Date in accordance with the terms thereof, the Debt Financing will not be available to Parent on the Closing Date. Parent has fully paid (or caused to be fully paid) any and all commitment fees or other fees required by the Debt Commitment Letter to be paid on or before the date of this Agreement.

(d) Notwithstanding anything in this Agreement to the contrary, in each case to the extent necessary in order to obtain the requisite Consents of Governmental Entities, Parent shall, and shall cause its subsidiaries to, (A) (1) sell, lease, license, transfer, dispose of, divest or otherwise encumber, or hold separate pending any such action, or (2) proffer, propose, negotiate, offer to effect or consent, commit or agree to any sale, lease, licensing, transfer, disposal, divestiture, or other encumbrance of, or hold separate, in each case before or after the Effective Time, the assets, licenses, properties, businesses and interests of Parent, the Company and any of their respective subsidiaries and (B) take or agree to take any other action, and agree or consent to any limitations or restrictions on freedom of actions with respect to, or its ability to own, control, retain or make changes in, the assets, licenses, properties, businesses and interests of Parent, the Company and any of their respective subsidiaries or Parent's ability to vote, transfer, receive dividends or otherwise exercise full ownership rights with respect to the stock of the Surviving Corporation (each action under clause (A) (1) or (2) or clause (B), a "Divestiture Action"); provided that (i), with respect to any sale, transfer, disposition, divestiture or hold separate of any retail stores of Parent, the Company or any of their respective subsidiaries, neither Parent nor any of its subsidiaries shall be required to (x) sell, transfer, dispose of, divest or hold separate, or (y) proffer, propose, negotiate, offer to effect or consent, commit or agree to any sale, transfer, disposal, divestiture or hold separate, in each case before or after the Effective Time, more than an aggregate of 1,000 retail stores of Parent and its subsidiaries and the Company and its subsidiaries and (ii) with respect to any Divestiture Action not described in the preceding clause (i), Parent will not be required to take such other Divestiture Action other than (a) the actions set forth on Section 6.4(d) of the Parent Disclosure Schedule and (b) such Divestiture Actions as would not, individually or in the aggregate, result in an impact exceeding $100 million in the aggregate (without taking into account any impact arising from or relating to any action set forth on Section 6.4(d) of the Parent Disclosure Schedule) as a result of (x) the divestiture of non-earnings generating assets, properties or businesses, in each case with such impact calculated as the fair market value of such assets, properties or businesses so divested or (y) the divestiture of earnings generating assets, properties or businesses, or any other adverse impact on the assets, businesses, liabilities or financial condition of Parent, the Company or their respective subsidiaries (including, with respect to Parent, the Surviving Corporation), in each case with such impact calculated by multiplying any reduction of Adjusted EBITDA on an annual basis resulting therefrom by twelve (12) (any or all of the actions set forth in clauses (a) and (b) of this proviso, a "Required Antitrust Action"); provided, further, that, as between Parent and the Company, Parent shall determine in its sole discretion the retail stores of Parent, the Company or any of their respective subsidiaries to be so sold, transferred, disposed of, divested, held separate or subject to any restriction or limitation; provided, further, that nothing in this Section 6.4 or otherwise shall obligate Parent to agree to any Divestiture Action not conditioned upon the Closing or the satisfaction or (to the extent permitted by applicable Law) waiver of all of the conditions to Closing (other than those conditions that by their nature are to be satisfied at the Closing) in a case where the Closing will occur immediately following consummation of

Antitrust

such Divestiture Action; provided, further, that in the event that a Parent Permitted Transaction has been entered into or consummated, any remedies requested or required by any Governmental Entity as a result of or that relate to such Parent Permitted Transaction that are taken by Parent shall not be considered in determining whether the Required Antitrust Action threshold has been met. Upon Parent's reasonable request, the Company shall, and shall cause its

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CONDITIONS OF MERGER

SECTION 7.1 Conditions to Obligations of Each Party to Effect the Merger. The respective obligations of each Party to effect the Merger shall be subject to the satisfaction (or, to the extent permitted by applicable Law, waiver by the Company and Parent) at or prior to the Closing of the following conditions:

(a) Stockholder Approval. The Company shall have obtained the Company Requisite Vote;

(b) No Legal Restraints. No Law or injunction (whether temporary, preliminary or permanent) shall have been enacted, entered, promulgated or enforced by any Governmental Entity of competent jurisdiction (collectively, the "Legal Restraints") which prevents, makes illegal, prohibits, restrains or enjoins the consummation of the Merger; and

(c) Antitrust Consents. The waiting period (and any extension thereof) applicable to the consummation of the Merger under the HSR Act shall have expired or been earlier terminated.

