

STATE OF MICHIGAN
CIRCUIT COURT FOR THE 30TH JUDICIAL CIRCUIT
INGHAM COUNTY

IN THE MATTER OF:

File No. 04-144-CZ

RITE-AID CORPORATION

Hon. Paula J.M. Manderfield

ASSURANCE OF DISCONTINUANCE

MICHAEL A. COX
Attorney General

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Dated: September 21, 2004

In the matter of RITE AID CORPORATION

ASSURANCE OF VOLUNTARY COMPLIANCE

This Assurance of Voluntary Compliance ("Assurance") is entered into between the Attorneys General of the States of Arizona, California, Connecticut, Georgia, Idaho, Kentucky, Louisiana, Maine, Maryland, Michigan, Mississippi, New Jersey, New York, Ohio, Oregon, Pennsylvania, Tennessee, Utah, Vermont, and Washington, and the District of Columbia, and Rite Aid Corporation, a corporation incorporated under the laws of Delaware (hereafter referred to as "Rite Aid" or the "Company").

WHEREAS, the undersigned Attorneys General allege that:

- more than 80% of regular adult smokers began smoking as children; and
- every day in the United States more than 2000 children begin smoking cigarettes, and one third of those children will one day die from a tobacco-related disease; and
- it has been shown that the younger a person begins smoking, the more likely it is that he or she will be unable to quit in later life and will suffer a disease attributable to tobacco use; and
- recent studies indicate that youth demonstrate signs of addiction after smoking only a few cigarettes; and
- the federal Food & Drug Administration ("FDA") data indicates that, as an average among U.S. retailers, one in every four attempts by a person 15 to 17 years old to purchase cigarettes over the counter results in a sale; and
- an estimated 690 million packs of cigarettes are sold illegally to children each year nationwide; and
- more than 400,000 Americans die each year from diseases caused by tobacco use; and

WHEREAS, the Company is a retailer of tobacco products, among other things; and

WHEREAS, an analysis performed by the Attorneys General of compliance check data collected by the FDA and by state authorities under the Synar Amendment, section 1926(b)(2) of the Public Health Service Act, 42 U.S.C. § 300x-26(b)(2) (1992), indicates that retail outlets owned or operated by the Company made tobacco sales to persons under the age of 18 in controlled compliance checks; and

WHEREAS, the Attorneys General claim that such sales, and/or the corporate policies and practices that result in such sales, violate the Consumer Protection statutes¹ and/or other laws of their respective States; and

WHEREAS, the Company does not admit liability for any of the acts or practices described or referred to herein; and

WHEREAS, the Company reaffirms its continuing commitment to responsible marketing of this age-restricted product and to the health and welfare of our nation's youth, and is committed to employing and enhancing tobacco retailing practices that are designed to prevent the sale of tobacco products to minors;

NOW, THEREFORE, the Attorneys General and the Company as part of their efforts to address the nationwide problem of the sale of tobacco products to minors agree as follows:

L. DEFINITIONS

(A) The term "Attorney General" refers to an Attorney General who is a party to this Assurance, and the term "Attorneys General" refers collectively to all such parties.²

(B) The term "business day" means a day which is not a Saturday or Sunday or legal holiday on which banks are authorized or required to close in New York, New York.

(C) The term "Compliance Officer" refers to the person appointed by the Company pursuant to paragraph V.A.1.

(D) The term "electronic age verification devices and systems" means cash registers or computerized point of sale ("POS") systems that assist a clerk in verifying the age of the customer.

¹ A.R.S. § 44-1521 *et seq.* (AZ); Cal. Bus. & Prof. Code § 17200 *et seq.* (CA); Conn. Gen. Stat. § 42-110a *et seq.* (2003) (CT); Consumer Protection Procedures Act, D.C. Official Code §28-3901, *et seq.* (DC); O.C.G.A. 10-1-390 *et seq.* of the Fair Business Practices Act (GA); Idaho Code Section 48-601 *et seq.* (ID); KRS 367.110-367.300 (KY); La. Rev. Stat. Ann. §51:1501 (West) (LA); Me. Rev. Stat. Ann. 5 M.R.S.A. §§ 205-A *et seq.* (ME); Maryland Annotated Code, Commercial Law Article, §§13-101 *et seq.* (MD); Michigan Consumer Protection Act, MCL 445.901 *et seq.* (MI); Miss. Code Ann. §75-24-1 (MS); N.J.S.A. 56:8-1 *et seq.* (NJ); New York Executive Law §63(12) and General Business Law Article 22-A (NY); R.C. 1345.01 *et seq.* (OH); ORS 646.605, *et seq.* (OR); Unfair Trade Practices and Consumer Protection Law, 73 P.S. §201-1 *et seq.* (PA); Tenn. Code Ann. §47-18-101 *et seq.* (TN); Utah Code Ann. §§13-5-1 through 13-5-18 & 13-11-1 through 13-11-23 (UT); Vermont Consumer Fraud Act, 9 V.S.A. §2451 *et seq.* (VT); Wash. Rev. Code Ann. § 19.86.020 (WA).

² Of the States listed, Georgia is not represented by its Attorney General, but by the Administrator of the Fair Business Practices Act. The term "Attorney General" as used herein, as it pertains to Georgia, refers to the Administrator of the Fair Business Practices Act.

