

RITE AID CORP

Form S-4

August 18, 2003

As Filed with the Securities and Exchange Commission on August 15, 2003.

Registration Statement No. 333-

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SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM S-4  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  
RITE AID CORPORATION  
(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

5912  
(Primary Standard Industrial  
Classification Code Number)

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

30 Hunter Lane  
Camp Hill, Pennsylvania 17011  
(717) 761-2633  
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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Robert B. Sari, Esq.  
Senior Vice President, General Counsel and Secretary  
Rite Aid Corporation  
30 Hunter Lane  
Camp Hill, Pennsylvania 17011  
(717) 761-2633  
(717) 760-7867 (facsimile)  
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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*Copies of all communications to:*  
Stacy J. Kanter, Esq.  
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4 Times Square  
New York, New York 10036  
(212) 735-3000  
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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

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If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to Be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
9.25% Senior Notes due 2013	\$150,000,000	100%	\$150,000,000	\$12,135

(1)Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) promulgated under the Securities Act of 1933, as amended.

(2)Pursuant to Rule 457(d), the full amount of the filing fee due with respect to this registration statement is being paid by applying a portion of the \$334,000 filing fee paid in connection with our Form S-3 (file No. 333-70777) filed on January 17, 1999 and subsequently withdrawn.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to Section 8(a) may determine.

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the prospectus is in its final form. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer is not permitted.**

SUBJECT TO COMPLETION, DATED AUGUST 15, 2003

PROSPECTUS

RITE AID CORPORATION

**Offer to exchange \$150.0 million aggregate principal amount of 9.25% Senior Notes Due 2013 (which we refer to as the old notes) for \$150.0 million aggregate principal amount of 9.25% Senior Notes due 2013 (which we refer to as the new notes) which have been registered under the Securities Act of 1933, as amended.**

**The exchange offer will expire at 5:00 p.m., New York City time, on , 2003, unless we extend the exchange offer in our sole and absolute discretion.**

**Terms of the exchange offer:**

- We will exchange new notes for all outstanding old notes that are validly tendered and not withdrawn prior to the expiration or termination of the exchange offer.
  - You may withdraw tenders of old notes at any time prior to the expiration or termination of the exchange offer.
  - The terms of the new notes are substantially identical to those of the outstanding old notes, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes.
  - The exchange of old notes for new notes will not be a taxable transaction for U.S. federal income tax purposes, but you should see the discussion under the caption "Material Federal Income Tax Considerations" for more information.
    - We will not receive any proceeds from the exchange offer.
  - We issued the old notes in a transaction not requiring registration under the Securities Act, and as a result, their transfer is restricted. We are making the exchange offer to satisfy your registration rights, as a holder of the old notes.
- There is no established trading market for the new notes or the old notes.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes where such old notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, starting on the expiration date (as defined herein) and ending on the close of business 180 days after the expiration date, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution."

See "Risk Factors" beginning on page 13 for a discussion of risks you should consider prior to tendering your outstanding old notes for exchange.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is August , 2003.

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This prospectus incorporates by reference important business and financial information about us that is not included in or delivered with this document. Copies of this information are available without charge to any person to whom this prospectus is delivered, upon written or oral request. Written requests should be sent to:

Rite Aid Corporation  
 30 Hunter Lane  
 Camp Hill, Pennsylvania 17011  
 Attention: Investor Relations.

Oral requests should be made by telephoning (717) 761-2633.

**In order to obtain timely delivery, you must request the information no later than \_\_\_\_\_, 2003, which is five business days before the expiration date of the exchange offer.**

**Notwithstanding anything expressed or implied to the contrary in this prospectus and the documents referred to herein, the parties (and each employee, representative, or other agent of the parties) may disclose to any and all persons, without limitation of any kind, the tax treatment and any facts that may be relevant to the tax structure of the transaction, provided, however, that no party (and no employee, representative, or other agent thereof) shall disclose any other information that is not relevant to understanding the tax treatment and tax structure of the transaction (including the identity of any party and any information that could lead another to determine the identity of any party), or any other information to the extent that such disclosure could result in a violation of any federal or state securities law.**

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents we are incorporating by reference include forward-looking statements. These forward-looking statements are identified by terms and phrases such as "anticipate," "believe," "intend," "estimate," "expect," "continue," "should," "could," "may," "plan," "project," "predict," "will," and similar expressions and include references to assumptions and relate to our future prospects, developments and business strategies.

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

- our high level of indebtedness;
- our ability to make interest and principal payments on our debt and satisfy the other covenants contained in our senior secured credit facility and other debt agreements, including the indenture governing the new notes;
- our ability to improve the operating performance of our existing stores in accordance with our management's long term strategy;

- our ability to hire and retain pharmacists and other store personnel;
  - the outcomes of pending lawsuits and governmental investigations;
  - competitive pricing pressures and continued consolidation of the drugstore industry; and
- the efforts of third-party payors to reduce prescription drug costs, changes in state or federal legislation or regulations, the success of planned advertising and merchandising strategies, general economic conditions and inflation, interest rate movements, access to capital, and our relationships with our suppliers.

We undertake no obligation to revise the forward-looking statements included or incorporated by reference in this prospectus to reflect any future events or circumstances. Our actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences are discussed in this prospectus in the section titled "Risk Factors."