SECTION 7.2 Conditions to Obligations of Parent and Merger Sub. The obligations of Parent and Merger Sub to effect the Merger shall be further subject to the satisfaction (or, to the extent permitted by applicable Law, waiver by Parent) at or prior to the Closing of the following conditions:

(a) Representations and Warranties. (i) The representations and warranties of the Company set forth in the first sentence of Section 3.1 (*Organization and Qualification; Subsidiaries*), Section 3.4 (*Authority*), Section 3.9(b) (*Absence of Certain Changes and Events*) and Section 3.19 (*Brokers*) shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), (ii) the representations and warranties of the Company set forth in Section 3.3(a) and the first sentence and clause (i) of the second sentence of Section 3.3(b) (*Capitalization*) shall be true and correct in all but *de minimis* respects as of the date of this Agreement and as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct in all but *de minimis* respects as of such earlier date) and (iii) the representations and warranties of the Company set forth in this Agreement (other than those identified in clauses (i) and (ii)) shall be true and correct as of the date of this Agreement and as of the Closing Date as though made on and as of such date and time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such

Note exception of clause (C)

representation and warranty shall be true and correct as of such earlier date); provided, however, that notwithstanding anything herein to the contrary, the condition set forth in this Section 7.2(a)(iii) shall be deemed to have been satisfied unless the failure of such representations and warranties of the Company to be so true and correct (without giving effect to any "Material Adverse Effect," "materiality" or similar qualifications contained therein) has had or would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect;

(b) Performance of Obligations of the Company. The Company shall have performed in all material respects each of the obligations, and complied in all material respects with each of the agreements and covenants, required to be performed by, or complied with by, it under this Agreement at or prior to the Closing, provided that the Company shall have performed in all respects the obligations, and complied in all respects with the agreements and covenants, required to be performed by, or complied with by, it under Section 5.1(c)(xiii)(A) of this Agreement at or prior to the Closing;

(c) Certificate. Parent shall have received a certificate of the Chief Executive Officer or the Chief Financial Officer of the Company, certifying that the conditions set forth in Section 7.2(a), Section 7.2(b) and Section 7.2(d) have been satisfied; and

(d) No Material Adverse Effect. Since the date of this Agreement, there shall not have occurred a Material Adverse Effect; provided that clause (C) of the definition of Material Adverse Effect shall be excluded from such definition for the purpose of determining the satisfaction of this Section 7.2(d).

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TERMINATION

SECTION 8.1 Termination. This Agreement may be terminated and the Merger may be abandoned at any time prior to the Effective Time, notwithstanding the adoption of this Agreement by the stockholders of the Company (except in the case of a termination pursuant to Section 8.1(d)(ii) which may only be invoked prior to the receipt of the Company Requisite Vote):

(a) by mutual written consent of Parent and the Company;

(b) by Parent or the Company if any court of competent jurisdiction or other Governmental Entity shall have issued a Legal Restraint which prevents, makes illegal, prohibits, restrains or enjoins the consummation of the Merger and such Legal Restraint is or shall have become final and nonappealable; provided that the right to terminate this Agreement pursuant to this Section 8.1(b) shall not be available to a Party whose breach of this Agreement was the primary cause of, or primarily resulted in, the issuance of such Legal Restraint;

(c) by either Parent or the Company if the Effective Time shall not have occurred on or before October 27, 2016 (the "End Date"); provided that the right to terminate this Agreement pursuant to this Section 8.1(c) shall not be available to a Party whose breach of this Agreement was the primary cause of, or primarily resulted in, the failure of the Effective Time to occur on or before the End Date; provided, further, that, if on the End Date all of the conditions set forth in Section 7.1, Section 7.2 and Section 7.3 have been satisfied (or, with respect to the conditions that by their terms must be satisfied at the Closing, would have been so satisfied if the Closing would have occurred) or remain capable of being satisfied but any of the conditions set forth in Section 7.1(b) and/or Section 7.1(c) has not been satisfied, then either Parent or the Company may extend the End Date to January 27, 2017 by delivery of written notice of such extension to the other party not less than three (3) Business Days prior to the End Date, in which case the End Date shall be deemed for all purposes to be such later date;

