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UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW JERSEY

In re: NEW RITE AID, LLC, *et al*., Debtors.[1]	Chapter 11 Case No. 25-14861 (MBK) (Joint Administration Requested)

DECLARATION OF MARC LIEBMAN, CHIEF TRANSFORMATION OFFICER OF THE DEBTORS, IN SUPPORT OF DEBTORS' CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS

I, Marc Liebman, hereby declare under penalty of perjury:

1. I am Managing Director at Alvarez & Marsal North America, LLC ("A&M"), proposed financial advisor to the above-captioned debtors and debtors in possession (collectively, "Rite Aid," the "Company," or the "Debtors"). On March 12, 2025, I was appointed

[1] The last four digits of Debtor New Rite Aid, LLC's tax identification number are 1843. A complete list of the Debtors in these chapter 11 cases and each such Debtor's tax identification number may be obtained on the website of the Debtors' proposed claims and noticing agent at https://restructuring.ra.kroll.com/RiteAid2025. The location of Debtor New Rite Aid, LLC's principal place of business and the Debtors' service address in these chapter 11 cases is 200 Newberry Commons, Etters, Pennsylvania 17319.

Chief Transformation Officer of New Rite Aid, LLC ("Rite Aid HoldCo"). On May 5, 2025 (the "Petition Date"), each Debtor filed a voluntary petition for relief with the United States Bankruptcy Court for the District of New Jersey (the "Court") under chapter 11 of title 11 of the United States Code, 11 U.S.C. §§ 101–1532 (the "Bankruptcy Code"), thereby commencing the above-captioned chapter 11 cases. Each Debtor intends to operate its business and manage its property as a debtor in possession during the pendency of these chapter 11 cases.

2. I have been a financial advisor to stressed and distressed companies for approximately 25 years. I co-head A&M's turnaround and restructuring efforts in the western region of the United States. A&M is a restructuring consulting firm with extensive experience providing specialized management and restructuring advisory services to debtors and distressed companies. I have a bachelor's degree in business administration with a concentration in accounting from the University of Notre Dame and an MBA in finance from the University of Chicago.

3. I lead the A&M team that has advised the Company since May 2023. As the Chief Transformation Officer of Rite Aid HoldCo, I am currently responsible for, and/or materially engaged with, among other things, (a) all restructuring activities and initiatives of the Company, including the Company's ongoing sale and marketing process, (b) cash management and liquidity forecasting, and (c) engagement with creditors and other stakeholders, in each case, subject to the direction and oversight of the board of directors of Rite Aid HoldCo.

4. I am over the age of 18. In my capacity as Chief Transformation Officer, and based on my work with the Debtors since May 2023, I am generally familiar with the Debtors' day-to-day operations, business and financial affairs, and books and records, as well as the Debtors'

restructuring efforts. I am authorized to submit this declaration in support of the Debtors' voluntary petitions for relief and first day motions (the "First Day Motions").

5. Except as otherwise indicated, the facts set forth in this declaration are based on my personal knowledge, my review of relevant documents, information provided to me by Rite Aid's employees and personnel, my experience, knowledge, and information concerning Rite Aid's operations and financial condition, and/or my discussions with Rite Aid's officers and advisors. If called upon to testify, I would testify competently to the facts set forth in this declaration.

Introduction[2]

6. Rite Aid is a leading full-service pharmacy and drug store chain that has served millions of Americans over its 60-year history. Today, Rite Aid operates over 1,200 pharmacies in 15 states, offering a wide range of convenient retail and pharmacy services solutions to its pharmacy-care customers and others, including prescription drugs, over-the-counter medications, and wellness products. Rite Aid's success depends on its ability to operate two separate, but symbiotic, functions: First, Rite Aid operates a prescription drug pharmacy business, in which its committed pharmacists deliver needed medications and accompanying care to millions of pharmacy-care customers each year. Second, it operates a "front-end" retail business, through

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[2] Capitalized terms used but not defined in this declaration shall have the meaning ascribed to such term in the *Debtors' Motion Seeking Entry of an Order (I) Approving the Auction and Bidding Procedures, (II) Scheduling Certain Dates and Deadlines with Respect Thereto, (III) Approving the Form and Manner of Notice Thereof, (IV) Establishing Notice and Procedures for the Assumption and Assignment of Contracts and Leases, (V) Authorizing the Assumption and Assignment of Assumed Contracts, (VI) Authorizing (A) the Sale of Assets and (B) Shortened Notice With Respect Thereto, and (VII) Granting Related Relief* (the "Bidding Procedures Motion"), the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Assume and Perform Under the Consulting Agreement, (II) Authorizing and Approving the Sale of Closing Location Assets, With Such Sales to be Free and Clear of all Liens, Claims, and Encumbrances, and (III) Granting Related Relief* (the "Location Closing Motion"), or the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Liens and Superpriority Administrative Expense Claims, (III) Granting Adequate Protection, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing, and (VI) Granting Related Relief* (the "DIP Motion"), each filed contemporaneously herewith.

which it sells a variety of non-prescription products, such as health and beauty products and convenience items. Historically, the prescription drug business has driven a large volume of foot traffic to the Company's stores, which leads to high-margin, front-end sales when there is adequate front-end inventory. The Company's prescription pharmacy business has remained resilient and consistently delivered outstanding pharmacy care, but the Company's front-end business has significantly underperformed, due to a variety of adverse circumstances.

7. Like many companies in the retail pharmacy space, Rite Aid was forced to adjust to adverse macroeconomic factors and business challenges since the COVID-19 pandemic. Unable to overcome these challenges despite its best efforts, Rite Aid Corporation and certain of its subsidiaries filed for chapter 11 in the United States Bankruptcy Court for the District of New Jersey on October 15, 2023 (the "2023 Cases"). At the time of filing, Rite Aid had over $4 billion in funded debt and annual debt service obligations of over $200 million. The Company was significantly burdened by its suboptimal lease portfolio, which included a significant number of underperforming locations that it could not exit outside of bankruptcy. The Company's liquidity was also constrained by elevated labor costs, declining reimbursement rates from third-party payors, reduced demand for front-end inventory, and increased shrink costs, among other things. Making matters worse, in the lead-up to the 2023 Cases, Rite Aid's front-end vendors began to impose more restrictive payment terms and lower credit limits, which prevented Rite Aid from acquiring adequate front-end inventory. The lack of such inventory gave rise to a vicious cycle: high-margin front-end sales declined due to insufficient inventory, and lagging sales depleted liquidity and caused vendors to tighten trade terms even further. The Company filed the 2023 Cases to deleverage its balance sheet, optimize its retail footprint, and implement growth initiatives designed to strengthen its business and improve its competitive positioning. In August

2024, the Company emerged from the 2023 Cases and immediately turned to implementing its post-emergence business plan, which, as discussed further below, was derailed by significant challenges outside of the Company's control.

8. Rite Aid seeks protection under chapter 11 for one reason: to protect the interests of its customers, employees, and other stakeholders by providing for a prompt and orderly sale of its business. Through these cases, it intends to achieve value-maximizing sales of stores and/or prescriptions to other pharmacy companies, foster continuity of the vital prescription services on which its pharmacy-care customers depend, and help support and potentially preserve employment for Rite Aid employees to the greatest extent possible.

9. An orderly court-supervised chapter 11 process is critical to maximizing value for, and otherwise protecting, all stakeholders—including pharmacy-care customers, other customers, vendors, employees, and creditors. A prompt and efficient sale process is of paramount importance to preserve value and support customers who obtain essential pharmaceuticals from Rite Aid stores. Its prescriptions are its most valuable economic assets; they are also central to the social value the Company delivers to customers and communities nationwide. To protect those interests, a paramount concern in a sale of the Debtors' business is a smooth and prompt transition of customers' prescriptions in a manner that minimizes customer attrition, and ensures that the pharmacies from which pharmacy-care customers will subsequently obtain their pharmaceuticals are properly prepared to absorb new customers and fill prescriptions in a timely manner. Rite Aid's ability to successfully transition prescriptions to other pharmacies would be materially endangered without a court-supervised and efficient chapter 11 process. The sooner the sale process gets underway, the more successful the outcome will be.

10. Rite Aid finds itself in need of chapter 11 protection because, as the Company attempted to stabilize its business post-emergence from the 2023 Cases, it experienced unforeseen challenges that significantly impaired its front-end business relative to its business plan. Although its pharmacy-care business remained resilient, its high-margin front-end business has remained significantly impaired. Rite Aid's post-emergence business plan was based on data-driven projections (and extensive discussions with vendors) that Rite Aid's front-end vendors would return to their less restrictive prepetition payment terms, and assurances from certain capital providers regarding letter of credit facilities necessary to create incremental availability under the ABL Facility (defined below), which was crucial to Rite Aid's recovery. Those assurances were broken. The liquidity generated by the letters of credit the Company was able to obtain was materially less than expected, and those facilities closed later than expected. Many vendors did not relax their restrictive payment terms at anticipated levels. These developments impaired the Company's ability to stock its front-end business at a critical time when it needed to regrow that business, and at time when macroeconomic pressures were also mounting. The combined effect of lower-than-expected liquidity from the letter of credit facilities, inventory challenges, strained vendor relations, lower consumer spending, and competitive pressures has ultimately left the Company with insufficient liquidity to operate its business and service its debt obligations in the ordinary course. Since November 2024, the Company has only generated negative adjusted EBITDA as the impacts of these factors accumulated.

11. The front-end trade and inventory challenges faced by the Company post-emergence were particularly acute and resulted in increasing liquidity constraints over time. During the 2023 Cases, the Company recognized that returning to pre-filing trade terms with its front-end vendors, as is customary when a Company emerges from bankruptcy, would allow the

Company to access a significant amount of incremental credit. As a result, the Company and its advisors planned and executed a months-long process to engage and educate front-end vendors with respect to the improved liquidity position of the Company at emergence, in an effort to secure these vendors' commitment to return to normalized trade terms prior to, or at, emergence. These efforts initially proved successful: A significant number of these vendors made commitments to return to prepetition credit limits and payment terms and to return deposits provided in connection with the 2023 Cases at or shortly after emergence. Accordingly, based on this diligence, as well as data points from these vendors' prepetition trade terms, the Company's post-emergence business plan made risk-weighted assumptions that vendors' return to pre-filing terms would result in approximately $126 million in additional liquidity to the Company by February 2025.

12. Unfortunately, the majority of the Company's front-end vendors refused to loosen the restrictive payment terms at emergence, and approximately 40% of vendor deposits were retained by vendors rather than returned to the Company. By way of example, one of Rite Aid's largest front-end vendors imposed a restrictive cash-on-delivery payment term on Rite Aid during the bankruptcy. It committed to reversing this term post-emergence but reverted to cash-on-delivery shortly after the Company emerged. These factors negatively affected the Company's expected liquidity and, consequently, reduced seasonal front-end inventory purchases in advance of several important holidays as well as the important cold-and-flu season beginning in the fourth calendar quarter of 2024. Reduced front-end inventory purchasing further impacted vendor dynamics and the Company's financial performance, as the Company could not take advantage of promotions and discounts available at higher purchasing volumes.

13. These challenges were compounded by delays in closing facilities to replace the Company's letter of credit facilities, which the Company had begun negotiating months prior to

emergence. Based on conversations with counterparties, the Company expected to emerge from the 2023 Cases with approximately $166 million in liquidity from letters of credit. However, counterparties delayed and in some cases walked away from earlier assurances regarding the terms and timing of replacement facilities. The Company was ultimately able to secure only one replacement facility—in November 2024, months later than originally anticipated, and for only $66.75 million—a fraction of the amount originally contemplated in the term sheet for this facility. The liquidity benefits that this facility provided were too little and too late for the Company to meet its financial projections.

14. Combined with other challenges the Company faced post-emergence, the Company was left with insufficient cash to replenish its inventory to return to regular in-stock rates. Low in-stock rates are detrimental to the Company's front-end retail business. Given the nature of products offered, including many products that consumers purchase on impulse, it is critical for the front end to be stocked with readily available inventory for customers to purchase when visiting the store. In addition, declining inventory levels lead to a reduced borrowing base under the Company's ABL Facility, and thus correspondingly diminishing the Company's available liquidity. Reduced borrowing capacity under the ABL Facility further impeded the Company's efforts to acquire additional inventory. As the Company was required to update borrowing base certificates on a weekly basis, these effects compounded in real-time, causing the Company to fall further behind on its goal of replenishing inventory to the level required to support its revenue and cash flow projections. As the Company's liquidity deteriorated further, vendors imposed further constraints on the Company, including tightening terms, demanding cash on delivery, and ceasing shipments to the Company altogether. In other words, the Company became trapped in a vicious cycle, where tightening liquidity led to empty store shelves, and vice versa.