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## SUMMARY

The following information summarizes the detailed information and financial statements included elsewhere or incorporated by reference in this prospectus. We encourage you to read this entire prospectus carefully. Unless otherwise indicated or the context otherwise requires, dates in this prospectus that refer to a particular fiscal year (e.g., fiscal 2003) refer to the fiscal year ended on the Saturday closest to February 29 or March 1 of that year. The fiscal years ended March 1, 2003 and March 2, 2002 included 52 weeks. The fiscal year ended March 3, 2001 included 53 weeks. The fiscal years ended February 26, 2000 and February 27, 1999 included 52 weeks.

## Rite Aid Corporation

### Our Business

We are the third largest retail drugstore chain in the United States based on revenues and number of stores. As of May 31, 2003, we operated 3,396 drugstores in 28 states across the country and in the District of Columbia. During fiscal 2003 and our first quarter in fiscal 2004, we generated \$15.8 billion and \$4.0 billion in revenues. Since the beginning of fiscal 1997, we have relocated 980 stores, opened 476 new stores, remodeled 649 stores and closed or sold an additional 1,412 stores. As a result, we believe we have a modern store base.

In our stores, we sell prescription drugs and a wide assortment of other merchandise, which we call "front-end" products. In fiscal 2003, our pharmacists filled more than 200 million prescriptions, which accounted for approximately 63.2% of our total sales. In the first quarter of fiscal 2004, pharmacy sales accounted for 64.5% of our total sales. We believe that our pharmacy operations will continue to represent a significant part of our business due to favorable industry trends, including an aging population, increased life expectancy and the discovery of new and better drug therapies. We offer approximately 24,000 front-end products, including over-the-counter medications, health and beauty aids, personal care items, cosmetics, household items, beverages, convenience foods, greeting cards, seasonal merchandise and numerous other everyday and convenience products, as well as photo processing, which accounted for the remaining 36.8% and 35.5% of our total sales in fiscal 2003 and the first quarter of fiscal 2004. We distinguish our stores from other national chain drugstores, in part, through our private brands and our strategic alliance with General Nutrition Companies, Inc. ("GNC"), a leading retailer of vitamin and mineral supplements. We offer over 1,900 front-end products under the Rite Aid private brand, which contributed approximately 10.8% and 10.9% of our front-end sales in categories where private brand products are sold in fiscal 2003 and the first quarter of fiscal 2004.

### Background

Under prior management, we were engaged in an aggressive expansion program from the beginning of fiscal 1997 until 1999. During that period, we purchased 1,554 stores, relocated 866 stores, opened 445 new stores, remodeled 308 stores and acquired PCS Health Systems, Inc. These activities had a significant negative impact on our operating results and financial condition, severely strained our liquidity and increased our indebtedness to \$6.6 billion as of February 26, 2000, which contributed to our inability to access the financial markets. In October 1999, we announced that we had identified accounting irregularities and our former chairman and chief executive officer resigned. In November 1999, our former auditors resigned and withdrew their previously issued opinions on our financial statements for fiscal 1998 and fiscal 1999. We needed to restate our financial statements and develop accounting systems and controls that would allow us to manage our business and accurately report the results of our operations. In addition, the SEC and the U.S. Attorney for the Middle District of Pennsylvania began investigations into our affairs. Also, the complaint in a securities class action lawsuit, which had been filed against us in March 1999, was amended to include allegations based upon the accounting irregularities we had disclosed.

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In December 1999, a new management team was hired, and since that time we have been addressing our business, operational and financial challenges. In response to our situation, new management has:

• Reduced our indebtedness from \$6.6 billion as of February 26, 2000 to \$3.9 billion as of May 31, 2003;

• Restated our financial statements for fiscal 1998 and fiscal 1999, as well as engaged Deloitte & Touche LLP as our new auditors to audit our financial statements for fiscal years beginning with fiscal 1998;

• Settled the securities class action and related lawsuits in February 2002 for \$45.0 million, funded with insurance proceeds, and \$149.5 million of senior secured (shareholder) notes (which we redeemed in February 2003);

• Addressed and corrected problems with our accounting systems and controls, and resumed normal financial reporting;

• Implemented initiatives to improve all aspects of our supply chain, including buying practices, category management systems and other inventory issues;

- Addressed out-of-stock inventory levels and strengthened our vendor relationships; and
- Completed the refinancing of a substantial portion of our indebtedness.

Our Strengths

We believe that we are well-positioned to build on the significant investment in our modern store base by capitalizing on our competitive strengths, including the following:

*Strong Brand Name with Leading Shares in Key Markets*

• We are one of the nation's three largest drugstore chains with 3,396 stores as of May 31, 2003.

• We have a first or second market position in 74 of the 130 major U.S. metropolitan markets in which we operate.

• Our stores are primarily located in convenient locations within fast growing metropolitan markets.

- We believe that our brand name has helped us establish a large group of loyal customers.

*New Management Team Leading Operational Turnaround*

• We improved front-end same store sales growth from a negative 2.2% in fiscal 2000 to a positive rate of growth by improving store conditions and product pricing and launching a competitive marketing program.

• We have seen significant reductions in our net loss, which was \$1.6 billion for fiscal 2001 and \$112.1 million for fiscal 2003.

¶We curtailed our expansion plans and reduced our capital expenditures by approximately \$524.9 million from fiscal 2000 to fiscal 2003.

¶We have commenced, effective fiscal 2004, a program to develop 75 and 100 new and relocated stores for fiscal 2005 and 2006, respectively.

*Modern Store Base*

¶Since the beginning of fiscal 1997, we have opened 476 new stores, relocated 980 stores, remodeled 649 stores and closed or sold an additional 1,412 stores, providing us with a modern store base. Approximately 60% of our stores have been constructed, remodeled or relocated since the beginning of fiscal 1997.