(E) The term "Independent Entity" means an entity that is not owned by or affiliated with the Company and which conducts the external compliance checks described in Part IV.A.

(F) The term "minor" means a person under the legal age for purchasing tobacco products.

(G) The term "person experienced in providing youth access training" means someone who has a thorough understanding and working knowledge of the information and possesses the skills necessary to train others.

(H) The term "smoking paraphernalia" means pipes, cigarette rolling papers, and cigarette rolling machines.

(I) The term "States" refers to the States, Commonwealths and the District of Columbia whose Attorneys General are parties to this Assurance.

(J) The term "third party sale" means an adult purchasing tobacco products or smoking paraphernalia in order to furnish it to a minor.

(K) The term "tobacco product" is intended to include cigarettes of all kinds (including bidis), cigars, loose tobacco, chewing tobacco, snuff, and any other form of tobacco.

(L) The term "vending machine" means a mechanical or electrical device from which one or more tobacco products are dispensed in exchange for consideration.

(M) The term "youth access" is used herein as a shorthand reference to age restrictions on tobacco products only.

II. PERSONNEL PRACTICES RELATING TO THE SALE OF TOBACCO PRODUCTS TO MINORS

The Company agrees to commence implementation of the following personnel practices relating to the sale of tobacco products in accordance with Part VI.B.:

A. Hiring

1. Upon hiring, the Company shall inform new employees for positions that involve selling tobacco or supervising anyone who sells tobacco of the importance of compliance with laws relating to youth access. The information the Company provides shall include references to company policies, legal consequences, and health concerns associated with youth access.

2. The Company shall attempt to minimize the use of persons under the legal age for purchasing tobacco in positions that may involve the sale of tobacco products.

3. The Company shall ask all applicants for positions that involve the selling of tobacco or supervising anyone who sells tobacco about past violations of prohibitions on

selling or supplying tobacco to minors by that person or anyone under that person's supervision. The Company shall give any such violations consideration in the hiring decision.

B. Training

1. Before assuming any job duties that involve or may involve the sale of tobacco, an employee shall have received the following training in the laws and company policies relating to tobacco and shall be required to provide an acknowledgment in writing or electronically that he/she has read and understands the information.

2. Such training shall be performed by a person experienced in providing youth access training, and shall include, at a minimum, the following components:

(a) A review of applicable federal, state, and local laws relating to youth access;

(b) A review of all Company policies relating to youth access;

(c) An explanation of the health-related reasons that the law and Company policy deem youth access an important matter, which shall include the following topics:

(i) the age of most beginning users (approximately 80% of adult smokers started smoking before the age of 18);

(ii) the fact that nicotine is addictive, and that young people may show signs of addiction after smoking only a few cigarettes or using smokeless tobacco products for only a short time;

(iii) the fact that the younger a person becomes a regular tobacco user the more likely it is that he or she will become addicted for life and that he or she will suffer serious health damage; and

(iv) the fact that more than 400,000 Americans die each year from tobacco-related diseases;

(d) A review of the Company's disciplinary policies for failure to comply with the Company's policies relating to youth access;

(e) A review of the range of tobacco products, and, where applicable, smoking paraphernalia, to which Company policies and/or youth access laws apply;

(f) A review of identification procedures including:

(i) the age that triggers the I.D. requirement (see paragraph III.E.2.);

(ii) acceptable forms of I.D. (as listed in paragraph III.E.7.);

(iii) features of an I.D. that must be checked, with particular emphasis on the government-issued forms of identification most commonly possessed by adults in the market area;

(iv) how to tell if an I.D. may have been altered or is being misused; and

(v) what to do if an I.D. appears altered or misused;

(g) An explanation of the fact that many illegal sales are made to minors who produce I.D.'s showing that they are in fact under the legal age, and the importance of devoting the time and effort needed to perform the necessary calculation to establish that a customer is of legal age;

(h) A review of prescribed methods, practical techniques, and stock phrases (where appropriate) for handling the following recurring situations:

- (i) asking for I.D.;
- (ii) making the necessary age calculation;
- (iii) declining to make a sale based on concerns relating to whether the I.D. has been altered or is being misused;
- (iv) declining to make a sale for failure to have an I.D.;
- (v) recognizing a potential "third party" sale;
- (vi) declining to make a sale that appears to be a "third party" sale;
- (vii) declining to make a sale of smoking paraphernalia;
- (viii) resisting customer pressure and handling a customer's abusive conduct; and
- (ix) contacting the police when appropriate to do so;

(i) Instruction that an employee is not required to make a tobacco sale, and must decline to do so, if the circumstances reasonably suggest that doing so would violate the laws or Company policies regarding youth access; and

(j) Instruction on the proper use of electronic age verification devices and any other systems employed by the Company in connection with age screening for the purchase of tobacco products.

3. In the case of an employee who is 19 years old or younger, training shall also emphasize the special challenges associated with declining to sell tobacco to underage persons who are friends, acquaintances, and/or peer group members, and on techniques and methods for meeting such challenges.

4. The Company shall use a written test (which may be in electronic form) to establish that its employees have fully acquired the knowledge required to perform in accordance

with the laws and Company policies relating to youth access. Employees with responsibilities relating to tobacco shall be required to pass this test upon completion of initial training and supplemental training pursuant to paragraph II.B.5. Thereafter the Company shall obtain an acknowledgement in writing or electronically every six (6) months from employees with responsibilities relating to the sale of tobacco that he/she has read and understands the laws and Company policies relating to youth access. The Company shall retain for three (3) years the written or electronic tests and acknowledgements completed by each employee.