15. By early 2025, any modest liquidity benefit experienced at emergence due to loosening trade terms and returning of vendor deposits had been reversed. To address these challenges, the Company negotiated and executed an amendment to its ABL Facility in early January 2025 to try to create stability and free up incremental liquidity for the Company to manage its business and assess strategic options. Beginning in February 2025, the Company and the lenders under the ABL Facility executed a series of consents under the Prepetition Credit Agreement (as defined below), pursuant to which the Company agreed, among other things, to develop a business rationalization plan and implement a comprehensive sale and marketing process for its business and assets. Following an extensive prepetition marketing process, the Debtors commenced these chapter 11 cases.

16. The Debtors intend to provide pharmacy products and services to their pharmacy-care customers without interruption and maintain continuity of care throughout this process, including by maintaining vendor relationships and executing an efficient and timely sale process that prioritizes minimizing prescription attrition and ensuring prescriptions are efficiently transitioned to other pharmacies. An orderly sale process in chapter 11 also best serves other critical stakeholders, including the Debtors' employees, who may have the opportunity to be employed by the purchasers of the Debtors' stores based on the outcome of the sales process. Indeed, offers of employment to Rite Aid's personnel by purchasers can be instrumental to the orderly transition of prescriptions and the continuity of pharmacy care, as previous prescription sales have shown. Ultimately, this process will allow the Debtors to complete an orderly and efficient sale process, under the supervision of the Court and with the input of key stakeholders, that will maximize the value of the Debtors' assets for the benefit of creditors and better serve pharmacy-care customers, other customers, and employees relative to a disorderly or delayed

process in which the value of the assets would be significantly diminished and operations and pharmacy care badly disrupted.

17. To facilitate a successful chapter 11 process, the Company has secured a debtor-in-possession (or "DIP") senior secured superpriority facility, to be funded by the Prepetition ABL Lenders (in such capacity, the "DIP Lenders"), in an aggregate principal amount of up to $1.94 billion, comprised of a (a) $1.7 billion DIP asset-based revolving credit facility (the "DIP Revolving Facility") and (b) $240 million DIP "first-in, last-out" term loan facility (the "DIP FILO Facility," and together with the DIP Revolving Facility, the "DIP Facilities"). The DIP Facilities are essential to the Debtors' realization of a successful, value-maximizing sales process. In particular, the liquidity provided under the DIP Facilities is necessary for the Debtors to fund postpetition operations and chapter 11 process costs, as well as to send a strong signal to the market and to the Debtors' key constituencies that the Debtors can satisfy postpetition obligations and continue to provide uninterrupted pharmacy care during the pendency of these chapter 11 cases. The Debtors believe that the proposed DIP Facilities are the best—and only—viable option to fund these cases for the benefit of the Debtors' stakeholders under the circumstances leading up to the commencement of these cases.

18. In addition to the motion filed contemporaneously herewith seeking approval of the DIP Facilities, the Debtors have also filed motions to approve, among other things, (a) bidding procedures to govern the sale of substantially all of their assets (that have not otherwise been identified for sale pursuant to the location closing sale procedures), (b) location closing sale procedures and related relief, and (c) sale procedures to govern the sale of leases and fee-owned properties which are not sold pursuant to the bidding procedures or location closing sale procedures, or which are not otherwise rejected or sold. The relief requested in this series of

motions are specifically tailored to the Debtors' ongoing marketing and sale process strategy, which is designed to maximize the value of the Debtors' saleable assets for the benefit of their estates and recoveries to creditors, and to facilitate the orderly transition of Rite Aid prescriptions to other pharmacies. The timeline proposed for the contemplated sale process is, in the Debtors' business judgment, essential to preserving value and facilitating an orderly sale process. Based on Rite Aid's prior experience selling similar assets, the longer the sale process takes, the greater the value erosion through attrition in the meantime. This risk is entirely one-sided and to the Debtors' detriment. Purchase agreements for these assets customarily include pricing adjustments to account for attrition that will likely increase until the transaction closes.

19. The remainder of this declaration proceeds as follows: **Section I** provides background information on the Debtors, including their corporate history, business operations, and the 2023 Cases; **Section II** describes the Debtors' organizational and capital structure; **Section III** describes in further detail the critical need for chapter 11 relief, in light of Rite Aid's pharmacy-care business and the events leading up to these cases; and **Section IV** and **Exhibit B** set forth the relevant facts in support of the First Day Motions and summarize the relief requested therein.

I. General Background

A. Rite Aid's History and Business

20. Rite Aid's corporate history dates back to 1962, when it began as a single discount drug store in Scranton, Pennsylvania with the name of Thrif D Discount Center. Within four years, the Company operated 36 stores in five Northeast and Mid-Atlantic states, including its first in-store pharmacy in New Rochelle, New York.

21. In 1968, the Company changed its name to Rite Aid Corporation and made its initial public offering on the American Stock Exchange. Over the course of the next several decades,

Rite Aid continued to grow its footprint, and by 1981, it was the third-largest retail drug chain in the country. At the time it filed the 2023 Cases, Rite Aid operated more than 2,100 stores in 17 states and employed more than 6,100 pharmacists and 45,000 total employees.

22. During the 2023 Cases, Rite Aid sold or wound down approximately 800 underperforming stores in total across the country, including substantially all of its stores in Michigan and Ohio, aligning the Company's portfolio with its long-term strategic plan. Since emerging from the 2023 Cases, the Company has closed an additional 29 underperforming stores based on a monthly evaluation of their financial performance and other factors. The Company has also entered into purchase agreements with buyers of prescription files for over 60 store locations, which the Company intends to consummate during the chapter 11 cases. There are also approximately 50 store locations planned for closure with no expected prescription sales. There are additionally 275 store locations that have or will have asset purchase agreements for regional transactions in process.

23. As of the Petition Date, Rite Aid operates 1,277 stores and 3 distribution centers in 15 states and employs approximately 24,500 people. Rite Aid's primary business line is its pharmacy segment, through which it offers a wide range of health care services to millions of pharmacy-care customers in the United States, including dispensing medications, performing immunizations and other clinical care, assisting pharmacy-care customers with high blood pressure and diabetes care, and educating pharmacy-care customers on managing their medications and potential side effects. Rite Aid also sells a variety of front-end merchandise, including health and beauty aids, personal care products, seasonal merchandise, and a large private brand portfolio of food and consumer products, through both its physical locations and e-commerce business.

24. Over the past 20 years, Rite Aid has primarily relied on its partnership with McKesson Corporation ("McKesson") to fulfill its prescription drug requirements. Pursuant to the new supply agreement entered into between Rite Aid Corporation and McKesson upon the Company's emergence from the 2023 Cases (the "New McKesson Supply Agreement"), the Company purchases almost all of its branded pharmaceutical products and generic pharmaceutical products from McKesson, accounting for 99% of the dollar volume of its prescription drugs.

25. During the 2023 Cases, Rite Aid completed the sale of its pharmacy benefit manager ("PBM") business to MedImpact Healthcare Systems, Inc. ("MedImpact") and divested a majority of its Health Dialog assets to Carenet Health. Rite Aid's PBM operations, which were carried out through the "Elixir" group of entities, were historically a critical component of the Company's business. Through Elixir, the Company provided a comprehensive suite of PBM offerings to various clients, including regional health plans, commercial employees, and labor groups. The Company also offered drug benefits to eligible beneficiaries under the Medicare Part D Program, which was administered through a non-Debtor subsidiary, Elixir Insurance Company. The entire Elixir business, other than Elixir Insurance Company and its assets, was sold to MedImpact during the 2023 Cases (the "Elixir Sale"). The entities formerly comprising the Elixir group do not currently have any operations or assets other than non-Debtor Elixir Insurance Company, which is currently undergoing a wind-down process.

B. Regulatory Framework

26. The Company is subject to extensive and overlapping regulatory oversight. There are various federal, state, and local laws, regulations, and administrative practices concerning the provision of and payment for healthcare services, including:

- Federal, state, and local licensure and registration requirements concerning the operation of pharmacies;

- Various insurance-related regulators;
- Medicare, Medicaid, and other publicly financed health benefit plan regulations regarding the submission of claims;
- The Affordable Care Act; and
- Regulations of the Food and Drug Administration, Consumer Product Safety Commission, Federal Trade Commission, and Drug Enforcement Administration.

27. The Company is also subject to laws and regulations governing the purchase, sale, storage, and dispensing of controlled substances, listed chemicals, and other products, including nicotine products, medical devices, and alcoholic beverages. In addition, various laws govern the Company's relationship with its employees, including health and safety standards, minimum wage requirements, equal opportunity matters, and unionizing efforts.

C. The 2023 Cases

28. On October 15, 2023, Rite Aid filed for chapter 11 with the goal of pursuing a dual-track sales and plan confirmation process. On the sales front, Rite Aid continued the marketing process for its non-core PBM business that had commenced prepetition. The Company also commenced a global marketing process for both whole-company, going concern bids and bids for discrete portions of the Debtors' asset portfolio across its business. Simultaneously, in the absence of a whole-company or all-asset sale, Rite Aid pursued a holistic restructuring designed to deleverage its balance sheet, rationalize its sub-optimal lease portfolio, and obtain access to new capital to enable it to focus on its long-term growth initiatives.

29. The 2023 Cases were the result of the cumulative effect of several financial and operational factors that limited Rite Aid's liquidity and constrained its ability to execute on its turnaround initiatives and in-store investments. Ahead of the 2023 Cases, Rite Aid had approximately $4 billion in funded debt obligations and paid approximately $200 million annually

in interest. Rite Aid's financial performance was adversely affected by elevated labor costs, declining reimbursement rates from third-party payors, reduced demand for front-end merchandise and COVID-19 vaccines, and the loss of key accounts at Elixir. Rite Aid was also burdened by unprofitable stores that were difficult to exit outside of the tools offered in bankruptcy. Even where the Company was able to close stores, it was burdened by millions of dollars of annual "dead rent" costs due to its inability to exit underlying leases. Other factors contributing to the 2023 Cases were (a) liquidity and trade challenges the Company experienced as restructuring-related rumors broke, (b) litigation overhang resulting from significant contract disputes, government investigations, and securities matters, and over 1,600 opioid-related suits, and (c) increased competition from larger traditional competitors and online retailers and pharmacies.

30. Within the first few months of the 2023 Cases, Rite Aid completed the $575 million sale of its PBM assets to MedImpact. Despite this early success, the 2023 Cases proved to be extremely complex and contentious, and involved numerous counterparties with competing interests that each vigorously negotiated for the best possible treatment during a protracted mediation process. At several points in time, it appeared that a global consensual path forward did not exist. The administrative costs associated with the prolonged cases coupled with continued financial and operational challenges faced by the business complicated negotiations and required parties to revisit the overall deal on multiple occasions. Ultimately, negotiations were successful, and resulted in an interconnected series of settlements embodied in the Plan (as defined below).

31. The confirmed Plan had near unanimous support from its stakeholders, including 99.73% of creditors in the voting class (composed of holders of the Company's prepetition second lien notes), all other holders of prepetition funded debt, the Department of Justice, an ad hoc group

of every state in which Rite Aid operates except Maryland, both the unsecured creditors' committee and tort claimants' committee, McKesson, a substantial number of landlords, and the Company's insurers. The Plan was substantially consummated and the Reorganized Debtors (as defined in the Plan) emerged from chapter 11 on August 30, 2024.[3]

32. The Plan embodied a complex series of restructuring transactions by which assets, including certain estate causes of action, insurance rights, and cash, were transferred to a series of trusts established for the benefit of Rite Aid's creditors. Through the Plan, 90% of new equity interests were issued by Rite Aid HoldCo to the Company's prepetition noteholders and 10% of new equity interests were issued to a trust for the benefit of general unsecured creditors. Claims under the junior DIP financing facility, provided by certain prepetition secured second lien noteholders in the 2023 Cases, were rolled into exit 1.5L Notes (as defined below) and prepetition secured second lien noteholders received 3L Notes (as defined below) on account of their prepetition notes claims. The Plan included a waterfall by which proceeds of a significant receivable due from the Centers for Medicare & Medicaid Services for the 2023 year would be distributed to certain creditor constituencies, including the Department of Justice, holders of junior DIP claims, and lenders under the ABL Facility. The Plan also provided for the global resolution of tort liability through a channeling injunction, with the sole source of recovery for tort claimants coming out of the litigation trust established pursuant to the Plan.