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¶Most of our new stores include a drive-thru pharmacy, a one-hour photo shop and 990 include a GNC store-within-Rite Aid-store.

¶To support these new stores we have improved our distribution network by opening two high capacity distribution centers.

¶All of our stores are integrated into a common information system, which enables our pharmacists to fill prescriptions more accurately and efficiently and is designed to reduce chances of adverse drug interaction.

¶Each of our stores employs point-of-sale technology that facilitates inventory replenishment, sales analysis and recognition of customer trends.

*Compelling Industry Fundamentals and Demographic Trends*

¶Increasing life expectancy and the "baby boom" generation entering their fifties are expected to drive pharmacy sales. Based upon studies published by pharmacy benefit management companies and the Congressional Budget Office, management believes that pharmacy sales growth will increase at least 30% over the next three years.

¶Several factors will contribute to this continued growth in the pharmacy sector, including a record number of drugs in the FDA approval pipeline.

*Our Business Strategy*

Our strategy is to continue to focus on improving the productivity of our existing store base. We believe that improving the sales of our existing stores is important to achieving profitability and improving cash flow. To achieve this objective, we are implementing the following:

*Grow Our Pharmacy Prescription Count and Attract More Customers*

¶Continue the focus on generic prescriptions which are a value to the customer and more profitable for us;

¶Enable our pharmacists to work directly with customers through productivity improvements supported by technology such as automatic refill programs, our next generation pharmacy system and e-prescriptions;

- Purchase prescription files from independent pharmacists;

¶Attract new customers to our stores and increase sales per customer visit through various marketing strategies including weekly circulars, seasonal merchandising programs, cross-category merchandising and direct marketing efforts; and

¶Further enhance the store base through a program to develop new and relocated stores in our existing markets.

*Grow Front End Sales*

•

Improve inventory and product categories to offer more personalized products and services to our customers, including better management of seasonal items;

Enhance positive perceptions among customers through vendor promotions and weekly sales items;

Increase the emphasis on Rite Aid brand products to improve the customer value offering and improve our gross margin;

Continue to develop our GNC stores-within-Rite Aid stores and one-hour photo development departments;

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Increase ethnic product offerings targeted to selected markets to enhance front-end sales growth; and

Continue to strengthen our relationships with our suppliers in order to offer customers a wider selection of products and categories.

*Improve Customer Satisfaction With Focus on Service and Selection in Our Stores*

Implement programs that are specifically directed towards our pharmacy business, including our, "With Us, It's Personal" and "Ready When Promised" customer service campaigns, and competitively priced cash prescriptions and expand our third-party plan networks;

Improve customer loyalty by establishing a strong community presence, increasing promotional themes and exclusive offers, focusing on the attraction and retention of managed care customers and partnering with major drug suppliers to provide discount cards to senior citizens;

Continue to utilize mystery shoppers and customer communications to improve our customers' perception of us.

*Contain Expenses*

- Continue to execute our cost management programs;

Leverage our modern distribution facilities by utilizing new category management tools to optimize in-stock conditions and lower costs; and

Target expense areas with specific work plans for improvement and continuously monitor those work plans.

Recent Developments

On May 28, 2003, we announced that we replaced our senior secured credit facility with a new \$1.85 billion senior secured credit facility that consists of a \$1.15 billion term loan and a \$700.0 million revolving credit facility that matures in April 2008. Our obligations under the new credit facility are guaranteed by substantially all of our wholly owned subsidiaries that guaranteed our obligations under our former senior secured credit facility. These subsidiary guarantees are secured by a first priority security interest in substantially the same collateral that secured the guarantees under our former senior secured credit facility. The proceeds of the new credit facility were used to repay outstanding amounts under our former credit facility, to refinance our synthetic lease, and to replace our former revolving credit facility. On August 4, 2003, we amended and restated our new credit facility, which among other matters, resulted in a lower interest rate on the term loan borrowings under the facility. The interest rate on the term loan borrowings under the facility have been reduced by 0.5%.

On June 25, 2003, Mary F. Sammons, formerly our President and Chief Operating Officer, became our President and Chief Executive Officer at our annual meeting of stockholders. Robert G. Miller, formerly our Chairman and Chief Executive Officer, retained the position of Chairman. Mr. Miller will remain as Chairman until his term on our Board of Directors ends at our annual meeting in June 2005. At that time, the decision will be made regarding his standing for re-election to our Board.

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SUMMARY DESCRIPTION OF THE EXCHANGE OFFER

Old Notes	9.25% Senior Notes due 2013, which we issued on May 20, 2003.
New Notes	9.25% Senior Notes due 2013, the issuance of which has been registered under the Securities Act of 1933. The form and terms of the new notes are identical in all material respects to those of the old notes, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes.
Exchange Offer	We are offering to issue up to \$150.0 million aggregate principal amount of the new notes in exchange for a like principal amount of the old notes to satisfy our obligations under the registration rights agreement that we entered into when the old notes were issued in transactions in reliance upon the exemption from registration provided by Rule 144A and Regulation S of the Securities Act.
Expiration Date; Tenders	The exchange offer will expire at 5:00 p.m., New York City time, on _____, 2003, unless extended in our sole and absolute discretion. By tendering your old notes, you represent to us that:

- you are not our "affiliate," as defined in Rule 405 under the Securities Act;
- any new notes you receive in the exchange offer are being acquired by you in the ordinary course of your business;
- at the time of commencement of the exchange offer, neither you nor anyone receiving new notes from you, has any arrangement or understanding with any person to participate in the distribution, as defined in the Securities Act, of the new notes in violation of the Securities Act;
- you are not holding old notes that have, or are reasonably likely to have, the status of an unsold allotment in the initial offering;
- if you are not a participating broker-dealer, you are not engaged in, and do not intend to engage in, the distribution of the new notes, as defined in the Securities Act; and
- if you are a broker-dealer, you will receive the new notes for your own account in exchange for old notes that were acquired by you as a result of your market-making or other trading activities and that you will deliver a prospectus in connection with any resale of the new notes you receive.