5. The Company shall provide supplemental training to any employee who it desires to retain that:

(a) allegedly sells tobacco products to a minor or manages an employee who allegedly sells tobacco products to a minor, after the Effective Date of this Assurance, and the Company receives notice from a governmental agency of the alleged violation;

(b) fails to pass an external compliance check as set forth in Part IV.A.; or

(c) fails to pass the test described in paragraph II.B.4.

6. The Company shall provide all employees who sell tobacco or manage those who sell tobacco additional training periodically to ensure that they maintain the requisite knowledge, skill, and motivation.

C. Supervision

1. On-site supervisors shall be instructed to monitor staff compliance with youth access laws and policies on an on-going basis.

2. The Company shall minimize the use of persons under the age of 18 as supervisors of employees involved in the sale of tobacco products.

III. TOBACCO RETAILING POLICIES AND PRACTICES

A. Vending Machines

The Company shall not use vending machines to sell tobacco products.

B. Restricted Sales Area

1. The Company shall display tobacco products for sale in only one area of the store, except for those tobacco products that are displayed in the manner required by paragraph III.B.2.

2. Cigarettes, chewing tobacco, and snuff shall be displayed and stored in a manner that requires an employee's assistance in retrieving a product from a restricted access location and does not permit a customer to take possession of the product until the sale is completed.

C. Age Limitation on Sale of Smoking Paraphernalia

The Company shall have a policy requiring that no one under the legal age for purchasing tobacco products is permitted to purchase smoking paraphernalia.

D. Cooperation in Enforcement of Youth Access Laws

The Company shall have a policy requiring that store personnel make every reasonable effort to cooperate in the enforcement of applicable youth access laws.

E. Age Verification

1. The Company shall not sell tobacco products or smoking paraphernalia to minors.
2. The Company shall require its employees to obtain identification before sales are made from persons seeking to purchase tobacco products or smoking paraphernalia who appear to be under the age of 27 (or such higher age as the Company determines appropriate) in accordance with paragraph III.E.7.
3. The Company agrees to implement, in accordance with Part VI.B., an electronic age verification device and system by completing the programming of its cash registers to:
 - (a) lock when a tobacco product is scanned;
 - (b) prompt the employee to I.D. the customer;
 - (c) require the clerk to enter the birth date shown on the I.D. for customers seeking to purchase tobacco products who appear to be under the age of 27 (or such higher age as the Company determines appropriate), or, if it cannot be programmed in that manner, display the date on or after which the customer must have been born in order to make a legal tobacco purchase; and
 - (d) indicate whether the tobacco sale may proceed.
4. The Company shall use the cash register prompts provided for in paragraph III.E.3., so that each person with responsibility for selling tobacco is reminded prior to a sale of tobacco products of the importance of performing proper I.D. checks for tobacco purchases.
5. To the extent that the Company uses electronic age verification devices or systems that have the capacity to store data that would assist in evaluating whether the systems are being properly used by employees responsible for the sale of tobacco products, when appropriate it shall review such data periodically and provide remedial training and support, as necessary, for those employees who appear to need it.
6. Nothing in this assurance authorizes or sanctions the retention of personally identifiable information for marketing or other purposes.

7. Unless otherwise required by law, the Company shall have a policy that only the following forms of photo-I.D. are acceptable for purposes of establishing legal age to purchase tobacco: (a) Driver's License; (b) State-Issued Identification Card; (c) U.S. Passport; (d) Military Identification Card; and (e) U.S. Immigration Card. The I.D. must be current and valid.

F. Sale of Look-Alike Products

The Company shall not offer for sale candy, chewing gum, or like items designed to look like cigarettes.

G. Advertising

1. The Company shall limit tobacco signage to brand names, logos, and prices.
2. The Company shall ensure that all tobacco advertising signage inside the store is confined to the area where tobacco products are sold.

H. Placement of Minimum Age Signs

1. In addition to meeting whatever signage and posting requirements or restrictions may be embodied in local, state, or federal law, the Company shall post signs stating that the Company will not sell tobacco products to persons under the minimum age for sale in the State where the store is located and that persons who appear to be under the minimum age will be asked for identification before a sale is made.

2. The signs shall be placed at the following locations:

- (a) on the front entrance window or front door by which a customer may enter the establishment (facing out),
- (b) at each cash register at which tobacco products are displayed, and
- (c) at each tobacco product display.

3. No later than 270 days after the Effective Date, signs placed in locations pursuant to paragraph III.H.2.(b) shall state that the Company will not sell tobacco products to persons under the minimum age for sale in the State where the store is located and that persons who appear to be under the age of 27 will be asked for identification before a sale is made.

I. Free Samples

The Company shall not permit the distribution of free samples of tobacco products anywhere on store premises, including walkways and any parking area.

IV. MONITORING

A. External compliance checks

1. The Company shall implement and maintain a program of external compliance checks in the States whose Attorneys General are parties to this Assurance designed to assist Rite Aid in determining whether individual stores and their employees are in compliance with youth access laws and policies.