(d) by written notice of the Company:

(i) if there shall have been a breach of any (A) representation or warranty or (B) covenant or agreement on the part of Parent or Merger Sub contained in this Agreement, or any such representation or warranty shall have become inaccurate, such that the conditions set forth in Section 7.3(a) or Section 7.3(b) would not be satisfied, and such breach or inaccuracy has not been cured within thirty (30) days after

the receipt of notice thereof or such breach or inaccuracy is not reasonably capable of being cured within such period; provided that the Company shall not have the right to terminate this Agreement pursuant to this Section 8.1(d)(i) if the Company is then in material breach of any of its covenants or agreements contained in this Agreement; or

(ii) prior to, but not after, obtaining the Company Requisite Vote, in accordance with, and subject to compliance with the terms and conditions of, Section 6.1(c);

(e) by written notice of Parent if:

(i) there shall have been a breach of any (A) representation or warranty or (B) covenant or agreement on the part of the Company contained in this Agreement, or any such representation or warranty shall have become inaccurate, such that the conditions set forth in Section 7.2(a) or Section 7.2(b) would not be satisfied, and such breach or inaccuracy has not been cured within thirty (30) days after the receipt of notice thereof or such breach or inaccuracy is not reasonably capable of being cured within such period; provided that Parent shall not have the right to terminate this Agreement pursuant to this Section 8.1(e)(i) if Parent or Merger Sub is then in material breach of any of its covenants or agreements contained in this Agreement; or

(ii) the Company Board shall have made a Change of Recommendation; or

(f) by either Parent or the Company if the Company Requisite Vote shall not have been obtained at the Stockholders Meeting duly convened therefor or at any adjournment or postponement thereof, in each case, at which a vote on the adoption of this Agreement was taken.

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No financing out

SECTION 8.2 Effect of Termination.

(a) In the event of the termination of this Agreement pursuant to Section 8.1, this Agreement shall forthwith become void and there shall be no liability or obligation on the part of any Party hereto, except as provided in Section 6.6(b), Section 6.8, this Section 8.2, Section 8.3 and Article IX, which shall survive such termination; provided, however, that nothing herein shall relieve any Party hereto of any liability for damages resulting from fraud or Willful Breach prior to such termination by any Party hereto (which the Parties acknowledge and agree shall be determined by a court of competent jurisdiction in accordance with Section 9.13 applying the governing Law in accordance with Section 9.9), in which case the aggrieved Party shall be entitled to all rights and remedies available at law or equity. Notwithstanding anything contained in this Agreement to the contrary, Parent expressly acknowledges and agrees that Parent's and Merger Sub's obligations hereunder are not conditioned in any manner upon Parent or Merger Sub obtaining any financing. The failure, for any reason, of Parent or Merger Sub to consummate the Merger and the other transactions contemplated by this Agreement on the date that the Closing is required to occur pursuant to Section 1.2 hereof shall constitute a Willful Breach of this Agreement by Parent and Merger Sub. The Parties acknowledge and agree that (i) nothing in this Section 8.2 shall be deemed to affect their right to specific performance under

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Section 9.12 and (ii) no termination of this Agreement shall affect the obligations of the Parties contained in the Confidentiality Agreement and Clean Room Agreement.

(b) In the event that:

(i) this Agreement is terminated (x) by the Company pursuant to Section 8.1(d)(ii) or (y) by Parent pursuant to Section 8.1(e)(ii), then the Company shall pay $325 million (the "Company Termination Fee") to Parent (or its designee), at or prior to the time of termination and as a condition to such termination in the case of a termination by the Company or as promptly as reasonably practicable in the case of a termination pursuant by Parent (and, in any event, within two (2) Business Days following such termination), payable by wire transfer of immediately available funds to an account designated by Parent;