For further information

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regarding resales of the new notes by participating broker-dealers, see the discussion under the caption "Plan of Distribution."

Withdrawal; Non-Acceptance

You may withdraw any old notes tendered in the exchange offer at any time prior to 5:00 p.m., New York City time, on \_\_\_\_\_, 2003. If we decide for any reason not to accept any old notes tendered for exchange, the old notes will be returned to the registered holder at our expense promptly after the expiration or termination of the exchange offer. In the case of the old notes tendered by book-entry transfer into the exchange agent's account at The Depository Trust Company, any withdrawn or unaccepted old notes will be credited to the tendering

holder's account at DTC. For further information regarding the withdrawal of tendered old notes, see the "The Exchange Offer—Terms of the Exchange Offer; Period for Tendering Old Notes" and the "The Exchange Offer—Withdrawal Rights."

Conditions to the Exchange Offer

The exchange offer is subject to customary conditions, which we may waive. See the discussion below under the caption "The Exchange Offer—Conditions to the Exchange Offer" for more information regarding the conditions to the exchange offer.

Procedures for Tendering the Old Notes

Unless you comply with the procedures described below under the caption "The Exchange Offer—Guaranteed Delivery Procedures", you must do one of the following on or prior to the expiration or termination of the exchange offer to participate in the exchange offer:

• tender your old notes by sending the certificates for your old notes, in proper form for transfer, a properly completed and duly executed letter of transmittal, with any required signature guarantees, and all other documents required by the letter of transmittal, to BNY Midwest Trust Company, as exchange agent, at one of the addresses listed below under the caption "The Exchange Offer—Exchange Agent," or

• tender your old notes by using the book-entry transfer procedures described below and transmitting a properly completed and duly executed letter of transmittal, with any required signature guarantees, or an agent's message instead of the letter of transmittal, to the exchange agent. In order for a book-entry transfer to constitute a valid tender of your old notes in the exchange offer, BNY Midwest Trust Company, as exchange agent, must receive a confirmation of book-entry transfer of your old notes into the exchange agent's account at DTC prior to the

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expiration or termination of the exchange offer. For more information regarding the use of book-entry transfer procedures, including a description of the required agent's message, see the discussion below under the caption "The Exchange Offer—Book-Entry Transfers."

Guaranteed Delivery Procedures

If you are a registered holder of old notes and wish to tender your old notes in the exchange offer, but

- the old notes are not immediately available,

time will not permit your old notes or other required documents to reach the exchange agent before the expiration or termination of the exchange offer, or

the procedure for book-entry transfer cannot be completed prior to the expiration or termination of the exchange offer,

then you may tender old notes by following the procedures described below under the caption "The Exchange Offer—Guaranteed Delivery Procedures."

Special Procedures for Beneficial Owners

If you are a beneficial owner whose old notes are registered in the name of the broker, dealer, commercial bank, trust company or other nominee and you wish to tender your old notes in the exchange offer, you should promptly contact the person in whose name the old notes are registered and instruct that person to tender on your behalf. If you wish to tender in the exchange offer on your behalf, prior to completing and executing the letter of transmittal and delivering your old notes, you must

	<p>either make appropriate arrangements to register ownership of the old notes in your name or obtain a properly completed bond power from the person in whose name the old notes are registered.</p>
Material Federal Income Tax Considerations	<p>The exchange of the old notes for new notes in the exchange offer will not be a taxable transaction for United States federal income tax purposes. See the discussion under the caption "Material Federal Income Tax Considerations" for more information regarding the tax consequences to you of the exchange offer.</p>
Use of Proceeds	<p>We will not receive any proceeds from the exchange offer.</p>
Exchange Agent	<p>BNY Midwest Trust Company is the exchange agent for the exchange offer. You can find the address and telephone number of the exchange agent below under the caption "The Exchange Offer—Exchange Agent."</p>

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Resales	<p>Based on interpretations by the staff of the SEC, as set forth in no-action letters issued to the third parties, we believe that the new notes you receive in the exchange offer may be offered for resale, resold or otherwise transferred without compliance with the registration and prospectus delivery provisions of the Securities Act. However, you will not be able to freely transfer the new notes if:</p> <ul style="list-style-type: none"><li>• you are our "affiliate," as defined in Rule 405 under the Securities Act;</li></ul> <p>• you are not acquiring the new notes in the exchange offer in the ordinary course of your business;</p> <p>• you have an arrangement or understanding with any person to participate in the distribution, as defined in the Securities Act, of the new notes, you will receive in the exchange offer;</p> <p>• you are holding old notes that have or are reasonably likely to have the status of an unsold allotment in the initial offering; or</p> <p>• you are a participating broker-dealer that received new notes for its own account in the exchange offer in exchange for old notes that were acquired as a result of market-making or other trading activities.</p>
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If you fall within one of the exceptions listed above, you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction involving the new notes. See the discussion below under the caption "The Exchange Offer—Procedures for Tendering Old Notes" for more information.