2. Compliance checks shall be unannounced. Procedures shall be adopted that ensure that employees whose compliance is being checked (both clerks and supervisors responsible for the performance of the clerks) have no reason to know that a given attempt to purchase tobacco is actually a compliance check.

3. The compliance check will determine whether the employee selling the tobacco product asked the purchaser to produce identification, whether the purchaser provided an acceptable form of identification (see paragraph III.E.7.), whether the employee checked the identification to verify whether the purchaser is of legal age, and, in the case of an attempted purchase by a minor or by a person who is not a minor and does not produce proper identification, whether the sale was consummated. A passed compliance check is one where the employee completes these tasks and, where appropriate, declines to make the sale.

4. The Company will implement a program to recognize associates who pass external compliance checks, however, there shall be no obligation to provide rewards that have any monetary value.

5. The Company shall arrange for an Independent Entity reasonably acceptable to the Attorneys General to perform compliance checks at 684 or more of its stores that sell tobacco products each year. External compliance checks shall comply with the Protocol attached hereto as Exhibit A.

6. The Company will divide its stores into three geographic sections. For each six (6) month program, the Independent Entity will randomly select one hundred fourteen (114) stores from each of the three sections where external compliance checks will be conducted, provided that all of the stores shall be located in the States whose Attorneys General are parties to this Assurance. No store selected to be checked will be identified to the Company, directly or indirectly, until after the check of that store is completed.

7. External checks shall be conducted in a series of consecutive six (6) month programs, with each subsequent program beginning on the day after the previous program ends.

8. An external compliance check shall consist of an attempt to purchase tobacco by a person chosen by the Independent Entity who

(a) is not employed by the Company,

(b) is unknown to the staff of the selected store, and

(c) is a person of legal age who is less than 27 years of age.

9. The Company shall instruct the Independent Entity to perform the compliance checks for the purpose of obtaining an accurate and reliable indication of actual employee practices in connection with tobacco sales and not for the purpose of ensuring favorable results. When evaluating the performance of the Independent Entity, the Company shall apply the aforesaid criteria.

10. In the event that a store fails a compliance check or has received notice from a governmental agency of an alleged violation of law concerning the sale of tobacco products to minors that occurred after the Effective Date of this Assurance, the Independent Entity shall conduct a second check ("re-check") of the store within sixty (60) days.

11. The Independent Entity shall report promptly the results of the external compliance check to the Compliance Officer, who shall make these results available to the store manager.

12. In the event the Company attains an external compliance check performance measure of 90% or higher for any six-month period, the Company may reduce the number of random external checks conducted in the subsequent six-month period by 25%. In the event that the Company attains a 90% rate on external compliance checks for any two consecutive six-month periods, the Company may eliminate the requirement to conduct external checks. Otherwise, the requirement for external compliance checks shall terminate six years from the Effective Date.

B. Forbearance from Institution of Legal Proceedings

The Attorneys General agree not to institute legal proceedings based on any tobacco sales that are made during external compliance checks conducted pursuant to this Assurance.

V. REPORTS

A. Compliance Officer

1. The Company shall designate a Compliance Officer, who shall be a corporate senior-level employee responsible for ensuring compliance with the terms of this Assurance and for taking the steps necessary to improve the Company's compliance with youth access laws.

2. Each store manager shall be instructed to report all violations of federal, state, and local laws concerning the sale of tobacco products to minors occurring at the store to the Company's corporate offices within ten (10) days of receipt of notice of the alleged violation. The Compliance Officer shall maintain a record of all reported alleged violations and their dispositions for three (3) years.

3. Upon request of an Attorney General, the Compliance Officer shall cooperate in providing access to information relating to this Assurance, including but not limited to store-specific data on compliance with youth access laws; provided, however, that this Assurance does not require the Company to provide access to information in its possession that is protected from

disclosure by the attorney-client privilege or the attorney work product doctrine or other privileges and/or confidentiality protections under the laws of the States.

B. Reports by the Independent Entity

1. The Company shall require by contract that the Independent Entity report the results of its compliance checks to a person designated by the participating Attorneys General to receive such reports.

2. The Independent Entity shall send reports to the designated representative of the participating Attorneys General at the same time they are sent to the Company.

VI. MISCELLANEOUS PROVISIONS

A. Written Policies

1. Company policies relating to tobacco shall be in writing or electronic form, and they shall embody the standards and practices set forth in this Assurance. The Company shall provide a copy of those policies to each employee who sells tobacco within one hundred twenty (120) days of the Effective Date or upon hiring if that occurs thereafter.

2. Company training policies intended to prevent underage tobacco sales shall be no less stringent or comprehensive than policies intended to prevent underage alcohol sales. This includes the areas of employee training and discipline. It is understood that differences in law may require differences in policy.

3. Within 120 days of the Effective Date, the Company shall provide to a person designated by the Attorneys General a copy of the policies it adopts in order to comply with this Assurance. Thereafter it shall provide copies of any material changes or modifications to such policies to a person designated by the Attorneys General within thirty (30) days of such change or modification.

B. Implementation

1. Except as otherwise indicated, the Company agrees to adopt and implement the practices set forth in this Assurance within 60 days of the Effective Date, except that the compliance checks conducted pursuant to Part IV.A. and the training conducted pursuant to Part II.B. shall commence within 120 days of the Effective Date.

2. Current employees in positions subject to the training provisions of Part II.B. shall receive such training within 150 days of the Effective Date.