(ii) this Agreement is terminated by either Parent or the Company pursuant to Section 8.1(f), or by Parent pursuant to Section 8.1(e)(i) or by either Parent or the Company pursuant to Section 8.1(c) and (A) at any time after the date of this Agreement, but prior to the date of the Stockholders Meeting (in the case of Section 8.1(f)), prior to the breach giving rise to such right of termination (in the case of Section 8.1(e)(i)) or prior to such termination (in the case of Section 8.1(c)), any Person shall have publicly announced an intention (whether or not conditional) to make an Acquisition Proposal, or an Acquisition Proposal shall have otherwise become publicly known, and (B) within twelve (12) months after such termination, the Company or any of its subsidiaries shall have entered into a definitive agreement with respect to an Acquisition Proposal (regardless of whether consummated), or an Acquisition Proposal shall have been consummated involving the Company or any of its subsidiaries (whether or not involving the same Acquisition Proposal as that which was publicly announced or otherwise became publicly known prior to such termination), then, in any such event, the Company shall pay to Parent (or its designee) the Company Termination Fee, at or prior to the earlier to occur of the Company entering into a definitive agreement with respect to such Acquisition Proposal or the consummation of such Acquisition Proposal, payable by wire transfer of immediately available funds to an account designated by Parent; provided, however, that, for purposes of this Section 8.2(b)(ii), references to "twenty percent (20%)" in the definition of Acquisition Proposal shall be deemed to be references to "fifty percent (50%)";

(iii) this Agreement is terminated by either the Company or Parent pursuant to Section 8.1(f), then the Company shall promptly, but in no event later than two (2) days after being notified of such by Parent, pay to Parent (or its designee) all of the documented out-of-pocket expenses incurred by Parent or Merger Sub in connection with or related to the authorization, preparation, negotiation, execution and performance of this Agreement and the transactions contemplated by this Agreement up to a maximum amount of $45 million, payable by wire transfer of immediately available funds; provided that any amounts paid under this Section 8.2(b)(iii) shall be credited (without interest) against any Company Termination Fee if paid to Parent (or its designee) pursuant to the terms of this Agreement; or

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(iv) this Agreement is terminated by Parent or the Company pursuant to (x) Section 8.1(b) and the applicable Legal Restraint giving rise to such termination right is issued under or pursuant to any Antitrust Law or (y) Section 8.1(c), and, in either case of clause (x) or (y), on the termination date the only conditions to closing set forth in Section 7.1 or Section 7.2 that have not been satisfied (other than those conditions that by their nature are to be satisfied at the Closing which conditions would be capable of being satisfied at the Closing if the Closing Date were on the termination date) are the conditions set forth in Section 7.1(b) (but only if the applicable Legal Restraint causing such condition not to be satisfied is issued under or pursuant to any Antitrust Law) and Section 7.1(c), then Parent shall pay $325 million (the "Parent Termination Fee") to the Company (or its designee) by wire transfer of immediately available funds to the account designated by the relevant Party, at or prior to the time of termination in the case of a termination by Parent, or as promptly as reasonably practicable (and, in any event, within two (2) Business Days following such termination) in the case of a termination by the Company; provided, however, that the amount of the Parent Termination Fee shall be increased to $650 million if, following a date that is the seven (7) month anniversary of the date of this Agreement but prior to the date that is the twelve (12) month anniversary of the date of this Agreement, a Parent Permitted Transaction has been consummated or entered into or Parent has announced any plans to enter into any specific Parent Permitted Transaction. The Parties agree that, solely for purposes of this Section 8.2(b)(iv), Parent shall not be deemed to have announced any plans to enter into any specific Parent Permitted Transaction solely as a result of, following the seven (7) month anniversary of the date of this Agreement, having engaged or otherwise participated in any negotiations or discussions concerning such a transaction or having made any public acknowledgments with respect to such negotiations or discussions. Notwithstanding anything to the contrary herein, the Parties agree that, for purposes of this Agreement, Parent shall be deemed to have announced plans to enter into any specific Parent Permitted Transaction as a result of having made publicly available a "bear hug" letter, or a tender or exchange, take-over bid or other public offer to acquire all or a controlling interest with respect to a Parent Permitted Transaction.

(c) The Parties acknowledge and hereby agree that in no event shall the Company be required to pay the Company Termination Fee or Parent be required to pay the Parent Termination Fee on more than one occasion.