33. The Plan also reflected a global settlement with McKesson on the terms of the McKesson New Supply Agreement and the treatment of McKesson's prepetition 503(b)(9) claim (the "McKesson Settlement"). Under the McKesson Settlement, McKesson was granted a second-priority lien on substantially all of the property and assets of the Debtors as collateral for

[3] As of the Petition Date, each of the 2023 Cases remains open.

the payment of the Debtors' obligations under the McKesson New Supply Agreement (the "McKesson Obligations"). In addition, the Debtors agreed to make a series of guaranteed and contingent cash payments to McKesson consisting of certain amounts due upon emergence from the 2023 Cases and deferred payments due in regular installments beginning six months after emergence. As of the Petition Date, the Debtors have paid McKesson approximately $29.2 million under the McKesson Settlement.

34. Further details regarding the 2023 Cases can be found in the *Second Amended Joint Chapter 11 Plan of Reorganization of Rite Aid Corporation and Its Debtor Affiliates (as Further Modified)* (Case No. 23–18993, [Docket No. 2697]) (the "Plan") and the *Disclosure Statement Relating to the Second Amended Joint Chapter 11 Plan of Reorganization of Rite Aid Corporation and Its Debtor Affiliates (Solicitation Version)* (Case No. 23–18993, [Docket No. 2512]). Rite Aid also maintains a website, https://restructuring.ra.kroll.com/RiteAid/, at which general information regarding the 2023 Cases can be obtained free of charge.

II. Corporate and Capital Structure

A. Corporate Structure

35. Rite Aid HoldCo is the ultimate parent of each Debtor. It conducts business through its subsidiaries, nearly all of which are Debtors. A simplified corporate structure chart is attached as **Exhibit A**. The Company maintains its corporate headquarters in Philadelphia, Pennsylvania.

B. Capital Structure

1. Funded Debt Obligations

36. As of the Petition Date, the Debtors have approximately $2.161 billion in aggregate principal amount of funded debt obligations outstanding. The following table summarizes the Debtors' funded indebtedness outstanding as of the Petition Date:[4]

Debt Obligations	Stated Maturity	Approximate Outstanding Principal Amount as of the Petition Date
ABL Facility	August 2028	$1,460,693,742.20
FILO Facility	August 2028	$240,000,000.00
1.5 Lien Notes	August 2031	$83,000,000.00
3L Notes	August 2031	$377,000,000.00
	Total Funded Indebtedness	**$2,160,693,742.20**

i. The Prepetition ABL and FILO Term Loan Facility

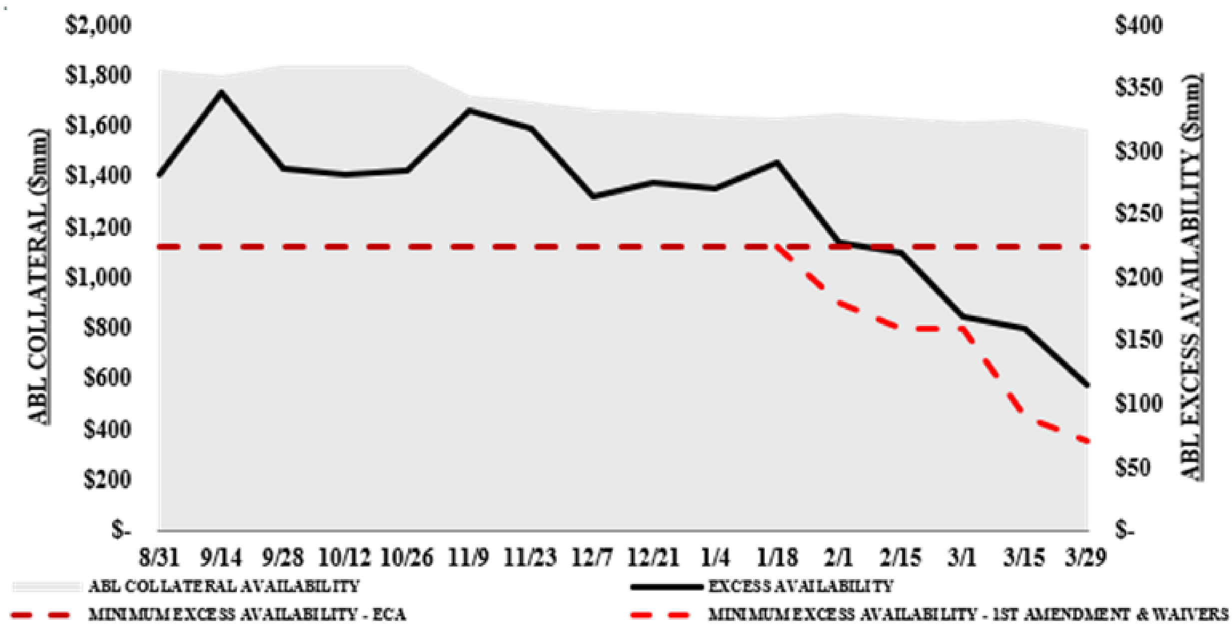
37. Rite Aid Corporation, as borrower, Bank of America, N.A., as administrative agent and collateral agent (the "Prepetition ABL Agent"), and certain lenders (the "Prepetition ABL Lenders") are party to that certain Credit Agreement, dated as of August 30, 2024 (as amended by that certain First Amendment to Credit Agreement, dated as of January 14, 2025, the "First Amendment," and as may be further amended, restated, amended and restated, supplemented, waived, or otherwise modified from time to time, the "Prepetition Credit Agreement"). The Prepetition Credit Agreement provides for (a) a senior secured asset-based revolving credit facility (the "ABL Facility") and a "first-in, last-out" term loan facility (the "FILO Facility" and, together with the ABL Facility, the "Prepetition Credit Facilities"). The Prepetition Credit Facilities are guaranteed by

[4] The following description of the Debtors' funded indebtedness is for informational purposes only and is qualified in its entirety by reference to the documents setting forth the specific terms of such obligations and their respective related agreements.

substantially all of Rite Aid Corporation's subsidiaries, including each subsidiary that is a Debtor (such guarantors, together with Rite Aid Corporation, the "Prepetition Obligors"), and are secured by first priority liens on substantially all personal and real property of the Prepetition Obligors (the "Prepetition Collateral"). The Prepetition Credit Facilities mature on August 30, 2028.

38. The ABL Facility (a) had $2.25 billion in commitments upon the Debtors' emergence from the 2023 Cases, which were reduced to $1.9 billion pursuant to the First Amendment, and (b) is subject to a customary "borrowing base" formula, where availability is the lesser of the commitments and the net orderly liquidation value of certain of the Prepetition Obligors' assets. Under the terms of the Prepetition Credit Agreement, Rite Aid Corporation must also maintain a certain minimum amount of availability under the ABL Facility (the "Minimum ABL Availability Covenant"), which amount was $225 million as of the Debtors' emergence from the 2023 Cases.

39. The Prepetition Credit Agreement requires all cash received by the Company to be pooled into a concentration account that is swept on a daily basis to repay outstanding loans under the ABL Facility. Accordingly, the Company's only source of day-to-day liquidity is through continued borrowings under the ABL Facility. Given the Company's declining financial performance and the resulting impact on its borrowing base, availability under the ABL Facility has been significantly reduced since the Company's emergence from the 2023 Cases:



As of the Petition Date, approximately (a) $1.461 billion in borrowings remain outstanding under the ABL Facility and (b) $240 million in borrowings remain outstanding under the FILO Facility.

ii. The Senior Secured Notes

40. On August 30, 2024, Rite Aid Corporation issued three tranches of senior secured notes pursuant to Indentures among Rite Aid Corporation, the Prepetition Obligors, and U.S. Bank Trust Company, National Association, as trustee and securities collateral agent: (a) $78,263,042 in aggregate principal amount of Floating Rate Senior Secured PIK Notes due 2031 (the "1.5L Notes"); (b) $125 million of 15.000% Third-Priority Series A Senior Secured PIK Notes due 2031 (the "3L Series A Notes"); and (c) $225 million of 15.000% Third-Priority Series B Senior Secured PIK Notes due 2031 (the "3L Series B Notes," together with the 3L Series A Notes, the "3L Notes," and collectively with the 1.5L Notes, the "Senior Secured Notes"). As of the Petition Date, $83 million of 1.5L Notes, $242 million of 3L Series A Notes, and $135 million of 3L Series B Notes are outstanding.

41. The maturity date of the Senior Secured Notes is August 30, 2031. The Senior Secured Notes are guaranteed by each of the Prepetition Obligors. The 1.5L Notes are secured by liens on the Prepetition Collateral, which are junior to the first-priority security interests securing the Prepetition Credit Facilities. The 3L Notes are secured by third-priority liens on the Prepetition Collateral, which are junior to the liens securing the Prepetition Credit Facilities, the 1.5L Notes, and the McKesson Obligations. The 3L Series B Notes are payment subordinated to the 3L Series A Notes.

2. McKesson Obligations

42. The McKesson Obligations are secured by the Prepetition Collateral on a junior priority basis to the Prepetition Credit Facilities and the 1.5L Notes and a senior priority basis to the 3L Series A Notes and 3L Series B Notes.

3. The Intercreditor Agreements

43. The respective rights and interests of the lenders under the Prepetition Credit Agreement, holders of Senior Secured Notes, and McKesson are governed by various intercreditor agreements, each dated August 30, 2024 (collectively, the "Intercreditor Agreements"). Among other things, the Intercreditor Agreements set forth the parties' respective rights and interests relating to their rights to the Prepetition Collateral, their ability to exercise remedies in connection with an event of default, and their relative rights and obligations in the event of a chapter 11 filing by Rite Aid. Pursuant to the Intercreditor Agreements, (a) the liens securing the 3L Notes are subordinate to liens securing the McKesson Obligations, the 1.5L Notes, and the Prepetition Credit Facilities, (b) the liens securing the McKesson Obligations are subordinate to the liens securing the 1.5L Notes and the Prepetition Credit Facilities, and (c) the liens securing the 1.5L Notes are subordinate to the liens securing the Prepetition Credit Facilities.

4. 1970 Group Letter of Credit Facility

44. 1970 Group, Inc. ("1970 Group") and Rite Aid Corporation are party to that certain Substitute Insurance Collateral Facility Agreement, dated as of November 1, 2024 (the "1970 LC Facility"). Under the 1970 LC Facility, 1970 Group arranged for the issuance of approximately $66,750,000 of letters of credit from third-party financial institutions to enable the Company to provide credit support under certain of its workers' compensation, commercial automotive, and general liability insurance policies. Upon certain events, including any draw due for nonpayment of any obligation under the subject insurance policies or 1970 Group making any payments under a subject policy on the Company's behalf, the Company is obligated to reimburse 1970 Group in the amount of such draw or payment less any amount of the approximately $4,487,085 currently held in escrow by 1970 Group as credit support for the Company's obligations under the facility. The 1970 LC Facility is guaranteed by the Prepetition Obligors. On April 30, 2025, the 1970 Group issued a notice of default to the Company under the 1970 LC Facility, directing the Company to remit to the 1970 Group as cash collateral $66,750,000 no later than May 1, 2025.

5. Finance Leases

45. The Company leases most of its retail stores and certain distribution facilities under non-callable operating and finance leases, most of which have initial lease terms of one to five years. The Company also leases certain of its equipment and other assets under non-callable operating leases with initial terms of three to 10 years. As of the Petition Date, approximately $2.6 million remains outstanding under such equipment and other asset operating leases.

6. Equity Interests

46. Rite Aid transitioned from a publicly traded to a privately-held company upon its emergence from the 2023 Cases. Pursuant to the Plan, Rite Aid HoldCo issued new common

equity to the holders of its prepetition secured notes (90%) and to a trust for the benefit of holders of general unsecured claims (10%). Each of the other Debtors is a direct or indirect wholly-owned subsidiary of Rite Aid HoldCo, except as otherwise specified in the organizational chart attached hereto as **Exhibit A**.