C. Payment

The Company agrees to pay, within thirty (30) days of the Effective Date, the sum of \$250,000.00, made payable to such accounts and addresses as the Attorneys General may direct. Such sum is to be divided by the States as they may agree and is to be used by the individual States for attorneys fees or costs of investigation, or it shall be placed in or applied to consumer

education, public protection, or local consumer aid funds, including for implementation of programs designed to decrease possession and use of tobacco by minors, or for any other purpose authorized by state law at the sole discretion of each State's Attorney General or as otherwise required by law.

D. Applicability

This Assurance shall be binding on the Company, its subsidiaries, successors, and assigns and shall apply in the States that are signatories hereto.

E. Modifications

1. The parties reserve the right to discuss the viability of any or all of these provisions as they are implemented, having due regard for changes in laws and regulations, as well as changes in equipment, technology, or methodology of retail sales over time. In particular, to the extent that unlawful underage sales continue to occur in spite of the Company's compliance with the provisions of this Assurance, the States expressly reserve any and all enforcement options available for addressing such non-compliance, including without limitation the right to renew discussions with the Company for the purpose of establishing additional and/or different practices, policies, or procedures designed to eliminate or further reduce underage tobacco sales.

2. Any modifications to this Assurance shall be by written agreement of the affected parties.

F. Scope of Agreement

1. This Assurance hereby releases and resolves any and all claims of the Attorneys General as may arise from Consumer Protection jurisdiction (pursuant to the statutes set forth in footnote 1) over the Company's acts and practices relating to tobacco sales to minors occurring prior to the Effective Date. Nothing herein shall release any other claims of any state agencies or local jurisdictions in connection with a past or future underage sale of tobacco at a particular retail location, including fines, administrative penalties, permit suspensions, or any other remedy, sanction, or penalty that may be available to state or local authorities under applicable law.

2. Prior to seeking enforcement of this Assurance, a signatory Attorney General shall contact the Compliance Officer and provide written notification of the alleged violations and shall provide the Company reasonable opportunity to attempt to resolve the State's concerns. If a mutually agreeable resolution is not reached, the Attorneys General agree to provide the Company thirty (30) days advance written notice prior to instituting any proceedings under the States' Consumer Protection jurisdiction alleging a violation of this Assurance. The Attorneys General agree not to file an action alleging a violation of this Assurance based on isolated, inadvertent errors in complying with this Assurance.

G. Counterparts

This Assurance may be executed in counterparts.

H. Conflict with Applicable Laws

No provision of this Assurance is intended or shall be interpreted to authorize conduct in violation of applicable local, state, or federal law, which law supersedes any and all terms of this Assurance in conflict with such law.

I. Effective Date

This Assurance shall take effect on September 8, 2004, by which date the signature of Rite Aid and all of the Attorneys General of the States identified below shall have been affixed.

RITE AID CORPORATION
Robert B. Sari
Senior Vice President & General Counsel

BILL LOCKYER
Attorney General
State of California

GERALD J. PAPPERT
Attorney General
Commonwealth of Pennsylvania

TERRY GODDARD
Attorney General
State of Arizona

RICHARD BLUMENTHAL
Attorney General
State of Connecticut

ROBERT J. SPAGNOLETTI
Attorney General
District of Columbia

JOSEPH P. DOYLE
Administrator, Fair Business Practices Act,
State of Georgia

LAWRENCE WASDEN
Attorney General
State of Idaho

GREGORY D. STUMBO
Attorney General
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CHARLES C. FOTI, JR.
Attorney General
State of Louisiana

G. STEVEN ROWE
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PETER C. HARVEY
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ELIOT SPITZER
Attorney General
State of New York

JIM PETRO
Attorney General
State of Ohio

HARDY MYERS
Attorney General
State of Oregon

PAUL G. SUMMERS
Attorney General and Reporter
State of Tennessee

MARK L. SHURTLEFF
Attorney General
State of Utah

WILLIAM H. SORRELL
Attorney General
State of Vermont

CHRISTINE O. GREGOIRE
Attorney General
State of Washington

[signature pages to follow Exhibit A]

Exhibit A – Protocol for Compliance Checks

Part IV.A. of the Assurance of Voluntary Compliance (the "Assurance") requires that Rite Aid arrange for an independent entity reasonably acceptable to the Attorneys General to perform compliance checks consistent with this Protocol at 684 or more of its stores that sell tobacco products each year.

1. General Principles Underlying Protocol

a. Compliance checks conducted pursuant to this Protocol shall be carried out in a manner that is designed to provide a reliable and realistic assessment of how Rite Aid employees perform when presented, in the usual course of business, with typical young persons attempting to purchase cigarettes.

b. Each compliance check is to be conducted in a manner that is designed not to reveal to Rite Aid employees and managers in the store being checked that the attempted purchase of cigarettes is pursuant to a compliance check or that compliance checks may be simultaneously occurring at Rite Aid stores in the vicinity.

c. Persons who attempt to purchase cigarettes during compliance checks ("checkers") are to be trained by the independent entity to ensure that each checker is able to perform compliance checks in a competent and confident manner. Such training shall include role-playing. The independent entity shall develop written training protocols for checkers and for those who supervise checkers, and shall make those protocols available to Rite Aid and the Attorneys General upon request.

d. Compliance checks shall be conducted in accordance with applicable federal, state, and local laws and regulations.

e. Unless otherwise defined in this Protocol, all terms used herein shall have the meanings given to them in the Assurance.