Broker-Dealer	<p>Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of new notes. The letter of transmittal states that by so acknowledging and delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may</p>
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be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for old notes which were received by such broker-dealer as a result of market making activities or other trading activities. We have agreed that for a period of up to 180 days after the expiration date, as defined in this prospectus, we will make this prospectus available to any broker-dealer for use in connection with any such resale. See "Plan of Distribution" for more information.

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#### Registration Rights Agreement

When we issued the old notes in May 2003, we entered into a registration rights agreement with the initial purchasers of the old notes. Under the terms of the registration rights agreement, we agreed to use our best efforts to file with the SEC and cause to become effective, a registration statement relating to an offer to exchange the old notes for the new notes.

If we do not consummate the exchange offer within 210 days of the date that we sold the old notes (May 20, 2003), the interest rate borne by the old notes will be increased at a rate of 0.25% per annum every 90 days (but shall not exceed 0.50% per annum) until the exchange offer is completed, or until the old notes are freely transferable under Rule 144 of the Securities Act.

Under some circumstances set forth in the registration rights agreement, holders of old notes, including holders who are not permitted to participate in the exchange offer or who may not freely sell new notes received in the exchange offer, may require us to file and cause to become effective, a shelf registration statement covering resales of the old notes by these holders.

A copy of the registration rights agreement is incorporated by reference as an exhibit to the registration statement of which this prospectus is a part.

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#### CONSEQUENCES OF NOT EXCHANGING OLD NOTES

If you do not exchange your old notes in the exchange offer, your old notes will continue to be subject to the restrictions on transfer described in the legend on the certificate for your old notes. In general, you may offer or sell your old notes only:

- if they are registered under the Securities Act and applicable state securities laws;
- if they are offered or sold under an exemption from registration under the Securities Act and applicable state securities laws; or
- if they are offered or sold in a transaction not subject to the Securities Act and applicable state securities laws.

We do not currently intend to register the old notes under the Securities Act. Under some circumstances, however, holders of the old notes, including holders who are not permitted to participate in the exchange offer or who may not freely resell new notes received in the exchange offer, may require us to file, and to cause to become effective, a shelf registration statement covering resales of old notes by these holders. For more information regarding the consequences of not tendering your old notes and our obligation to file a shelf registration statement, see "The Exchange Offer—Consequences of Exchanging or Failing to Exchange Old Notes" and "Description of the New Notes—Registration Rights Agreement and Additional Interest."

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## SUMMARY DESCRIPTION OF THE NEW NOTES

*The terms of the new notes and those of the outstanding old notes are substantially identical, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes. For a more complete understanding of the new notes, see "Description of the New Notes."*

Issuer	Rite Aid Corporation.
Securities	Up to \$150.0 million aggregate principal amount of 9.25% Senior Secured Notes due 2013.
Maturity Date	June 1, 2013.
Interest	We will pay interest on the new notes at the rate of 9.25% per year, payable in cash, on June 1 and December 15 of each year, beginning on December 1, 2003.
Mandatory Redemption	None.
Optional Redemption	<p>Prior to June 1, 2008, we may redeem some or all of the new notes by paying a "make-whole" premium based on U.S. Treasury rates. On or after June 1, 2008, we may redeem some or all of the new notes at the redemption prices listed under the heading "Description of the New Notes—Optional Redemption," plus accrued and unpaid interest to the date of redemption.</p> <p>In addition, at any time and from time to time, prior to June 1, 2007, we may redeem up to 35% of the original aggregate principal amount of the new notes with the net proceeds of one or more of our equity offerings at a redemption price of 109.25% of the principal amount plus accrued and unpaid interest, if any, to the date of redemption, provided that at least 65% of the original aggregate amount of the new notes remain issued and outstanding.</p>
Repurchase at Option of Holders Upon a Change in Control	<p>In the event of a change in control (as defined under the heading "Description of New Notes—Definitions"), each holder of new notes may require us to repurchase its new notes in whole or in part, at a repurchase price of 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date. See "Description of the New Notes—Repurchase at the Option of Holders Upon a Change of Control" and "Risk Factors—Risks Related to the Exchange Offer and Holding the New</p>

Ranking

Notes—We may be unable to purchase the new notes upon a change of control."

The new notes will be:

- unsecured, unsubordinated obligations of Rite Aid Corporation; and

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- equal in ranking with all of our existing and future unsecured, unsubordinated debt. Currently, all of our debt is senior debt.

Our subsidiaries conduct substantially all our operations and have significant liabilities, including trade payables. The new notes will be structurally subordinated to our substantial subsidiary liabilities, which include guarantees of our secured debt. In addition, the new notes will be effectively subordinated to any secured debt that Rite Aid Corporation issues in the future.

As of May 31, 2003,

the total outstanding debt of us and our subsidiaries (including current maturities and capital lease obligations, but excluding letters of credit) was approximately \$3.9 billion;

- none of our debt would have been subordinated to the new notes; and

the total outstanding debt of us and our subsidiaries that would be effectively senior to the notes would have been approximately \$2.0 billion.

Covenants

The indenture governing the new notes contains covenants that limit our ability and the ability of our restricted subsidiaries to, among other things:

- incur additional debt;
- to pay dividends or make other restricted payments;
- purchase, redeem or retire capital stock or subordinated debt;
  - make asset sales;
  - enter into transactions with affiliates;
    - incur liens;
  - enter into sale-leaseback transactions;
  - provide subsidiary guarantees;
  - make investments; and
- merge or consolidate with any other person.

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## RISK FACTORS

You should consider carefully the following factors, as well as the other information set forth or incorporated by reference in this prospectus, before tendering your old notes in the exchange offer. When we use the term "notes" in this prospectus, the term includes the old notes and the new notes.