C. Governance

47. Upon the Company's emergence from the 2023 Cases, a new board of directors of Rite Aid HoldCo (the "HoldCo Board") was appointed. As of the Petition Date, the HoldCo Board is composed of four members: Matthew Schroeder, who is also the Interim Chief Executive Officer of New Rite Aid, LLC and Rite Aid Corporation, and Tim Pohl, Michael Wartell, and Scott Vogel, who are each an independent director of the Debtors (collectively, the "Independent Directors").

III. The Need for These Cases

A. Chapter 11 Relief, Including a Timely Sale, Is Critical to Maximizing Value and Pharmacy Care

48. Rite Aid prides itself on its pharmacy-care business and is committed to delivering outstanding care, as it has always done—prior to, during, and after the 2023 Cases. But, as discussed further below, Rite Aid faces unforeseen business headwinds, and without chapter 11 relief—particularly an orderly sale of Rite Aid's assets—pharmacy care may be threatened.

49. Rite Aid's prescriptions are its most valuable asset, and that value corresponds to the substantial health, safety, and pharmacy care services customers trust Rite Aid to provide. Rite Aid must conduct a timely, orderly, court-supervised sale of its assets, including its prescriptions, to ensure an uninterrupted supply of medications to pharmacy-care customers who need them and preserve value for the estate. Customers are free to transfer their prescriptions to other pharmacies at any time, but the transfer process can be resource-and labor-intensive. These customer-initiated

transfers also erode value for the Debtors because prescriptions transferred before a sale is closed (referred to as "attrition") can result in a downward adjustment to the purchase price agreed to by a buyer of prescriptions. The longer the process takes, the greater the risk of attrition, and the more value leakage can be expected in these chapter 11 cases.

50. There are two ways that customers can initiate a transfer of their prescriptions. First, in certain cases, Rite Aid may be asked to effect a direct transfer to another pharmacy. This requires Rite Aid personnel to process the transfer of the prescriptions one at a time. The receiving pharmacy must do the same. Second, in other cases, including for any controlled substance, customers must ask their doctors to write new prescriptions to send to another pharmacy. If attrition occurs in a disorderly and ad hoc manner—a risk that increases the longer it takes to consummate an orderly chapter 11 sale—there is a corresponding risk of not only value erosion for the Debtors, but also of service disruptions to customers if pharmacies are inundated with requests and cannot efficiently process the transfers.

51. In addition, other pharmacies must be prepared to receive prescriptions transferred from Rite Aid. Those pharmacies must receive legal prescriptions, integrate them into their systems, acquire a sufficient supply of medication to fill the prescriptions, and be staffed to handle the additional prescriptions. This is no small task, as Rite Aid fills over 100 million prescriptions each year. Pharmacies can effectively absorb Rite Aid prescriptions only through an orderly, court-supervised transition of Rite Aid's assets, which allows for the parties to negotiate an effective transition process—for example, by agreeing on scheduling terms for transfers and potentially including employment opportunities for Rite Aid personnel to assist buyers to process and handle more prescriptions. These benefits are lost in an ad hoc and disorderly process, which

creates an unacceptable risk of overwhelming the system if delay or disorder leads to a flood of attrition.

52. Rite Aid's experience selling stores in the Midwest during the 2023 Case (the "2023 Midwest Sale") has informed the proposed sale process here. During the 2023 Midwest Sale, the Company experienced increasing levels of prescription attrition in the weeks between when the contemplated asset sales were publicly announced and when they closed, which led to purchase price adjustments for any sales that included prescriptions. Given that experience, I believe it is essential that the period between announcement of the sale process and closing of any sales involving prescription assets be as short as possible to preserve value for stakeholders.

B. Unforeseen Challenges Have Stunted Rite Aid's Efforts to Reposition the Business

53. Following the 2023 Cases, the Company set forth on a plan to reposition its business for long-term success. The Company's efforts were stunted, however, by significant challenges to its front-end business, including elevated out-of-stock rates, primarily resulting from counterparties dragging their feet or otherwise backtracking on commitments made during the 2023 Cases.

54. The Company faced front-end inventory challenges that prevented it from realizing the revenue projections needed to implement its post-emergence business plan. At the time of emergence from the 2023 Cases, the Debtors' in-stock rates were at an all-time low and replenishing front-end inventory was a critical component of the Company's turnaround efforts. Low in-stock rates are detrimental to the high-margin front-end business, which relies heavily on consumers purchasing front-end merchandise while visiting the store to procure prescriptions. For example, consumers may visit a store to pick up their medication from the pharmacy, and in doing so, end up purchasing household or personal care products from the front end of the store. If those

household or personal care products are not in stock, then customers cannot purchase them. While the front-end business is historically lower volume, it is highly margin accretive. Accordingly, replenishing inventory—which, in turn, required increased liquidity—was critical to the Company's post-emergence business plan. However, the Company was unable to access the promised liquidity—and therefore, unable to replenish inventory—primarily because of two unanticipated challenges.

55. First, the Company's front-end vendors were unwilling to return to normalized trade terms following emergence, despite assurances that they would so do. During the 2023 Cases, the Company's vendors were supplying to the Company only on restrictive payment and trade terms, and many of these vendors required cash deposits in order to supply to the Company. This vendor contraction cumulatively resulted in an approximately $130 million impact to the Company's liquidity, compared to its liquidity position prior to filing the 2023 Cases. The Company understood that significant liquidity benefits would result from these vendors supplying to the Company on pre-filing trade terms post-emergence, as is customary upon a company's exit from chapter 11. Accordingly, during the 2023 Cases, and thereafter, the Company embarked on a months-long process to expand trade terms with vendors and realize the resulting liquidity benefits. By mid-July 2024, the Company and its advisors had contacted over 50 of its top front-end vendors for individualized discussions, educating these vendors through a comprehensive presentation on the enhanced liquidity position of the Company at emergence in an effort to persuade these vendors to commit to improved supply terms with the Company given its improved financial position at emergence.

56. These discussions were successful: by late June 2024, the Company had realized or received commitments in the amount of $44.2 million of incremental liquidity at emergence,

and was on pace to meet its goal of a total of $60 million committed working capital expansion prior to emergence. Based on this success, the Company's extensive discussions with its suppliers, and long history of negotiating supply terms with its vendors, the Company's post-emergence business plan was premised on the expectation that these vendors and others would return to pre-filing terms and return deposits provided in connection with the 2023 Cases, therefore resulting in $126 million in overall incremental liquidity from trade-term expansion by February 2025.

57. Despite these projections, many front-end vendors declined to provide ordinary trade credit on a post-emergence basis and held onto deposits, which has significantly hampered the Company's liquidity. In sum, by February 2024, the Company only realized approximately $46 million in total working capital expansion, falling far short of its well-tested assumptions and contrary to many assurances and historical data points. As discussed further below, the harm of restricted access to trade credit was compounded by changes in consumer behavior affecting the brick-and-mortar retail industry.

58. Second, the Company's liquidity position at emergence—and therefore its ability to build inventory quickly following emergence—was also impacted by a significant delay and reductions in amount of replacement letter of credit facilities. The Company began negotiating the terms of replacement letter of credit facilities with counterparties in March 2024, during the 2023 Cases, expecting that such facilities—and the associated liquidity benefits—would be in place at emergence. These negotiations were initially successful: the Company received three separate term sheets, across three financing providers or partners, contemplating an aggregate of $280 million in incremental liquidity from these replacement letter of credit transactions, each with assurances that these providers could close these facilities on expedited timelines. Importantly,

these transactions provided the Company with multiple options to close the transactions and access the full amount of liquidity contemplated by these term sheets.

59. Despite the assurances provided to the Company, negotiations with applicable counterparties were delayed and protracted, and in some cases, lenders who had executed term sheets walked away months after signing. The Company was thus unable to enter into any replacement letter of credit facilities except for the 1970 LC Facility, which was less than half the amount contemplated at emergence and did not close until November 2024, after the Company had already lost months of valuable time to right-size its inventory levels. Other counterparties that had committed to provide additional replacement letter of credit facilities declined to do so altogether.

60. The delayed timing and lost opportunity to reinvigorate the front-end business resulted in a permanent loss to front-end sales and gross margin. These negative effects were exacerbated by the time at which this delay and lost opportunity occurred—immediately ahead of the critical seasonal period when pharmacies typically have their highest sales volume. The Company experiences increased foot traffic in its stores from September through December each year due to customers visiting the pharmacy as a result of vaccine season (flu and COVID-19). The Company's business plan and historical performance included front-end purchases from these customers while visiting the store for their vaccines. In addition, this time period contains several key holidays and events (including Halloween, Thanksgiving, and Christmas) that typically drive foot traffic and, therefore, business in the front-end of the Company's stores. As a result, the Company's low front-end in-stock rates heading into September (*i.e.*, immediately after emergence on August 30, 2024), had a greater impact on sales volume than it would have at a different time of the year.

61. Compounding these challenges, the Company faced a structural shift in its market, primarily resulting from changed customer behavior. Rite Aid's customer demographic includes low- and fixed-income consumers. Historically, these customers visited Rite Aid to obtain prescription drugs and frequently used the opportunity to purchase high-margin household goods and other items from Rite Aid's front-end business. Upon emergence, however, customer purchases of these products from brick-and-mortar convenience stores waned significantly, as Rite Aid was viewed as a higher-cost provider of these items. Accordingly, Rite Aid was not able to sell the limited front-end inventory it did have consistent with historical sales volumes or margins, accentuating the Company's liquidity problems.

62. These setbacks created a perfect storm for Rite Aid. The liquidity generated by returning to favorable terms and receiving vendor deposits, as well as anticipated letter of credit replacement facilities, would have allowed the Company to better replenish its front-end inventory and improve in-stock rates. Without it, however, the Company's front-end business deteriorated, which in turn exacerbated the inability to restock shelves to normal levels and reinvigorate performance. The inability to increase high-margin front-end purchasing volumes and sales further impacted the Company's vendor relations, as the Company began to move backwards on vendor terms and was unable to take advantage of promotions and cash discounts that would have been earned if it was able to achieve a normalized volume of purchasing, putting further pressure on the Company's liquidity and financial performance relative to its business plan. As the Company's liquidity continued to deteriorate over time, vendors began to reimpose or further tighten trade terms in a vicious cycle, with many demanding cash on delivery or refusing to continue shipments to the Company altogether.

63. In addition to decreasing the Company's saleable products needed to generate revenue, low inventory rates reduced the Company's ability to borrow under the ABL Facility. The borrowing base under the ABL Facility is calculated based on specified "advance rates" against the liquidation value of, among other things, certain eligible inventory and accounts receivable. Thus, low inventory leads to decreased revenue and a decreased borrowing base, which in turn, leads to less ability to borrow the amounts necessary to replenish inventory and right-size the front-end business. The substantial negative impact of these inventory challenges on the Company's liquidity are reflected in the Company's declining borrowing base since emergence (as shown above). Prior to the 2023 Cases, the Company maintained average in-stock rates across its front-end business of 89%, which had dropped to 57% at the time of emergence. As of February 2025, the Company's in-stock rates had fallen to 55%. When combined with the other challenges and competitive pressures described herein, these inventory challenges set the Company on a negative trajectory that could not be turned around.

64. Rite Aid's deteriorating financial condition has also caused McKesson to tighten its credit terms. Just days before the Petition Date, McKesson notified Rite Aid that, because of Rite Aid's weakened financial condition, McKesson was requiring that Rite Aid pay for its pharmaceutical products within six days (rather than 10 days, as the parties previously agreed), and that the aggregate gross amount that Rite Aid could owe to McKesson for such products would be capped at $175 million (rather than $270 million, as previously agreed). After discussions with Rite Aid, McKesson agreed to slightly less restrictive terms—payment in seven days, and an accounts receivable cap of $200 million, with a $5 million step-down each day until the cap reached $175 million. But, while less restrictive than what McKesson initially demanded, the

revised payment terms remain significantly tighter than the terms Rite Aid has been operating under post-emergence.

C. Strategic Initiatives Since the 2023 Cases

65. The Company has sought to address these challenges through a variety of strategic initiatives. Following emergence and prior to the Petition Date, the Company, with the help of its advisors, implemented comprehensive cost-saving measures to further streamline operations and alleviate liquidity-related pressures. These measures included, among other things: (a) implementing reductions in workforce across discretionary departments, affecting approximately 2,119 employees in the aggregate; (b) implementing cost-saving policies across major spend areas such as fixed repair and maintenance, capital expenditures, and marketing expenses; (c) consolidating its distribution centers; (d) managing its supply chain to reduce freight, shipping, and distribution center handling costs; (e) actively managing labor hours; (f) closely managing working capital, cash flow, and liquidity to minimize impact on vendor and landlord relations; (g) implementing lease modifications and applying rent credits and abatements negotiated throughout the 2023 Cases; and (h) pursuing various organizational measures designed to reduce costs with respect to employee compensation. These initiatives were intended to alleviate the Company's ongoing liquidity constraints as it attempted to stabilize its operations and implement its turnaround business plan.