2. General Characteristics of Persons Employed as Checkers

a. The independent entity shall verify that the age of each checker, when he or she conducts compliance checks, complies with paragraph IV.A.8. of the Assurance.

b. Each checker shall not appear to be older or younger than the average person of his or her age, shall dress in a manner appropriate to his or her age group and social group, and shall not alter his or her appearance with the intent of appearing older or younger.

c. At least 40%, but not more than 60%, of compliance checks nationwide shall be conducted by a checker who is female. Persons used as checkers may include otherwise suitable persons who have previously used or currently use cigarettes, but a checker may not be used to perform a check at any store at which the checker purchased cigarettes in the past.

3. Instructions to Checkers and Conduct of Compliance Checks

Compliance checks in which the checker is less than 27 years of age but is not an underage person shall be conducted as follows:

- a. The checker shall have no I.D. in his or her possession during the compliance checks, but shall have a sum of money sufficient to pay for the cigarettes that the checker will attempt to purchase, and for the food item, if applicable, that the checker will purchase.
- b. At least 60% of compliance checks shall be conducted on weekends or between 3:00 p.m. and 8:00 p.m. on weekdays.
- c. The checker shall enter the store alone.
- d. The checker shall select a food item popular with youth (e.g. a popular soft drink, snack, or small food package). The food item shall vary from one compliance check to another.
- e. The checker shall approach a check-out counter where cigarettes may be purchased, request from the cashier a single pack of cigarettes, and place the food item, if applicable, on the counter. The brand of cigarettes requested shall vary among compliance checks.²
- f. If the cashier requests I.D., the checker shall state that he or she does not have an I.D. in his or her possession but is old enough to buy cigarettes, and shall state his or her actual age.
- g. The checker shall not attempt to persuade the cashier to sell the cigarettes by taking steps other than those expressly set forth in this Protocol.
- h. If the cashier provides the requested cigarettes, the checker shall pay for them and the food item, if applicable, obtain the receipt and whatever change is owed, and promptly leave the store.
- i. If the cashier declines to make the sale, the checker shall purchase only the food item and obtain the receipt, if applicable, and leave the store.
- j. Regardless of whether a purchase of cigarettes occurs, the checker shall attempt to make a mental note of the cashier's name and general appearance.

¹ Compliance checks will sometimes dispense with the purchase of a food item in order to ensure that the checks do not become discernable as such by store personnel.

² This Protocol assumes that cigarettes will be maintained in a format that requires an employee's assistance in retrieving them from a restricted access location, as required by the Assurance. Any non-compliance with that requirement discovered during a compliance check shall be brought to the attention of Rite Aid's Compliance Officer referred to in Part V.A. of the Assurance within ten (10) days of the inspection.

4. Following the Compliance Checks

a. Immediately following each compliance check, the checker shall complete a report form that includes, at a minimum, the following items:

- i. the checker's name, sex, and date of birth;
- ii. the date and time of the compliance check;
- iii. the address of the Rite Aid store checked;
- iv. the name or a brief description of the Rite Aid cashier involved;
- v. the brand of cigarettes requested;
- vi. whether I.D. was requested;
- vii. what statements were made if I.D. was requested;
- viii. whether the cigarettes requested were purchased;
- ix. comments regarding any other noteworthy aspects of the transaction.

b. The checker shall provide the receipt to the independent entity, who shall provide a copy of it to Rite Aid within ten (10) days of the compliance check.

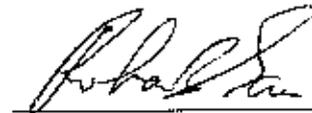
c. The independent entity shall retain for at least two years each written report prepared pursuant to this Protocol.

d. Any cigarettes purchased in connection with a compliance check shall be retained by the independent entity for at least six months and shall thereafter be destroyed.

In the matter of RITE AID CORPORATION, Inc.

RITE AID CORPORATION

BY:



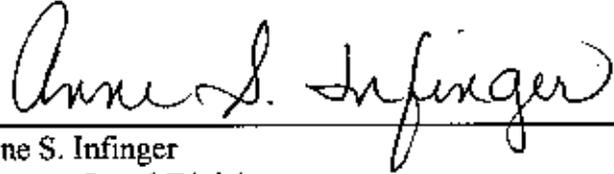
Robert B. Sari
Senior Vice President & General Counsel
Rite Aid Corporation

Dated: August 25, 2004

In the Matter of RITE AID CORPORATION

Dated: August 30, 2004

JOSEPH B. DOYLE
Administrator, Fair Business Practices Act

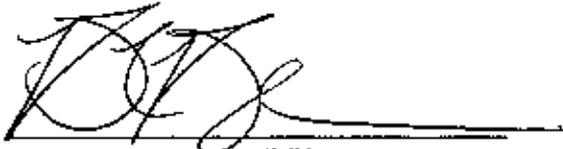
A handwritten signature in cursive script, reading "Anne S. Infinger", written over a horizontal line.