(d) Each of the Company, Parent and Merger Sub acknowledges that the agreements contained in this Section 8.2 are an integral part of the transactions contemplated by this Agreement and that, without these agreements, the Parties would not enter into this Agreement. Accordingly, if a Party fails to promptly pay any amount due pursuant to this Section 8.2, and the other Party commences a Proceeding that results in a judgment against the failing Party for the amount set forth in this Section 8.2 or a portion thereof, the failing Party shall pay to the other Party all fees, costs and expenses of enforcement (including attorney's fees as well as expenses incurred in connection with any such action), together with interest on such amount or such portion thereof at the prime lending rate as published in the *Wall Street Journal*, in effect on the date such payment is required to be made.

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(cc) "Material Adverse Effect" means any event, development, circumstance, change, effect, condition, or occurrence that, individually or in the aggregate, with all other events, developments, circumstances, changes, effects, conditions or occurrences, (A) has, or

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would reasonably be expected to have, a material adverse effect on or with respect to the business, assets, liabilities, results of operations or financial condition of the Company and its subsidiaries, taken as a whole, (B) without limiting clause (A), results in, at Closing, a last twelve (12)-month Adjusted EBITDA of less than $1,075,000,000 determined as of the end of the last fiscal month ended prior to Closing for which internal financial statements of the Company are available, which financial statements shall be available no later than fifteen (15) days following the end of each fiscal month (it being understood that such monthly financial statements are not full financial statements and do not contain all required footnotes and other disclosures and are prepared in the Company's ordinary course of business) or (C) prevents, materially delays or materially impairs the ability of the Company to consummate the Merger and the other transactions contemplated by this Agreement; provided, however, in the case of clause (A) or (B), any event, development, circumstance, change, effect, condition or occurrence to the extent arising out of or resulting from any of the following after the date hereof shall not be deemed, either alone or in combination, to constitute or be taken into account in determining whether there has been, a Material Adverse Effect: (i) any change or development generally affecting the economy or the financial, debt, capital, credit or securities markets in the United States or elsewhere in the world, including as a result of changes or developments in prevailing interest or exchange rates or the disruption of any securities markets, (ii) national or international political or social conditions, (iii) the execution and delivery of this Agreement or the public announcement or pendency of the Merger or other transactions contemplated hereby, including any Parent Permitted Transaction, including the impact thereof on relationships, contractual or otherwise, with customers, suppliers, distributors, or employees of the Company or its subsidiaries (provided that this exception shall not be applied to clause (B) above), (iv) any change in any applicable Laws or applicable accounting regulations or principles, including GAAP, or interpretations thereof, (v) any hurricane, tornado, earthquake, flood, tsunami or other natural disaster or outbreak or escalation of hostilities or war (whether or not declared), military actions or any act of sabotage, terrorism or other international or national emergency, or other force majeure event or natural disaster or act of God or other comparable events, (vi) any change in the price or trading volume of Company Common Stock or the credit rating of the Company, in and of itself, (vii) any failure by the Company to meet (x) any published analyst estimates, expectations, projections or forecasts of the Company's revenue, earnings, cash flow, cash positions or other financial performance or results of operations for any period or (y) its internal or published projections, budgets, plans, forecasts, guidance, estimates, milestones of its revenues, earnings or other financial performance or results of operations, in and of itself, (viii) any change or development in the industries in which the Company and its subsidiaries operate, (ix) the identity of Parent or its subsidiaries (provided that this exception shall not be applied to clause (B) above), (x) any communication by Parent or its subsidiaries regarding the plans or intentions of Parent with respect to the conduct of the business of the Surviving Corporation or its subsidiaries or (xi) any action taken by the Company, or which the Company causes to be taken by any of its subsidiaries, in each case which is expressly required or permitted by this Agreement (other than pursuant to clause (a) of Section 5.1) or at Parent's express written request (provided that this exception shall not be applied to clause (B) above); except (A) to the extent (and only to the extent) any such event, development, circumstance, change, effect, condition or occurrence described in clauses (i), (ii), (iv), (v) or (viii) is disproportionately adverse to the business, assets, liabilities, results of operations or financial condition of the Company and its subsidiaries, taken as a whole, as compared to other participants in the

industries in which the Company and its subsidiaries operate and (B) that clauses (vi) and (vii) shall not prevent or otherwise affect a determination that any events, developments, circumstances, changes, effects, conditions or occurrences underlying such changes or failures constitute or contribute to a Material Adverse Effect; provided, further, that the exceptions in clause (iii) above shall not apply with respect to references to Material Adverse Effect in those portions of the representations and warranties contained in Section 3.5(a) (and in Section 7.2(a) and Section 8.1(e)(i) to the extent related to such portions of such representation) to the extent the purposes of such representations and warranties is to address the consequences resulting from the execution, delivery and performance of this Agreement by the Company or the consummation of the Merger and the other transactions contemplated by this Agreement;