66. In addition, the Company has continued to work to rationalize its store footprint. Since emergence, the Company and its advisors have undertaken an intensive, store-level evaluation that tested the stores' financial performance, rent relative to market, remaining lease term, supply chain, and other operational and geographic considerations influencing the competitive landscape. In March 2025, the Company engaged consultants to provide advisory services in furtherance of the Company's comprehensive footprint evaluation. Once a store is

selected for closure, the applicable assets (primarily prescription files) are marketed to the Company's major competitors pursuant to a location closing auction process. As a result of these efforts, the Debtors sold and/or closed an additional 29 retail locations between emerging from the 2023 Cases and the Petition Date. The Debtors have entered into definitive purchase agreements for the prescription files of 63 additional stores. These sales will be consummated, and the applicable stores will be wound down, in the early stages of these chapter 11 cases.

67. As discussed further below, in anticipation of the chapter 11 sales process, the Company, with the assistance of its advisors, also identified 47 stores that it believes would yield limited to no value (after factoring in continued operating costs) in a competitive chapter 11 auction process. These stores were selected primarily based on three factors: (a) financial underperformance; (b) lack of proximity to major competitors (who would be likely purchasers of the store's assets in a competitive auction process); and (c) lack of interest expressed by potential purchasers during the prepetition sale process. The Company intends to wind down these stores pursuant to the relief sought in the Location Closing Motion.

D. Efforts to Obtain Incremental Liquidity; Credit Agreement Amendment; Consents Under the ABL Facility

68. In early 2025, the Company determined that it was at risk of breaching the Minimum ABL Availability Covenant. The Company promptly engaged with the Prepetition ABL Lenders, to amend the Prepetition Credit Agreement on January 14, 2025 (the "<u>Prepetition Credit Agreement Amendment</u>"), to provide for (a) incremental liquidity in the form of (i) step-down reductions in the Minimum ABL Availability Covenant from $225 million to $160 million from February 13, 2025, through July 22, 2025 (with such threshold increasing back to $225 million by December 23, 2025), and (ii) with the support of the majority of holders of Senior Secured Notes and equity holders, the release of up to $35 million from the CMSR

Escrow Account (as defined in the Plan) established under the Plan, with approximately $27,466,543 released on the effective date of the First Amendment and approximately $3.6 million released on February 27, 2025, (b) a reduction of the commitments under the ABL Facility to $1.9 billion, and (c) certain additional reporting obligations.

69. The financial reprieve granted by the Prepetition Credit Agreement Amendment was short lived—the extension of incremental liquidity was insufficient to restock front-end inventory and convince trade creditors to normalize trade terms. On February 24, 2025, the Company breached the modified Minimum ABL Availability Covenant, which gave rise to an event of default, triggering the Prepetition ABL Lenders' right to exercise remedies. The Company promptly re-engaged in discussions with the Prepetition ABL Lenders regarding the terms of a consent and waiver under the Prepetition Credit Agreement to provide stability for the Company as it explored its next steps. On February 28, 2025, the Company and the Prepetition ABL Lenders executed a Consent Under Credit Agreement (the "Original Consent"), pursuant to which the Prepetition ABL Lenders agreed to modify the Minimum ABL Availability Covenant through March 15, 2025. The Prepetition ABL Lenders conditioned their consent on the Company's agreement to, among other things, (a) comply with certain limitations on disbursements, (b) provide the Prepetition ABL Lenders with additional reporting, (c) develop and deliver a comprehensive business rationalization plan, and (d) retain an investment banker and location closing sales professionals to prepare for a potential sales process.

70. After executing the Original Consent, the Company and Prepetition ABL Lenders continued discussions regarding the Company's path forward. As the Company's liquidity situation continued to deteriorate, the Company and the Prepetition ABL Lenders began negotiating the terms of an amendment to the Original Consent that contemplated a potential sale

and orderly monetization of its assets in the event that the business was not sold as a going concern (or that there were unsold assets following a pre-filing sale process).

71. On March 11, 2025, the Company and the Prepetition ABL Agent entered into the Amended and Restated Consent Under Credit Agreement (the "First Amended Consent") to further modify the Minimum ABL Availability Covenant through March 14, 2025. The First Amended Consent imposed additional obligations on the Company, including to, among other things, (a) develop and deliver a strategic alternatives plan for the Company's business operations, including an orderly monetization of the Company's assets not sold pursuant to auctions, (b) continue to engage an investment banker, location closing sales professionals, and real estate advisors, (c) retain a chief transformation officer, and (d) implement certain governance changes in anticipation of a chapter 11 process.

72. To further ensure that the Company continued to receive ongoing funding to extend the Company's runway to conduct a value-maximizing sales process, the Company and the Prepetition ABL Agent executed a Second Amended and Restated Consent Under Credit Agreement (the "Second Amended Consent") on March 17, 2025, which provided relief from the Minimum ABL Availability Covenant through April 5, 2025, and thereafter, a Third Amended and Restated Consent Under the Credit Agreement (the "Third Amended Consent") on April 3, 2025, which provided relief from the Minimum ABL Availability Covenant through May 4, 2025. In addition to the covenants contained in the First Amended Consent, the Second Amended Consent and the Third Amended Consent imposed milestones with respect to a comprehensive sale and marketing process for the Company's businesses and assets.

E. Advisor Engagement

73. Beginning in March 2025, in connection with the amendments and consents described above, Rite Aid instructed its advisors to begin contingency planning and to facilitate

potential sales and/or location closing processes, including Paul, Weiss, Rifkind, Wharton & Garrison LLP and Cole Schotz LLP as restructuring counsel, and A&M as financial advisor. On March 12, 2025, I was appointed as Chief Transformation Officer for Rite Aid HoldCo and the Company entered into an engagement letter with A&M in connection with that appointment.

74. Rite Aid also retained A&G Realty Partners, LLC, which had served as an advisor to the Company in connection with its 2023 Cases, to market and sell certain of the Company's owned and leased real property.

75. On April 3, 2025, Rite Aid entered into a consulting agreement with a contractual joint venture (the "Consultants") formed by SB360 Capital Partners, LLC and Hilco Merchant Resources, LLC, pursuant to which the Consultants provide certain asset divestment and monetization advisory services. Rite Aid previously engaged the Consultants during the 2023 Cases to provide liquidation advisory services and to facilitate store closing and similarly themed sales for Rite Aid's closing stores. Accordingly, the Consultants are familiar with the Company's business, operations, inventory, and key stakeholders.

F. Corporate Governance Developments

76. In March 2025, as the Company's focus turned towards a comprehensive and value-maximizing sale process, and given the Company's financial condition, the HoldCo Board was reconstituted with new independent directors with restructuring expertise: Tim Pohl, Michael Wartell, and Scott Vogel. The HoldCo Board also determined that it was appropriate and in the Company's best interest to establish a special committee of the HoldCo Board (the "Special Committee"), which was vested with the power and authority of the HoldCo Board to plan for, negotiate, and evaluate potential strategic alternatives. The HoldCo Board appointed each of the Independent Directors to serve on the Special Committee.

G. Sales Process and Transactions

77. In March 2025, the Company retained Guggenheim Securities as its investment banker to assist with initiating a comprehensive marketing process for some or all of the Company's assets. By early April 2025, the Company and Guggenheim Securities had contacted 38 potentially interested parties regarding a potential sale transaction. Twenty-one of the contacted potential purchasers executed confidentiality agreements with the Debtors and 20 of those parties were provided access to a virtual data room that included extensive information on the relevant assets. By late April, the Company had received seven total indications of interest for certain assets. The Debtors' prepetition sale process is described in greater detail in the *Declaration of Adam Rifkin in Support of the Debtors' Bidding Procedures Motion*, filed contemporaneously herewith. The Company intends to complete and implement the sales process during the pendency of these chapter 11 cases.

78. The Company seeks to effectuate a prompt and orderly sale to protect vital interests. There is a limited market for some of the Debtors' most valuable assets, which, under applicable non-bankruptcy law, generally may only be sold to a licensed/registered pharmacy. As described

above, if potential acquirers see significant customer attrition, the recoverable value of the Debtors' assets may deteriorate quickly and precipitously, thereby irreparably harming the Debtors' estates to the ultimate detriment of the Debtors' creditors and other stakeholders. Furthermore, the proposed sale timeline will ensure the best continuity of pharmacy care by allowing the Debtors to facilitate the orderly transfer of prescription files to purchasers, which will further avoid irreparable harm.

IV. First Day Motions

79. The Debtors have filed First Day Motions seeking various relief to stabilize the Debtors' business operations, ensure a "smooth landing," and facilitate the efficient administration of these chapter 11 cases. A description of the relief requested in—and the facts supporting each First Day Motion—is set forth in **<u>Exhibit B</u>**.

80. I have consulted with the Debtors' advisors regarding each of the First Day Motions. The relief requested is necessary and in the best interests of the Debtors' estates, and it will allow the Debtors to operate with minimal disruption and maximize value during these chapter 11 cases. The Debtors have limited their requests for immediate relief to where the failure to receive such relief would cause immediate and irreparable harm to the estates.

A. Location Closing Motion

81. The Debtors commenced these chapter 11 cases to facilitate an orderly sale process, as well as maintain continuity of care for millions of pharmacy-care customers as Pharmacy Assets are and continue to be transitioned to alternative pharmacy providers. I believe conducting an efficient sale process in chapter 11 is the best option for all of the Debtors' stakeholders, including their customers, vendors, employees, and creditors. By continuing to operate their stores throughout the sale period, the Debtors will be able to continue filling prescriptions for millions

of customers, many of whom rely on the Debtors for their essential medications and health care needs.

1. Location Closing Process and Ordinary Course Prepetition Asset Sales

82. In the ordinary course of the Debtors' business, both prior to and following the 2023 Cases, the Debtors actively analyze and evaluate their retail store portfolio, including factors such as financial performance, rent relative to market, supply chain, and other operational and geographic considerations influencing the competitive landscape and profitability of a retail store. Based on such analysis, the Debtors may determine to close an underperforming store. In connection with closing a location, the Debtors will generally transfer (or "pour") prescription files and related records (collectively, "Pharmacy Assets") to nearby Rite Aid locations or sell such Pharmacy Assets to a third-party (non-Rite Aid) pharmacy, thereby maintaining continuity of care and minimizing disruptions to critical health services provided to pharmacy customers. With respect to sales to third parties, the Debtors generally solicit and award bids to and from applicable pharmacies based on geographic location of the applicable Rite Aid pharmacy. Since 2022, the Debtors (or their predecessors) have sold more than $500 million of Pharmacy Assets.[5]

83. Since emerging from the 2023 Cases, the Debtors have sold and/or transferred Pharmacy Assets associated with (and closed) approximately 29 retail stores in the ordinary course

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[5] During the 2023 Cases, the Debtors sold or wound down approximately 800 Rite Aid locations and consummated hundreds of Pharmacy Asset sales in connection therewith. During the 2023 Cases, the Debtors sold such Pharmacy Assets in the ordinary course and pursuant to the authority granted by the Court's orders approving the *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing and Approving the Conduct of Location Closing Sales, With Such Sales to Be Free and Clear of All Liens, Claims, and Encumbrances, and (II) Granting Related Relief*, Case No. 23-18993 (MBK) (Bankr. D.N.J.) [Docket No. 37], including the (a) *Interim Order (I) Authorizing and Approving the Conduct of Location Closing Sales, With Such Sales to Be Free and Clear of All Liens, Claims, and Encumbrances, and (II) Granting Related Relief*, Case No. 23-18993 (MBK) (Bankr. D.N.J.) (Oct. 17, 2023) [Docket No. 121], (b) *Final Order (I) Authorizing and Approving the Conduct of Location Closing Sales, With Such Sales to Be Free and Clear of All Liens, Claims, and Encumbrances, and (II) Granting Related Relief,* Case No. 23-18993 (MBK) (Bankr. D.N.J.) (Nov. 20, 2023) [Docket No. 709], and (c) *Amended Order (I) Authorizing and Approving the Conduct of Location Closing Sales, With Such Sales to Be Free and*

of business. As of the Petition Date, the Debtors have awarded bids for sales of Pharmacy Assets associated with approximately 60 locations, which sales are expected to close on a rolling basis in the weeks following the Petition Date. I understand that certain of these transactions are subject to final documentation and/or pending final regulatory approvals and waiting periods, and thereafter, the Debtors expect to consummate such sales of Pharmacy Assets and close the associated locations. The Debtors anticipate that approximately 27 of such transactions will close within 30 days following the Petition Date.