### Risks Related to the Exchange Offer and Holding the New Notes

Holders who fail to exchange their old notes will continue to be subject to restrictions on transfer.

If you do not exchange your old notes for new notes in the exchange offer, you will continue to be subject to the restrictions on transfer of your old notes described in the legend on the certificates for your old notes. The restrictions

on transfer of your old notes arise because we issued the old notes under exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, you may only offer or sell the old notes if they are registered under the Securities Act and applicable state securities laws, or offered and sold under an exemption from these requirements. We do not plan to register the old notes under the Securities Act. For further information regarding the consequences of tendering your old notes in the exchange offer, see the discussions below under the captions "The Exchange Offer—Consequences of Exchanging or Failing to Exchange Old Notes" and "Material Federal Income Tax Considerations."

You must comply with the exchange offer procedures in order to receive new, freely tradable new notes.

Delivery of new notes in exchange for old notes tendered and accepted for exchange pursuant to the exchange offer will be made only after timely receipt by the exchange agent of the following:

- certificates for old notes or a book-entry confirmation of a book-entry transfer of old notes into the Exchange Agent's account at DTC, New York, New York as depository, including an Agent's Message (as defined herein) if the tendering holder does not deliver a letter of transmittal;
- a completed and signed letter of transmittal (or facsimile thereof), with any required signature guarantees, or an Agent's Message in lieu of the letter of transmittal; and
- any other documents required by the letter of transmittal.

Therefore, holders of old notes who would like to tender old notes in exchange for new notes should be sure to allow enough time for the old notes to be delivered on time. We are not required to notify you of defects or irregularities in tenders of old notes for exchange. Old notes that are not tendered or that are tendered but we do not accept for exchange will, following consummation of the exchange offer, continue to be subject to the existing transfer restrictions under the Securities Act and, upon consummation of the exchange offer, certain registration and other rights under the registration rights agreement will terminate. See "The Exchange Offer—Procedures for Tendering Old Notes" and "The Exchange Offer—Consequences of Exchanging or Failing to Exchange Old Notes."

Some holders who exchange their old notes may be deemed to be underwriters and these holders will be required to comply with the registration and prospectus delivery requirements in connection with any resale transaction.

If you exchange your old notes in the exchange offer for the purpose of participating in a distribution of the new notes, you may be deemed to have received restricted securities and, if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

There is no established trading market for the new notes and you may find it difficult to sell your new notes.

There is no existing trading market for the new notes. We do not intend to apply for listing or quotation of the new notes on any exchange. Therefore, we do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be, nor can

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we make any assurances regarding the ability of new note holders to sell their new notes, the amount of new notes to be outstanding following the exchange offer or the price at which the new notes might be sold. As a result, the market price of the new notes could be adversely affected. Historically, the market for non-investment grade debt, such as the new notes, has been subject to disruptions that have caused substantial volatility in the prices of such securities. Any such disruptions may have an adverse affect on holders of the new notes.

*The new notes will be effectively subordinated to our secured debt and the liabilities of our subsidiaries, and if a default occurs, we may not have sufficient funds to satisfy our obligations under the new notes.*

The new notes will be our general unsecured unsubordinated obligations that rank equal in right of payment with all of our existing and future unsecured and unsubordinated debt. The new notes will be effectively subordinate to all of our secured debt with respect to the right to be satisfied from the assets that secure such secured debt as collateral. Also, the notes are structurally subordinated to all obligations of our subsidiaries. As of May 31, 2003, the total outstanding debt of us and our subsidiaries (including current maturities and capital lease obligations but excluding letters of credit) was approximately \$3.9 billion. The total outstanding debt of us and our subsidiaries that would be effectively senior to the new notes was \$2.0 billion.

We are a holding company with no direct operations. Our principal assets are the equity interests we hold in our operating subsidiaries. As a result, we are dependent upon dividends and other payments from our subsidiaries to generate the funds necessary to meet our outstanding debt. Our subsidiaries are legally distinct from us and have no obligation to pay amounts due on our debt or to make funds available to us for such payment. Accordingly our debt that is not guaranteed by our subsidiaries, including the notes, is structurally subordinated to the debt and other liabilities of our subsidiaries.

Holders of the new notes will be creditors of Rite Aid Corporation and not our subsidiaries. The ability of our creditors, including you, to participate in any distribution of assets of any of our subsidiaries, upon liquidation or bankruptcy will be subject to the prior claims of that subsidiary's creditors, including trade creditors, and any prior or equal claim of any equity holder of that subsidiary. As a result, you may receive less, proportionately, than our secured creditors and the creditors of our subsidiaries.

We may be unable to purchase the new notes upon a change of control.

Upon a change of control event, we would be required to offer to purchase the new notes for cash at a price equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any. The change of control provisions of the new notes may not protect you if we undergo a highly leveraged transaction, reorganization, restructuring, merger or similar transaction that may adversely affect you unless the transaction is included within the definition of a change of control.

Our new senior secured credit facility provides that the occurrence of certain events that would constitute a change in control for the purposes of the indenture governing the new notes constitutes a default under such facility. Much of our other debt also requires us to repurchase such debt upon an event that would constitute a change in control for the purposes of the new notes. Other future debt may contain prohibitions of events that would constitute a change in control or would require such debt to be repurchased upon a change in control. Moreover, the exercise by holders of new notes of their right to require us to repurchase their new notes could cause a default under our existing or future debt, even if the change in control itself does not result in a default under existing or future debt, due to the financial effect of such repurchase on us. Finally, our ability to pay cash to holders of new notes upon a repurchase may be limited by our financial resources at the time of such repurchase. Therefore, we cannot assure you that sufficient funds will be available when necessary to make any required repurchases. Our failure to purchase new notes in connection with a change in control would result in a default under the indenture governing the new notes. Such a default would, in turn, constitute a default under much of our existing debt, and may constitute a default under future debt as well.