(b) "Adjusted EBITDA" means consolidated net income of the Company and its subsidiaries (determined in accordance with GAAP), excluding the impact of (i) income tax expense or benefit (and any corresponding adjustment to tax indemnification assets), (ii) interest income or expense, including non-cash interest expense, (iii) severance and retention costs permitted by this Agreement, (iv) depreciation and amortization expense, (v) last-in, first-out inventory adjustments, (vi) charges or credits for facility closings and impairment, (vii) inventory write downs for store closings, (viii) payroll and occupancy expense for stores that are in liquidation, (ix) charges for debt retirements and modifications, (x) stock based compensation expenses, (xi) gains and losses associated with sales and write offs of fixed assets and investments, (xii) revenue deferrals related to the Company's customer loyalty programs, (xiii) all transaction related expenses (fees, charges and expenses) related to acquisitions previously completed or contemplated or undertaken in the future in accordance with this Agreement, in each case, whether or not successful (including, without limitation, the Envision Acquisition and the Merger), (xiv) integration costs related to the Envision Acquisition and the Merger, (xv) judgments, settlements, and related costs related to Transaction Litigation and litigation scheduled in Section 3.6 or Section 3.10 of the Company Disclosure Schedule or disclosed in the SEC Reports prior to the date of this Agreement, (xvi) goodwill or long lived asset impairment charges and (xvii) other extraordinary, unusual or non-recurring gains or losses, charges or expenses (it being understood that an impact described in clauses (i) through (xvii) shall be excluded only once notwithstanding that the impact is of a type that falls within more than one of the categories specified in such clauses). Adjusted EBITDA for the Company's Pharmacy Services segment (as such term is referenced in the SEC Reports), to the extent the Closing Date is before June 23, 2016, shall be calculated on a pro forma basis by annualizing the actual average weekly Adjusted EBITDA for the Pharmacy Services segment from June 23, 2015 through the date of determination, adjusted to reflect pro-forma results for a full fifty-two (52) week period during the applicable period of determination;

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SECTION 9.9 Governing Law. This Agreement, and any Proceeding in any way arising out of or relating to this Agreement, the negotiation, execution or performance of this Agreement, the transactions contemplated hereby or thereby or the legal relationship of the Parties hereto or thereto (whether at law or in equity, and whether in contract or in tort or otherwise), shall be governed by, and construed in accordance with, the laws of the State of Delaware (without giving effect to choice of law principles thereof).

SECTION 9.10 Headings. The descriptive headings contained in this Agreement and the table of contents hereof are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 9.11 Counterparts. This Agreement may be executed and delivered (including by facsimile transmission, email in "portable documentation format" (".pdf") form, or other electronic transmission) in one or more counterparts, and by the different Parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

SECTION 9.12 Specific Performance. The Parties agree that irreparable damage for which monetary damages, even if available, may not be an adequate remedy, would occur in the event that the Parties do not perform the provisions of this Agreement (including failing to take such actions as are required of it hereunder in order to consummate this Agreement) in accordance with its specified terms or otherwise breach such provisions. The Parties acknowledge and agree that the Parties shall be entitled to an injunction, specific performance and other equitable relief to prevent breaches or threatened breaches of this Agreement and to enforce specifically the terms and provisions hereof, this being in addition to any other remedy to which they are entitled at law or in equity. Each of the Parties agrees that prior to the valid termination of this Agreement in accordance with Article VIII, it will not oppose the granting of an injunction, specific performance and other equitable relief as provided herein on the basis that (x) either Party has an adequate remedy at law or (y) an award of specific performance is not an appropriate remedy for any reason at law or equity. Any Party seeking an injunction or

injunctions to prevent breaches or threatened breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement shall not be required to provide, furnish or post any bond or other security in connection with any such order or injunction and each Party hereby irrevocably waives any right it may have to require the provision, furnishing or posting of any such bond or other security.