84. Pursuant to the Location Closing Motion, the Debtors are seeking authorization to conduct Location Closing Sales, including continuing to consummate sales of Pharmacy Assets in the ordinary course, in substantially the same manner as was done prior to, during, and following the 2023 Cases. The location closing process contemplates that the Debtors will: (a) either transfer Pharmacy Assets to nearby locations that will remain open until eventually being sold or closed or sell such Pharmacy Assets to another (non-Rite Aid) pharmacy; (b) sell Inventory located at Closing Locations through a strategic mark-down plan followed by a clearance sale of such Inventory or transfer Inventory to another location that would remain open for a longer duration during the Debtors' chapter 11 cases; and (c) sell any marketable, owned furniture, fixtures, and equipment located at Closing Locations. Following the sale (or transfer) of all or substantially all of their assets at a given location, the Debtors expect to close and vacate such location.

85. Prior to the Petition Date, and within the context of the Debtors' ongoing sale and marketing context, the Debtors identified a set of 47 Initial Closing Locations comprising locations where the closing process started prepetition and is ongoing, or is planned to start soon after the

Clear of All Liens, Claims, and Encumbrances, and (II) Granting Related Relief, Case No. 23-18993 (MBK) (Bankr. D.N.J.) (Jan. 29, 2024) [Docket No. 1648].

Petition Date, including in connection with ordinary course Pharmacy Asset sales or otherwise. Among other things, I believe the continuation and completion of ordinary course Pharmacy Asset sales and the Initial Location Closings will allow the Debtors to transfer prescriptions in bulk in an orderly and efficient manner that minimizes the risk of compromising an individual customer's access to medications and, more generally, disrupting pharmacy healthcare systems across the country. As discussed above, due to the practical realities of transferring prescription files and pharmacy care, as well as the scale of the Debtors' pharmacy business, the Debtors believe that an orderly process is necessary to facilitate successful transitions for their millions of pharmacy customers. I believe that consummation of ordinary course Pharmacy Asset sales without delay will maximize the chance that ***all*** pharmacy-care customers at the associated Closing Locations will have their prescriptions and services successfully transferred to another provider without interruption to care.

86. I further believe it is critical that the Debtors have the ability to conduct the Initial Location Closings and consummate ordinary course Pharmacy Asset sales at the very outset of these cases and without any delay in order to realize near-term liquidity improvements and related benefits and preserve and maximize the value of the Debtors' estates for the benefit of creditors. I believe that any interruption or delay in a retail or distribution center's location could cause the Debtors to incur incremental costs including those related to rent, labor, spoilage, and shrinkage, and defer the Debtors' ability to generate cash from the monetization of Closing Location Assets. Moreover, the Initial Closing Locations consist of underperforming locations that the Debtors have determined are unlikely to form part of any value-maximizing bids from potential third-party acquirors for substantially all of the Debtors' remaining assets. Any delay or interruption in the closing of the Initial Closing Locations may cause the Debtors to unnecessarily pay postpetition

rent and operational expenses at the Initial Closing Locations, whereas the timely continuation and completion of the closing of the Initial Closing Locations will improve near-term liquidity and allow the Debtors to focus on other initiatives.

87. For all of the foregoing reasons, I believe the relief requested in the Location Closing Motion, including approval of the Location Closing Sales, the Initial Location Closings, and continued consummation of ordinary course Pharmacy Asset sales is necessary to preserve the value of the Debtors' estates and maximize recoverable proceeds for creditors and should therefore be approved.

2. Assumption of the Consulting Agreement

88. The Debtors are also seeking to assume the Consulting Agreement pursuant to the Location Closing Motion. I believe that the Consulting Agreement will enable the Debtors to leverage the Consultants' experience, skills, resources, and familiarity with the Debtors' business to effectively and efficiently conduct the Location Closing Sales and maximize sale proceeds for the benefit of the Debtors' estates. Given the scale of the Debtors' operations, I believe that only nationally recognized retail advisory firms with extensive experience navigating complex financial situations, such as the Consultants, can oversee and assist management in implementing an orderly, efficient, and cost-effective asset divestment and monetization plan. Further, because the Consultants' fees are based, in part, on the success of the Location Closing Sales, I believe the Consultants are incentivized to maximize value for the Debtors' estates. Accordingly, I believe that the Debtors' entry into and assumption of the Consulting Agreement is a sound exercise of the Company's reasonable business judgment and is in the best interests of their estates.

89. I believe assuming the Consulting Agreement will allow the Debtors to utilize the logistical capabilities, experience, and resources of the Consultants in performing large-scale asset

divestment and monetization in a format that allows the Debtors to retain control and efficiently administer their estates. The Consultants assisted the Debtors in connection with the successful closure of over 430 stores in the 2023 Cases, and I believe that the Consultants' historical knowledge, expertise, and experience position them to deliver the best possible results to the Debtors for the benefit of their estates. Given the pace and scale of these chapter 11 cases and the Debtors' operations, I believe that the services provided by the Consultants pursuant to the Consulting Agreement are necessary for a seamless and efficient location closing process, to avoid immediate and irreparable harm to the Debtors' estates, and to maximize the value of the Debtors' saleable assets for the benefit of their estates.

3. Sale Guidelines

90. To facilitate the location closing sales process, the Debtors are seeking approval of the Sale Guidelines, which are further described in the Location Closing Motion and attached as Schedule 4 to the Interim Order. I have reviewed the Sale Guidelines and understand that they are substantially similar to the sale guidelines approved in retail bankruptcies around the United States, including those sale guidelines approved by this Court in the 2023 Cases. Based on my experience, I believe that implementing the Sale Guidelines will provide the best and most efficient means for the Debtors to divest and monetize their assets. Accordingly, I believe that the Court should approve the Sale Guidelines.

91. I also understand that certain states in which the Debtors operate have or may have Liquidation Sale Laws governing the conduct of location closing, liquidation, or other inventory clearance sales, which could hamper the Debtors' ability to efficiently conduct Location Closing Sales. Pursuant to the Location Closing Motion, the Debtors are seeking approval to conduct Location Closing Sales in accordance with the Sale Guidelines and where, and to the extent, such guidelines conflict with the Liquidation Sale Laws, have the Sale Guidelines control. In

connection therewith, the Debtors are also seeking approval of the Dispute Resolution Procedures to govern any disputes between the Debtors and any Governmental Units that may arise due to the Sale Guidelines and the alleged applicability of any Liquidation Sale Laws.

92. I further understand that certain of the Debtors' leases, subleases, licenses, or other agreements or documents governing the premises of the Closing Locations may contain provisions purporting to restrict or prohibit the Debtors from conducting, or otherwise impact the Debtors' ability to effectuate, the location closing, liquidation, or similar sales. I have been informed that such provisions have been held to be unenforceable in chapter 11 cases as they constitute an impermissible restraint on a debtor's ability to properly administer its reorganization case and maximize the value of its assets under section 363 of the Bankruptcy Code.

93. I have also been advised that certain states in which the Debtors operate have laws and regulations that require the Debtors to pay an employee substantially contemporaneously with his or her termination. I understand that the Debtors require relief from Fast Pay Laws given the number of employees who are anticipated to be terminated during the location closing process because the process of calculating individual payments upon termination, preparing each termination payment check, obtaining authorization for each such check, and then preparing each such check for mailing could easily take several days, making compliance with the Fast Pay Laws burdensome to the Debtors' estates, if not impossible.

94. For all of the foregoing reasons, I believe that forcing the Debtors to comply with the Liquidation Sale Laws, restrictive lease provisions, and Fast Pay Laws would negatively impact the location closing process and the Debtors' ability to maximize proceeds of such sales for the benefit of their estates. Accordingly, I believe that approval of the Sale Guidelines and other relief requested in the Location Closing Motion is necessary to preserve the value of the

Debtors' estates and maximize recoverable proceeds for creditors and should therefore be approved.

B. Proposed DIP Financing and Access to Cash Collateral

95. In the weeks leading up to the Petition Date, the Debtors and their advisors reviewed and analyzed the Debtors' anticipated liquidity needs to (a) support the Debtors' ongoing business operations through the orderly sale or transition of their customers' prescriptions to alternative pharmacy locations, (b) market and sell all or substantially all of the Debtors' assets, and (c) fund chapter 11 process costs. The Debtors used that analysis to negotiate the thirteen-week budget attached as Exhibit C to the proposed Interim Order with the Prepetition ABL Lenders (the "Initial Budget"). Those negotiations spanned multiple weeks and I believe that the DIP Facilities contain the best available terms to allow the Debtors to fund these chapter 11 cases, satisfy the liabilities set forth in the Initial Budget, and ensure the orderly sale or transfer of customer prescriptions to third-party pharmacy providers.

96. The Initial Budget contains projections of the Debtors' anticipated cash receipts and disbursements during the thirteen-week period following the Petition Date. The analysis takes into account a number of factors, including, but not limited to, the effect of the chapter 11 filings on the Debtors' business operations, the fees and interest expense associated with the DIP Facilities, restructuring costs (including professional fees and adequate protection payments), required operational payments, anticipated asset sale proceeds, and the potential contraction of trade credit or acceleration of certain liabilities arising from the commencement of these cases.

97. Prior to negotiating the DIP Facilities, the Debtors determined that they would require incremental liquidity in addition to operating receipts and asset sale proceeds to (a) fund postpetition operations and chapter 11 process costs, (b) conduct an orderly and value-maximizing for the benefit of their customers and other stakeholders, and (c) provide confidence to vendors,

customers, employees, and other constituencies that the Debtors will continue to meet their obligations as they come due while these chapter 11 cases are ongoing. Without this incremental liquidity, the Debtors' relationships with critical vendors and service providers would be at risk, as would the Debtors' ability to adequately compensate employees to maintain operations and their ability to ensure as many customers as possible preserve the ability to fill their prescriptions at local pharmacy locations. Absent sufficient liquidity to fulfill these obligations, the Debtors will almost certainly face customer attrition, disruption in the ability to transfer customer prescriptions in an orderly manner, and a precipitous drop in the value of the Debtors' assets.

98. The additional liquidity provided by the DIP Facilities and access to cash collateral is essential to the completion of the chapter 11 process, and the Company would suffer irreparable harm without access to the DIP Facilities, including if it is unable to access the DIP Facilities on an interim basis. Absent the DIP Facilities, the Debtors would suffer a further drop in inventory, added strain on their relationships with vendors and service providers, and disruptions to employee payments. A breakdown in operations during the chapter 11 cases would, in turn, cause the value realized in an asset sale to plummet and thereby impair any distribution to creditors. It would also amplify the attrition discussed above, as customers depart a pharmacy with insufficient funds to supply needed medication. And, for the reasons set forth above, this rapid attrition would likely increase the risk that the Debtors' pharmacy-care customers lack immediate access to medications they need.

1. The Debtors' Efforts to Secure DIP Financing

99. In pursuit of a comprehensive restructuring solution, the Debtors and certain of their key prepetition secured creditor constituencies engaged, over several months, in arm's-length negotiations concerning strategies to conduct value-maximizing sale transactions, including

postpetition financing and cash collateral arrangements. The DIP Facilities and the consensual cash collateral arrangements described in the DIP Motion are the product of these negotiations.

100. The Debtors, with the assistance of their advisors, engaged in discussions regarding postpetition financing with certain of their existing creditors. Although certain of these creditors were willing to explore providing incremental financing on a senior-secured basis (i.e., priming the Debtors' existing Prepetition Credit Agreement obligations), certain intercreditor and practical limitations prevented such discussions from progressing. Specifically, the Intercreditor Agreements prohibit holders of the Senior Secured Notes and McKesson, as applicable, from providing any debt with priming liens on the Prepetition Collateral without the consent of the Prepetition ABL Lenders. I understand that the Prepetition ABL Lenders were not willing or were otherwise unable to obtain requisite lender consent to allow third-party capital to prime the existing obligations under the Prepetition Credit Facilities (or to allow capital from non-Prepetition ABL Lenders to come in on a *pari passu* basis). Accordingly, the Debtors determined that obtaining incremental capital from parties other than the Prepetition ABL Lenders was not practicable.