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#### Risks Related to our Financial Condition

We are highly leveraged. Our substantial indebtedness will severely limit cash flow available for our operations and could adversely affect our ability to service debt or obtain additional financing if necessary.

We had, as of May 31, 2003, \$3.9 billion of outstanding indebtedness and stockholders' deficit of \$140.6 million. We also had additional borrowing capacity under our revolving credit facility of \$576.5 million at that time, net of



outstanding letters of credit of \$123.5 million. Our debt obligations adversely affect our operations in a number of ways and, while we believe we have adequate sources of liquidity to meet our anticipated annual requirements for working capital, debt service and capital expenditures through the end of fiscal year 2004, there can be no assurance that our cash flow from operations will be sufficient to service our debt, which may require us to borrow additional funds for that purpose, restructure or otherwise refinance our debt. Our earnings were insufficient to cover our fixed charges for fiscal 2003 by \$203.9 million and for the first quarter of fiscal 2004 by \$38.9 million. It was also necessary for us to supplement our cash from operations with borrowings under our then existing senior secured credit facility for our 2001 and 2000 fiscal years.

Our high level of indebtedness will continue to restrict our operations. Among other things, our indebtedness will:

- limit our ability to obtain additional financing;
- limit our flexibility in planning for, or reacting to, changes in the markets in which we compete;
- place us at a competitive disadvantage relative to our competitors with less indebtedness;
- render us more vulnerable to general adverse economic and industry conditions; and
- require us to dedicate a substantial portion of our cash flow to service our debt.

Our ability to make payments on our debt depends upon our ability to substantially improve our future operating performance, which is subject to general economic and competitive conditions and to financial, business and other factors, many of which we cannot control. If our cash flow from our operating activities is insufficient, we may take certain actions, including delaying or reducing capital or other expenditures, attempting to restructure or refinance our debt, selling assets or operations or seeking additional equity capital. We may be unable to take any of these actions on satisfactory terms or in a timely manner. Further, any of these actions may not be sufficient to allow us to service our debt obligations or may have an adverse impact on our business. Our existing debt agreements limit our ability to take certain of these actions. Our failure to earn enough to pay our debts or to successfully undertake any of these actions could have a material adverse effect on us.

Some of our debt, including borrowings under our new senior secured credit facility, is based upon variable rates of interest, which could result in higher interest expense in the event of increases in interest rates.

Approximately \$1.2 billion, or 29.1% of our outstanding indebtedness as of May 31, 2003 bears an interest rate that varies depending upon LIBOR. If we borrow additional amounts under our new senior secured credit facility, the interest rate on those borrowings will vary depending upon LIBOR. If LIBOR rises, the interest rates on this outstanding debt will also increase. Therefore an increase in LIBOR would increase our interest payment obligations under these outstanding loans and have a negative effect on our cash flow and financial condition.

The covenants in our outstanding indebtedness, including the indenture governing the new notes, impose restrictions that may limit our operating and financial flexibility.

The covenants in the instruments that govern our outstanding indebtedness restrict our ability to:

- incur liens and debt;
- pay dividends;
- make redemptions and repurchases of capital stock;
- make loans, investments and capital expenditures;
- prepay, redeem or repurchase debt;
- engage in mergers, consolidations, assets dispositions, sale-leaseback transactions and affiliate transactions;
- change our business;
- amend some of our debt and other material agreements;

- issue and sell capital stock of subsidiaries;
- restrict distributions from subsidiaries; and
- grant negative pledges to other creditors.

If we are unable to meet the terms of the financial covenants or if we breach any of these covenants, a default could result under one or more of these agreements. A default, if not waived by our lenders, could result in the acceleration of our outstanding indebtedness and cause our debt to become immediately due and payable. If acceleration occurs, we would not be able to repay our debt and it is unlikely that we would be able to borrow sufficient additional funds to refinance such debt. Even if new financing is made available to us, it may not be available on terms acceptable to us.

If we obtain modifications of our agreements or are required to obtain waivers of defaults, we may incur significant fees and transaction costs. In fiscal 2003, as well as in fiscal 2002 and 2001, we modified certain covenants contained in our then existing senior secured credit facility and loan agreements. In fiscal 2000, we obtained waivers of compliance contained in our credit facilities and public indentures. In connection with obtaining these modifications and waivers, we paid significant fees and transaction costs.

### Risks Related to our Operations

Major lawsuits have been brought against us and certain of our subsidiaries, and there are currently pending both civil and criminal investigations by the United States Attorney. In addition to any fines or damages that we might have to pay, any criminal conviction against us may result in the loss of licenses and contracts that are material to the conduct of our business, which would have a negative effect on our results of operations, financial condition and cash flows.

There are several major ongoing lawsuits and investigations in which we are involved. While some of these lawsuits have been settled, pending court approval or appeal, we are unable to predict the outcome of any of these matters at this time. If any of these cases result in a substantial monetary judgment against us or are settled on unfavorable terms, our results of operations, financial condition and cash flows could be materially adversely affected.