Anne S. Infinger
Director, Legal Division
Governor's Office of Consumer Affairs
2 Martin Luther King, Jr. Drive, Suite 356
Atlanta, GA 30334-4600

In the matter of RITE AID CORPORATION

Dated: August 26, 2004

WILLIAM H. SORRELL
Vermont Attorney General

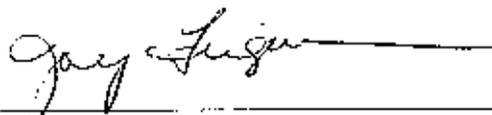
A handwritten signature in black ink, appearing to read 'B. Brannen', is written over a horizontal line. The signature is stylized and cursive.

BARNEY L. BRANNEN
Assistant Attorney General
Office of the Attorney General
109 State Street
Montpelier, VT 05609-1001

In the matter of RITE AID CORPORATION

Dated: August 23, 2004

ELIOT SPITZER
Attorney General of the State of New York

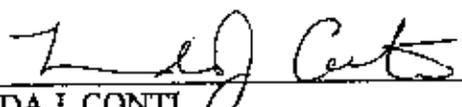
A handwritten signature in cursive script, appearing to read "Joy Feigenbaum", written over a horizontal line.

JOY FEIGENBAUM
Assistant Attorney General
Office of the Attorney General
120 Broadway
New York, New York 10271

In the Matter of: RITE AID CORPORATION

Dated: 8/17/04

G. STEVEN ROWE
Attorney General
State of Maine

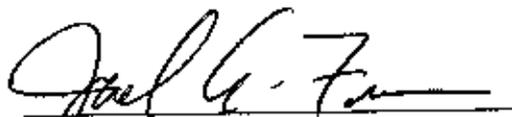


LINDA J. CONTI
Assistant Attorney General
Office of the Attorney General
6 State House Station
Augusta, Maine 04333-0006

In the matter of RITE AID CORPORATION

Dated: August 18, 2004

MARK L. SHURTLEFF
Attorney General of the State of Utah

A handwritten signature in cursive script, appearing to read "Joel A. Ferre", written over a horizontal line.

JOEL A. FERRE
Assistant Attorney General
Office of the Attorney General
160 East 300 South
P.O. Box 140857
Salt Lake City, Utah 84114-0857

In the matter of RITE AID CORPORATION

Dated: August 23, 2004

LAWRENCE G. WASDEN
Attorney General of the State of Idaho

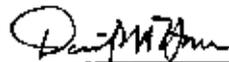
A handwritten signature in black ink, appearing to read "Brett T. Delange", written over a horizontal line.

BRETT T. DELANGE
Deputy Attorney General
Office of the Attorney General
Len B. Jordan Building
650 W. State St., Lower Level
P. O. Box 83720
Boise, Idaho 83720-0010

In the matter of RITE AID CORPORATION

Dated: August 23, 2004

CHRISTINE O. GREGOIRE
Attorney General of the State of Washington

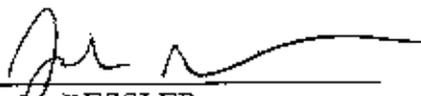


DAVID M. HORN
Senior Counsel
Office of the Attorney General
900 Fourth Avenue, Suite 2000
Seattle, WA 98164

In matter of RITE AID CORPORATION

GERALD J. PAPPERT
Attorney General of Pennsylvania

BY:



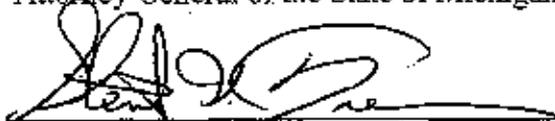
JOEL M. RESSLER
Chief Deputy Attorney General
Chief, Tobacco Enforcement Section
15th Floor, Strawberry Square
Harrisburg, PA 17120

Dated: August 26, 2004

In the matter of RITE AID CORPORATION, Inc.

Dated: August 24, 2004

MIKE COX
Attorney General of the State of Michigan

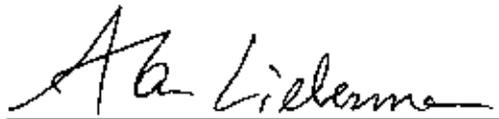
A handwritten signature in black ink, appearing to read "Stewart H. Freeman", written over a horizontal line.

Stewart H. Freeman (PI3692)
Assistant Attorney General in Charge
Consumer Protection Division
Department of Attorney General
PO Box 30213
Lansing, Michigan 48909

In the matter of RITE AID CORPORATION

Dated: August 23, 2004

BILL LOCKYER
Attorney General of the State of California

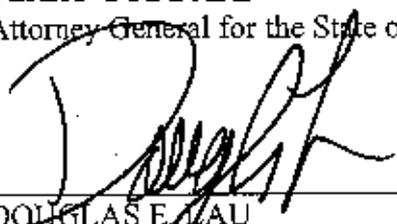
A handwritten signature in cursive script, reading "Alan Lieberman", written in black ink. The signature is positioned above a horizontal line.

ALAN LIEBERMAN
Deputy Attorney General
Office of the Attorney General
1300 I Street
Sacramento, California 95814

In the matter of RITE AID CORPORATION

Dated: August 20, 2004

TERRY GODDARD
Attorney General for the State of Arizona

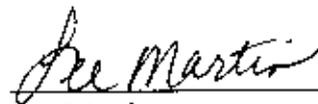


DOUGLAS E. LAU
Chief Tobacco Counsel
Office of the Attorney General
1275 West Washington
Phoenix, Arizona 85007

In the matter of RITE AID CORPORATION

Dated: August 23, 2004

JIM HOOD
Attorney General of the State of Mississippi

A handwritten signature in cursive script that reads "Lee Martin". The signature is written in black ink and is positioned above a horizontal line.