101. Similar factors also created challenges for a potential third-party DIP financing. As mentioned, I understand that the Prepetition ABL Lenders were not willing or were otherwise unable to obtain requisite lender consent to allow third-party capital to prime, or come in on a *pari passu* basis with, the existing obligations under the Prepetition Credit Facilities. Additionally, the Prepetition Secured Parties[6] hold liens on substantially all of the Debtors' assets. Absent any material unencumbered assets, Debtors determined it would be impracticable to provide adequate protection under a non-consensual priming or *pari passu* DIP financing arrangement. As discussed

[6] The "Prepetition Secured Parties" means those holders of secured debt of Rite Aid Corporation, including the lenders under the Prepetition Credit Facilities, the holders of the Senior Secured Notes, and McKesson.

herein, the Prepetition ABL Lenders were unwilling to consent to a *pari passu* or priming DIP financing. Finally, the Debtors believed that if they were to pursue an exhaustive DIP financing marketing process, news of the bankruptcy would cause further customer attrition and deteriorate the value of the Debtors' business. Accordingly, while the Debtors considered pursuing a further marketing process for DIP financing from third-parties, ultimately the realities of the Debtors' business and capital structure would have rendered such efforts at best futile, and at worst, value-destructive.

102. The DIP Facilities also provide the Debtors with a number of material benefits that would likely be unavailable from a third-party financing provider, including (a) fees that are paid in kind instead of in cash, allowing the Debtors to preserve valuable liquidity to finance these chapter 11 cases and the sale process, (b) an interest rate on the DIP Facilities that is the same as the rate on the respective obligations under the Prepetition Credit Facilities, and the accrual of interest on the obligations under the Prepetition Credit Facilities that are rolled up into the DIP Facilities at the non-default rate, and (c) a 12-month tenor that provides sufficient runway to maximize value in the sale process. Entry into the DIP Facilities would also avoid a time-consuming and value-destructive litigation over adequate protection and the use of cash collateral with the Prepetition Secured Parties during the first days of the case when all of the Debtors' focus should be on the sale process.

103. Given these factors, the Debtors determined that potential alternate DIP financing proposals (if any) would either (a) fail to offer more Company-favorable terms than the DIP Facilities, (b) fail to comprehensively address the Debtors' postpetition funding needs, or (c) entail greater execution risk than the DIP Facilities, in particular because the Debtors' existing Prepetition ABL Lenders were unwilling to subordinate their liens and claims to such financings.

2. The Proposed DIP Facilities

104. As further described in the DIP Motion, the DIP Facilities consist of a senior secured superpriority asset-based facility in an aggregate principal amount of up to $1.94 billion, comprising the $1.7 billion DIP Revolving Facility and the $240 million DIP FILO Facility provided by the DIP Lenders. The DIP Facilities will support the Debtors' working capital and other funding needs similarly to the Prepetition Credit Facilities, which the DIP Facilities will refinance, and will provide certain material enhancements relative to the Prepetition Revolving Facility. On an interim basis, such refinancing will only occur on an incremental basis via a "creeping" roll-up, commensurate with the Roll-Up DIP Revolving Loans. Upon entry of the Final Order, any outstanding obligations under the prepetition ABL Facility will be converted into obligations under the DIP Revolving Facility and the DIP FILO Facility will refinance the Debtors' prepetition FILO Facility in full. The Interim Order also provides for (and the Final Order will provide for) the Debtors' consensual use of the Prepetition Secured Parties' Cash Collateral on the terms and subject to the conditions set forth in the DIP Orders.

105. The DIP Facilities have a tenor of 12 months. Also, as noted in the DIP Motion, (a) the DIP Revolving Facility provides for interest at a margin of 2.25% on alternate base rate borrowings and 3.25% on SOFR borrowings, with a 0.50% unused line fee, and a 1.00% upfront fee paid in kind, and (b) the DIP FILO Facility provides for interest at a margin of 4.25% on alternate base rate borrowings and 5.25% on SOFR borrowings, and a 1.50% upfront fee paid in kind. The interest rates under the DIP Facilities are the same as under the Company's Prepetition Credit Facilities. The DIP Facilities have an exit fee of 10% of the sum of the commitments under the DIP Revolving Facility and the commitments under the DIP FILO, in each case payable in cash only upon the earlier of the maturity date or the repayment of the obligations under the DIP

Facilities (including, in the case of DIP Revolving Loans, a permanent reduction in the underlying commitments).

106. Finally, as noted in the DIP Motion, holders of the Senior Secured Notes and McKesson are deemed to consent to the priming DIP liens under the applicable Intercreditor Agreements and thus, I understand that the Debtors are not seeking to grant priming liens on a non-consensual basis.

3. The Proposed DIP Facilities Are the Best Postpetition Financing Arrangement Presently Available to the Debtors

107. Based on my experience with debtor-in-possession financing transactions, as well as my involvement in the efforts to secure postpetition financing for the Debtors, the proposed DIP Facilities, taken as a whole, are, in my view, the best presently available financing option under the facts and circumstances of these chapter 11 cases.

108. First, the proposed DIP Facilities are expected to provide the Debtors with access to the amount of capital that the Debtors believe is necessary to effectively and efficiently administer these chapter 11 cases and fund necessary operations while the Debtors and advisors pursue sales of substantially all of the Debtors' assets.

109. Second, the terms of the proposed DIP Facilities are the result of extensive, good-faith negotiations. As previously noted, given the Prepetition Secured Parties' unwillingness to consent to any priming liens and the lack of value able to be provided as adequate protection, there were no other financing facilities that the Debtors deemed to be viable or on better terms (taken as a whole) than the DIP Facilities.

110. Third, the principal economic terms proposed under the DIP Facilities, such as the contemplated pricing, fees, interest rate, and default rate, are customary and usual for debtor-in-possession financings of this type. Further, the terms are consistent with those included in the DIP

financing approved in the 2023 Cases as well as the Prepetition Credit Facilities. In my view, based on the discussions I observed and participated in, such economic terms were negotiated at arm's length and are, in the aggregate, generally consistent with the cost of DIP financings in comparable circumstances.

4. The Proposed DIP Facilities Were Negotiated at Arm's Length

111. In the months leading up to the Petition Date, the Debtors and lenders under each of the ABL Facility and FILO Facility negotiated and entered into multiple consents and waivers to the Prepetition Credit Agreement (collectively, the "Consents"). The Consents were the result of hard-fought, arm's-length negotiations with milestones related to the ongoing marketing process, advisor retention, funding obligations, and trade counterparty negotiations, among others. While the Debtors and their advisors pursued potential alternative funding options for these chapter 11 cases, they simultaneously negotiated the DIP Facilities and the use of cash collateral over the course of approximately three weeks. In my view, based on the discussions I participated in and observed during the course of these negotiations, and my experience negotiating other DIP financings, these negotiations were conducted at arm's length. I also believe, based on my participation in such negotiations, that the DIP Facilities' principal economic terms are a material component of the overall terms that were specifically required by the DIP Lenders and the agent to the DIP Facilities in order to extend postpetition financing.

112. For the reasons stated above and based on my experience with DIP financing transactions, as well as my participation and involvement in review of postpetition financing alternatives for the Debtors, I believe that the proposed DIP Facilities offer the best presently available financing option for the Debtors under the facts and circumstances of these chapter 11 cases. Additionally, I believe that the principal economic terms proposed under the DIP Facilities

(such as the pricing, fees, and interest rate) are customary and usual for DIP financings of this type. In my view, based on the discussions I participated in and observed, they were negotiated at arm's length, and are, in the aggregate, generally consistent with the cost of DIP financings in comparable circumstances.

* * * * *

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing statements are true and correct to the best of my information and belief.