There are currently pending both civil and criminal governmental investigations by the United States Attorney concerning our operations under prior management and other matters. Settlement discussions have begun with the United States Attorney for the Middle District of Pennsylvania, who has proposed that the government would not institute any criminal proceeding against us if we enter into a consent judgment providing for a civil penalty payable over a period of years. The amount of the civil penalty has not been agreed to and there can be no assurance that a settlement will be reached or that the amount of such penalty will not have a material adverse effect on our financial condition and results of operations. We recorded an accrual of \$20.0 million in fiscal 2003 in connection with the resolution of these matters; however, we may incur charges in excess of that amount and we are unable to estimate the possible range of loss. We will continue to evaluate our estimate and to the extent that additional information arises or our strategy changes, we will adjust our accrual accordingly.

If we were convicted of any crime, certain licenses and government contracts, such as Medicaid plan reimbursement agreements, that are material to our operations may be revoked, which would

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have a material adverse effect on our results of operations and financial condition. In addition, substantial penalties, damages, or other monetary remedies assessed against us could also have a material adverse effect on our results of operations, financial condition and cash flows.

Given the size and nature of our business, we are subject from time to time to various lawsuits which, depending on their outcome, may have a negative impact on our results of operations, financial condition and cash flows.

We are substantially dependent on a single supplier of pharmaceutical products to sell products to us on satisfactory terms. A disruption in this relationship would have a negative effect on our results of operations, financial condition and cash flow.

We obtain approximately 90% of our pharmaceutical products from a single supplier, McKesson Corp. ("McKesson"), pursuant to a contract that runs until April 2004. Pharmacy sales represented approximately 63.2% of our total sales during fiscal 2003 and 64.5% of our total sales during the first quarter of fiscal 2004, and, therefore, our relationship with McKesson is important to us. Any significant disruptions in our relationship with McKesson would make it difficult for us to continue to operate our business, and would have a material adverse effect on our results of operations, financial condition and cash flows.

We need to continue to improve our operations in order to improve our financial condition, but our operations will not improve if we cannot continue to effectively implement our business strategy or if they are negatively affected by general economic conditions.

Our operations during fiscal 2000 were adversely affected by a number of factors, including our financial difficulties, inventory shortages, allegations of violations of the law, including drug pricing issues, disputes with suppliers and uncertainties regarding our ability to produce audited financial statements. To improve operations, new management developed and in fiscal 2001 began implementing and continues to implement a business strategy to improve our stores and enhance our relationships with our customers by improving the pricing of products, providing more consistent advertising through weekly circulars, eliminating inventory shortages and out-dated inventory, strengthening our relationships with our vendors, developing programs intended to provide better customer service, purchasing prescription files and other means.

Since the beginning of fiscal 1997, we have relocated 980 stores, remodeled 649 stores, opened 476 new stores and closed or sold an additional 1,412 stores. These new, relocated and remodeled stores represented approximately 60% of our total stores at May 31, 2003. Although this substantial investment made in our store base over the last seven years has given us a modern store base, our store base has not yet achieved a level of sales productivity comparable to our major competitors. Accordingly, many of our new and relocated stores have not developed a critical mass of customers needed to achieve profitability. Our long term business strategy is to focus on improving the productivity of our existing store base. We believe that improving the sales of existing stores is important to achieving profitability and continuing to improve operating cash flow.

If we are not successful in implementing our business strategy, or if our business strategy is not effective, we may not be able to continue to improve our operations. In addition, any adverse change in general economic conditions can adversely affect consumer buying practices and reduce our sales of front-end products, which are our higher margin products, and cause a proportionately greater decrease in our profitability. Failure to continue to improve operations or a decline in general economic conditions would adversely affect our results of operations, financial condition and cash flows and our ability to make principal or interest payments on our debt.

We are dependent on our management team and the loss of their services could have a material adverse effect on our business and the results of our operations or financial condition.

The success of our business is materially dependent upon the continued services of our executive management team. The loss of key personnel could have a material adverse effect on the results of our operations, financial condition and cash flows. Additionally, we cannot assure you that we will be able to attract or retain other skilled personnel in the future.

On June 25, 2003, Mary F. Sammons, formerly our President and Chief Operating Officer, became our President and Chief Executive Officer. Robert G. Miller, formerly our Chairman and Chief Executive Officer, retained the position of Chairman.

Terrorist attacks, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and other attacks or acts of war may adversely affect the markets in which we operate, our operations and our profitability.

The attacks of September 11, 2001 and subsequent events, including the current military action in Iraq, have caused instability in the United States and other financial markets and have led, and may continue to lead to, further armed hostilities, prolonged military action in Iraq or further acts of terrorism in the United States or abroad, which could cause further instability in financial markets and reduced consumer confidence. The threat of terrorist attacks, the current military action in Iraq and other related developments may adversely affect prevailing economic conditions, resulting in reduced consumer spending and reduced sales in our stores. These developments will subject us to increased risks and, depending on their magnitude, could have a material adverse effect on our business.

#### Risks Related to our Industry

The markets in which we operate are very competitive and further increases in competition could adversely affect us.

We face intense competition with local, regional and national companies, including other drugstore chains, independently owned drugstores, supermarkets, mass merchandisers, discount stores and mail order pharmacies. We may not be able to effectively compete against them because our existing or potential competitors may have financial and other resources that are superior to ours. In addition, we may be at a competitive disadvantage because we are more highly leveraged than our competitors. Because many of our stores are new, their ability to achieve profitability depends on their ability to achieve a critical mass of customers. While customer growth is often achieved through purchases of prescription files from existing pharmacies, our ability to achieve this critical mass through purchases of prescription files could be confined by liquidity constraints. Although in the past our competitiveness has been adversely affected by problems with inventory shortages, uncompetitive pricing and custome