Lee Martin
Special Assistant Attorney General
Office of the Attorney General
802 N. State Street, 4th Floor
Jackson, MS 39205

In the matter of RITE AID CORPORATION

Dated: August 25, 2004

J. JOSEPH CURRAN, JR.
Attorney General of the State of Maryland

A handwritten signature in black ink, appearing to read "MTrestman", written over a horizontal line.

MARLENE TRESTMAN
Special Assistant to the Attorney General
Office of the Attorney General
200 St. Paul Place
Baltimore, MD 21202

1 ACCEPTANCE OF OREGON DOJ

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Accepted this 23rd day of August, 2004.

HARDY MYERS
Attorney General of the State of Oregon



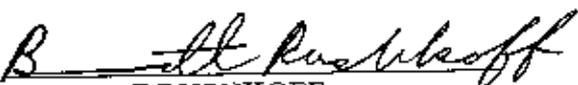
Drew Liopoulos
Oregon Department of Justice
1162 Court St NE
Salem OR 97301
(503) 947-4333

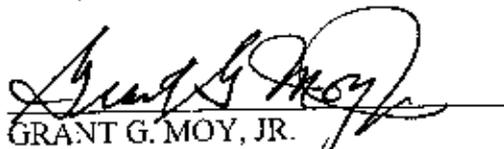
In the matter of RITE AID CORPORATION

Dated: August 23, 2004

ROBERT J. SPAGNOLETTI
Attorney General for the District of Columbia

DAVID M. RUBENSTEIN
Deputy Attorney General
Public Safety Division


BENNETT RUSHKOFF
Chief, Consumer and Trade Protection Section

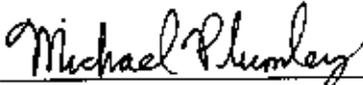

GRANT G. MOY, JR.
Assistant Attorney General
Office of the Attorney General
441 Fourth Street, N.W., Suite 450 North
Washington, D.C. 20001
(202) 727-6337

Attorneys for the District of Columbia

In the matter of RITE AID CORPORATION

Dated: August 23, 2004

GREGORY STUMBO
Attorney General of the
Commonwealth of Kentucky

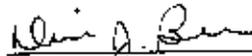


MICHAEL PLUMLEY
Assistant Attorney General
Office of the Attorney General
700 Capitol Avenue, Suite 118
Frankfort, KY 40601

In the matter of RITE AID CORPORATION

Dated: August 27, 2004

RICHARD BLUMENTHAL
Attorney General of the State of Connecticut



DINAH J. BEE
Assistant Attorney General
Office of the Attorney General
55 Elm Street
Hartford, Connecticut 06141-0120

In the matter of RITE AID CORPORATION

Dated: August 16, 2004

CHARLES C. FOTI, JR.
Attorney General of the State of Louisiana

A handwritten signature in cursive script that reads "Arlene D. Knighten". The signature is written in black ink and is positioned above the printed name and title.

ARLENE D. KNIGHTEN
Assistant Attorney General
Louisiana Department of Justice
1885 North 3rd Street
Post Office Box 94005
Baton Rouge, Louisiana 70804

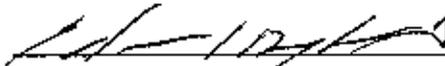
In the matter of RITE AID CORPORATION

Dated: August 23, 2004

PETER C. HARVEY
Attorney General of the State of New Jersey



CATHLEEN O'DONNELL
Deputy Attorney General
Consumer Fraud Prosecution
Division of Law
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101



EDWARD D. TAN
Deputy Attorney General
Tobacco Enforcement
Division of Law
25 Market Street
P.O. Box 080
Trenton, New Jersey 08625-080

In the matter of RITE AID CORPORATION

Dated: August 24, 2004

JIM PETRO
Attorney General of the State of Ohio



SUSAN C. WALKER
Tobacco Counsel
Ohio Attorney General's Office
Constitutional Section – Tobacco Unit
30 East Broad Street – 16th Floor
Columbus, Ohio 43215
614-387-5600 (tel.)
614-387-5597 (fax)

In the matter of RITE AID CORPORATION

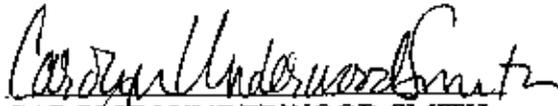
Dated: August 23, 2004



PAUL G. SUMMERS
Attorney General
State of Tennessee
BPR No. 6285

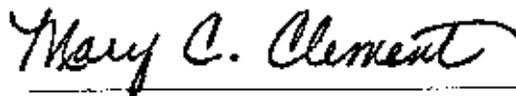


LEIGH ANN ROBERTS
Assistant Attorney General
BPR No. 19800



CAROLYN UNDERWOOD SMITH
Senior Counsel
BPR No. 17166
Office of the Attorney General and Reporter
Post Office Box 20207
Nashville, Tennessee 37202 0207
(615) 532-9299

APPROVED BY:



MARY CLEMENT, Director
Division of Consumer Affairs
Dept. Of Commerce and Insurance