Dated: May 6, 2025

/s/ Marc Liebman
Marc Liebman
Chief Transformation Officer
New Rite Aid, LLC

Exhibit A

Corporate Structure Chart

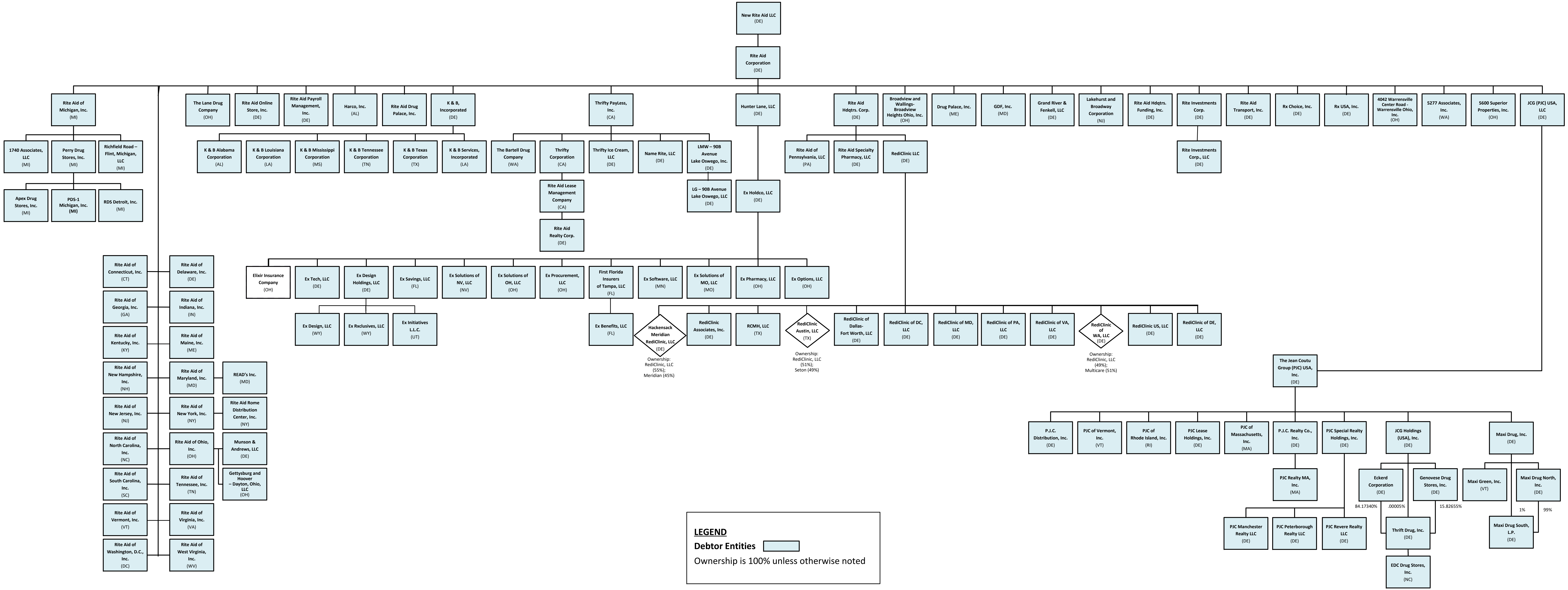
New Rite Aid LLC (DE)
Rite Aid Corporation (DE)
Rite Aid of Michigan, Inc. (MI)
1740 Associates, LLC (MI)
Perry Drug Stores, Inc. (MI)
Richfield Road – Flint, Michigan, LLC (MI)
Apex Drug Stores, Inc. (MI)
PDS-1 Michigan, Inc. (MI)
RDS Detroit, Inc. (MI)
Rite Aid of Connecticut, Inc. (CT)
Rite Aid of Delaware, Inc. (DE)
Rite Aid of Georgia, Inc. (GA)
Rite Aid of Indiana, Inc. (IN)
Rite Aid of Kentucky, Inc. (KY)
Rite Aid of Maine, Inc. (ME)
Rite Aid of New Hampshire, Inc. (NH)
Rite Aid of Maryland, Inc. (MD)
READ's Inc. (MD)
Rite Aid of New Jersey, Inc. (NJ)
Rite Aid of New York, Inc. (NY)
Rite Aid Rome Distribution Center, Inc. (NY)
Rite Aid of North Carolina, Inc. (NC)
Rite Aid of Ohio, Inc. (OH)
Munson & Andrews, LLC (DE)
Rite Aid of South Carolina, Inc. (SC)
Rite Aid of Tennessee, Inc. (TN)
Gettysburg and Hoover – Dayton, Ohio, LLC (OH)
Rite Aid of Vermont, Inc. (VT)
Rite Aid of Virginia, Inc. (VA)
Rite Aid of Washington, D.C., Inc. (DC)
Rite Aid of West Virginia, Inc. (WV)
The Lane Drug Company (OH)
Rite Aid Online Store, Inc. (DE)
Rite Aid Payroll Management, Inc. (DE)
Harco, Inc. (AL)
Rite Aid Drug Palace, Inc. (DE)
K & B, Incorporated (DE)
K & B Alabama Corporation (AL)
K & B Louisiana Corporation (LA)
K & B Mississippi Corporation (MS)
K & B Tennessee Corporation (TN)
K & B Texas Corporation (TX)
K & B Services, Incorporated (LA)
Thrifty PayLess, Inc. (CA)
The Bartell Drug Company (WA)
Thrifty Corporation (CA)
Thrifty Ice Cream, LLC (DE)
Name Rite, LLC (DE)
LMW – 90B Avenue Lake Oswego, Inc. (DE)
Rite Aid Lease Management Company (CA)
LG – 90B Avenue Lake Oswego, LLC (DE)
Rite Aid Realty Corp. (DE)
Hunter Lane, LLC (DE)
Ex Holdco, LLC (DE)
Elixir Insurance Company (OH)
Ex Tech, LLC (DE)
Ex Design Holdings, LLC (DE)
Ex Savings, LLC (FL)
Ex Solutions of NV, LLC (NV)
Ex Solutions of OH, LLC (OH)
Ex Procurement, LLC (OH)
First Florida Insurers of Tampa, LLC (FL)
Ex Software, LLC (MN)
Ex Solutions of MO, LLC (MO)
Ex Pharmacy, LLC (OH)
Ex Options, LLC (OH)
Ex Design, LLC (WY)
Ex Rxclusives, LLC (WY)
Ex Initiatives L.L.C. (UT)
Ex Benefits, LLC (FL)
Rite Aid Hdqtrs. Corp. (DE)
Rite Aid of Pennsylvania, LLC (PA)
Rite Aid Specialty Pharmacy, LLC (DE)
RediClinic LLC (DE)
Hackensack Meridian RediClinic, LLC (DE)
Ownership: RediClinic, LLC (55%); Meridian (45%)
RediClinic Associates, Inc. (DE)
RCMH, LLC (TX)
RediClinic Austin, LLC (TX)
Ownership: RediClinic, LLC (51%); Seton (49%)
RediClinic of Dallas-Fort Worth, LLC (DE)
RediClinic of DC, LLC (DE)
RediClinic of MD, LLC (DE)
RediClinic of PA, LLC (DE)
RediClinic of VA, LLC (DE)
RediClinic of WA, LLC (DE)
Ownership: RediClinic, LLC (49%); Multicare (51%)
RediClinic US, LLC (DE)
RediClinic of DE, LLC (DE)
Broadview and Wallings-Broadview Heights Ohio, Inc. (OH)
Drug Palace, Inc. (ME)
GDF, Inc. (MD)
Grand River & Fenkell, LLC (DE)
Lakehurst and Broadway Corporation (NJ)
Rite Aid Hdqtrs. Funding, Inc. (DE)
Rite Investments Corp. (DE)
Rite Investments Corp., LLC (DE)
Rite Aid Transport, Inc. (DE)
Rx Choice, Inc. (DE)
Rx USA, Inc. (DE)
4042 Warrensville Center Road - Warrensville Ohio, Inc. (OH)
5277 Associates, Inc. (WA)
5600 Superior Properties, Inc. (OH)
JCG (PJC) USA, LLC (DE)
The Jean Coutu Group (PJC) USA, Inc. (DE)
P.J.C. Distribution, Inc. (DE)
PJC of Vermont, Inc. (VT)
PJC of Rhode Island, Inc. (RI)
PJC Lease Holdings, Inc. (DE)
PJC of Massachusetts, Inc. (MA)
P.J.C. Realty Co., Inc. (DE)
PJC Special Realty Holdings, Inc. (DE)
JCG Holdings (USA), Inc. (DE)
Maxi Drug, Inc. (DE)
PJC Realty MA, Inc. (MA)
Eckerd Corporation (DE)
Genovese Drug Stores, Inc. (DE)
Maxi Green, Inc. (VT)
Maxi Drug North, Inc. (DE)
84.17340%
.00005%
15.82655%
1%
99%
PJC Manchester Realty LLC (DE)
PJC Peterborough Realty LLC (DE)
PJC Revere Realty LLC (DE)
Thrift Drug, Inc. (DE)
Maxi Drug South, L.P. (DE)
EDC Drug Stores, Inc. (NC)
LEGEND
Debtor Entities
Ownership is 100% unless otherwise noted

Exhibit B

Evidentiary Support for First Day Motions

Evidentiary Support for First Day Motions

1. Contemporaneously herewith, the Debtors have filed a number of First Day Motions seeking orders granting various forms of relief intended to stabilize the Debtors' business operations, facilitate the efficient administration of these chapter 11 cases, and effectuate a value-maximizing sales process. The First Day Motions include the following:[1]

- **Joint Administration Motion.** *Debtors' Motion for Entry of an Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief*;

- **Creditor Matrix Motion.** *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) File a Consolidated List of the Debtors' Fifty Largest Unsecured Creditors, (B) File a Consolidated List of Creditors in Lieu of Submitting a Separate Mailing Matrix for Each Debtor, (C) Redact Certain Personally Identifiable Information of Natural Persons, and (II) Granting Related Relief*;

- **Schedules/SOFAs Extension Motion.** *Debtors' Motion Seeking Entry of an Order Extending Time to (I) File Schedules of Assets and Liabilities, Schedules of Executory Contracts and Unexpired Leases, and Statements of Financial Affairs and (II) Granting Related Relief*;

- **Kroll 156(c) Retention Application.** *Debtors' Application for Entry of an Order (I) Authorizing the Appointment of Kroll Restructuring Administration LLC as Claims and Noticing Agent Effective as of the Petition Date and (II) Granting Related Relief*;

- **Cash Management Motion.** *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Continue to Operate Their Cash Management System, (B) Honor Certain Prepetition Obligations Related Thereto, (C) Maintain Existing Business Forms, and (D) Perform Intercompany Transactions and (II) Granting Related Relief*;

- **Wages Motion.** *Debtors' Motion for Entry* of Interim and Final Orders (I) Authorizing *the Debtors to (A) Pay Prepetition Associate Wages, Salaries, Other Compensation, and Reimbursable Associate Expenses and (B) Continue Associate Benefits Programs, and (II) Granting Related Relief*;

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[1] Capitalized terms used but not defined herein have the meaning ascribed to such terms in the *Declaration of Marc Liebman, Chief Transformation Officer of the Debtors, in Support of Debtors' Chapter 11 Petitions and First Day Motions* (the "First Day Declaration") to which this is attached as Exhibit B.

- **Insurance Motion.** *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Maintain Insurance and Surety Coverage Entered into Prepetition and Pay Related Prepetition Obligations, and (B) Renew, Supplement, Modify, or Purchase Insurance and Surety Coverage, and (II) Granting Related Relief*;

- **Critical Vendors Motion.** *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Pay Certain Prepetition Claims of Critical Vendors and (II) Granting Related Relief*;

- **Taxes Motion.** *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Payment of Certain Taxes and Fees and (II) Granting Related Relief*;

- **NOL Motion.** *Debtors' Motion for Entry of Interim and Final Orders (I) Approving Notification and Hearing Procedures for Certain Transfers of, and Declarations of Worthlessness with Respect to, Common Stock, and (II) Granting Related Relief*;

- **Claims Trading Motion.** *Debtors' Motion for Entry of Interim and Final Orders (I) Establishing a Record Date for Notice and Sell-Down Procedures for Trading in Certain Claims Against the Debtors' Estates, (II) Establishing Procedures for Notification and Trading in Certain Claims Against the Debtors' Estates, and (III) Granting Related Relief;*

- **Utilities Motion.** *Debtors' Motion for Entry of Interim and Final Orders (I) Approving the Debtors' Proposed Adequate Assurance of Payment for Future Utility Services, (II) Prohibiting Utility Providers from Altering, Refusing, or Discontinuing Services, (III) Approving the Debtors' Proposed Procedures* for *Resolving Adequate Assurance Requests, (IV) Authorizing Certain Fee Payments for Services Performed, and (V) Granting Related Relief*;

- **Customer Programs Motion.** *Debtors' Motion for Entry of an Order (I) Authorizing the Debtors to (A) Maintain and Administer Their Customer Programs, as Modified, and (B) Honor Certain Prepetition Obligations Related Thereto, and (II) Granting Related Relief*;

- **Lease Rejection Motion.** *Debtors' Motion for Entry of an Order (I) Authorizing (A) Rejection of Certain Executory Contracts and Unexpired Leases and (B) Abandonment of any Personal Property, Each Effective as of the Petition Date and (II) Granting Related Relief*;

- **Lease Rejection Procedures Motion.** *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing and Approving Procedures to Reject, Assume, or Assume and Assign Executory Contracts and Unexpired Leases and (II) Granting Related Relief*;

- **De Minimis Asset Procedures Motion.** *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing and Establishing Procedures for the De Minimis Asset Transactions, (II) Authorizing and Establishing Procedures for De Minimis Asset Abandonment, and (III) Approving the Form and Manner of the Notice of De Minimis Asset Transactions and Abandonment*.

- **Lease Auction Procedures Motion**. *Debtors' Motion for Entry of Interim and Final Orders (I) Establishing Procedures for the Sale of Certain Leases and Fee Owned Properties, and (II) Granting Related Relief.*

- **DIP Motion**. *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to (A) Obtain Postpetition Financing and (B) Utilize Cash Collateral, (II) Granting Liens and Superpriority Administrative Expense Claims, (III) Granting Adequate Protection, (IV) Modifying the Automatic Stay, (V) Scheduling a Final Hearing, and (VI) Granting Related Relief.*

- **Location Closing Motion.** *Debtors' Motion for Entry of Interim and Final Orders (I) Authorizing the Debtors to Assume and Perform Under the Consulting Agreement, (II) Authorizing and Approving the Sale of Closing Location Assets, With Such Sales to be Free and Clear of all Liens, Claims, and Encumbrances, and (III) Granting Related Relief.*

- **Bidding Procedures Motion**. *Debtors' Motion for Entry of an Order (I) Approving the Auction and Bidding Procedures, (II) Scheduling Certain Dates and Deadlines With Respect Thereto, (III) Approving the Form and Manner of Notice Thereof, (IV) Establishing Notice and Procedures for the Assumption and Assignment of Contracts and Leases, (V) Authorizing the Assumption and Assignment of Assumed Contracts, (VI) Authorizing (A) the Sale of Assets and (B) Shortened Notice With Respect Thereto, and (VII) Granting Related Relief.*

2. These First Day Motions seek authority to, among other things, honor employee-related wages and benefits obligations, pay claims of certain vendors and suppliers to ensure that the Debtors' business operations are not disrupted by the chapter 11 cases, and continue the Debtors' cash management system and other operations in the ordinary course of business with as minimal interruption as possible. Further, these First Day Motions seek approval of certain lease rejection, assumption and assumption and assignment procedures, and *de minimis* asset

procedures to facilitate the Debtors' sales and auction process. The Debtors have tailored their requests for immediate relief to those circumstances where the failure to receive such relief would cause immediate and irreparable harm to the Debtors and their estates. An immediate and orderly transition into chapter 11 is critical to the viability of the Debtors' operations while they conduct a sales process and any delay in granting the relief described in the First Day Motions would hinder the Debtors' operations and cause irreparable harm. The failure to receive the requested relief during the first 21 days of these chapter 11 cases would severely disrupt the Debtors' operations at this critical juncture.

3. I am familiar with the content and substance contained in each First Day Motion and believe that the relief sought in each motion (a) is necessary to enable the Debtors to operate in chapter 11 with minimal disruption or loss of productivity and value, (b) constitutes a critical element of the Debtors' sales process, and (c) best serves the Debtors' estates. I have reviewed each of the First Day Motions and the facts set forth therein are true and correct to the best of my knowledge. I incorporate the facts stated in each of the First Day Motions herein in their entirety by reference. If asked to testify as to the facts supporting each of the First Day Motions, I would testify to the facts as set forth in such motions.