

DUANE READE INC
Form 424B3
July 31, 2002

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As Filed Pursuant to Rule 424(b)(3)
Registration No. 333-91008

PROSPECTUS

\$381,488,000

Senior Convertible Notes due 2022

The Notes

This prospectus covers resales by holders of our Senior Convertible Notes due 2022 and shares of our common stock into which the notes are convertible. We will not receive any proceeds from the resale of the notes or the common stock hereunder. Interest on the notes is payable semiannually in arrears on April 16 and October 16 of each year at the rate of 2.1478% per year on the principal amount at maturity, beginning October 16, 2002 until April 16, 2007. After that date, we will not pay cash interest on the notes prior to maturity. Instead, on April 16, 2022, the maturity date of the notes, a holder will receive \$1,000 per note. The rate of accrual of original issue discount represents a yield to maturity of 3.75% per year, computed on a semiannual bond equivalent basis and calculated from April 16, 2007. The notes are senior unsecured obligations and rank equally with our existing and future senior unsecured indebtedness. Each of our domestic subsidiaries, including any person that becomes a domestic subsidiary, guarantees the notes on an unsecured senior basis for so long as the subsidiary is a guarantor of any of our other indebtedness.

Convertibility of the Notes

Holders may convert their notes into 14.1265 shares of our common stock, subject to adjustment, only if (1) the sale price of our common stock reaches, or the trading price of the notes falls below, specified thresholds, (2) the notes are called for redemption, or (3) specified corporate transactions have occurred. Upon conversion, we will have the right to deliver, in lieu of our common stock, cash or a combination of cash and common stock in an amount described herein. Our common stock currently trades on The New York Stock Exchange under the symbol "DRD." On July 26, 2002, the last reported sale price of the common stock on the NYSE was \$15.20 per share.

Purchase of the Notes by the Company at the Option of the Holder

Holders may require us to purchase all or a portion of their notes on April 16, 2007 at a price of \$572.76 per note plus accrued cash interest, if any, on April 16, 2012 at a price of \$689.68 per note plus accrued cash interest, if any, and on April 16, 2017 at a price of \$830.47 per note plus accrued cash interest, if any. We may choose to pay the purchase price of their notes in cash or common stock or a combination of cash and common stock. In addition, if we experience a change in control, each holder may require us to purchase for cash all or a portion of such holder's notes at a price equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, to the date of purchase.

Redemption of the Notes at Our Option

We may redeem for cash all or a portion of the notes at any time on or after April 16, 2007, at a price equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, to the redemption date.

Prior to this offering, the notes have been eligible for trading on the PORTAL Market of the Nasdaq Stock Market. The notes sold by means of this prospectus are not expected to remain eligible for trading on the PORTAL Market. We do not intend to list the notes for trading on any national securities exchange or on the Nasdaq National Market.

Investing in the notes involves risks some of which are described in the "Risk Factors" section beginning on page 6 of this prospectus.

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 July 31, 2002.

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INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

We are "incorporating by reference" into this prospectus certain information we file with the SEC, which means that we are disclosing important information to you by referring you to those documents. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information contained directly in this prospectus. These documents contain important information about us and our finances. This prospectus incorporates by reference:

Our annual report on Form 10-K dated March 28, 2002 for the 52 weeks ended December 29, 2001.

Our quarterly report on Form 10-Q dated May 14, 2002 for the 13 weeks ended March 30, 2002.

Our current report on Form 8-K dated April 16, 2002, filed with the SEC on April 16, 2002.

Our current report on Form 8-K dated June 21, 2002, filed with the SEC on June 21, 2002.

Our current report on Form 8-K dated July 25, 2002, filed with the SEC on July 25, 2002.

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Our definitive proxy statement on Schedule 14A dated April 15, 2002, filed with the SEC on April 15, 2002.

The description of our common stock contained in our registration on Form 8-A filed with the SEC on January 30, 1998.

All documents we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act from the date of this prospectus to the end of the offering of the notes and common stock under this document shall also be deemed to be incorporated herein by reference and will automatically update information in this prospectus.

You may request a copy of these filings, at no cost, by writing or calling us at the following address or telephone number:

Corporate Secretary
Duane Reade Inc.
440 Ninth Avenue
New York, New York 10001
(212) 273-5700

Exhibits to the filings will not be sent, however, unless those exhibits have specifically been incorporated by reference in this document.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934, as amended. You may read and copy this information at the following locations of the SEC:

Public Reference Room
450 Fifth Street, N.W.
Room 1024
Washington, D.C. 20549

North East Regional Office
233 Broadway
New York, New York 10279

Midwest Regional Office
500 West Madison Street
Suite 1400
Chicago, Illinois 60661

You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, DC 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for additional information about the Public Reference Room.

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The SEC also maintains an internet web site that contains reports, proxy statements and other information about issuers, including Duane Reade Inc., that file electronically with the SEC. The address of that site is www.sec.gov.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve a number of risks and uncertainties. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential," "pro forma," "seek," or "continue" or the negative of those terms or other comparable terminology. These statements are only predictions and we can give no assurance that such expectations will prove to be correct. Some of the things that could cause our actual results to differ substantially from our expectations are:

the competitive environment in the drugstore industry in general and in the metropolitan New York area;

inflation;

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changes in costs of goods and services;

economic conditions in general and in the metropolitan New York area;

demographic changes;

changes in prevailing interest rates and the availability of and terms of financing to fund the anticipated growth of our business;

changes in federal and state laws and regulations;

liability and other claims asserted against us;

changes in our operating strategy or development plans;

the ability to attract and retain qualified personnel, including our ability to attract qualified pharmacists;

our significant indebtedness;

labor disturbances, including any resulting from the termination of our collective bargaining agreements;

continued impact or new occurrences of terrorist attacks in the New York City area;

trends in the healthcare industry;

changes in our acquisition and capital expenditure plans; and

other factors referenced in this prospectus, including those set forth under the caption "Risk Factors."

We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this prospectus to conform them to actual results. We do not, nor does any other person, assume responsibility for the accuracy and completeness of those statements. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under the captions "Risk Factors."

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We caution the reader that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time to time. Management cannot predict such new risk factors, nor can it assess the impact, if any, of such new risk factors on our businesses or the extent to which any factor or combination of factors, may cause actual results to differ materially from those projected in any forward-looking statements. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 21E of the Securities Act.

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You should carefully read this prospectus and the documents incorporated by reference in their entirety. They contain information that you should consider when making your investment decision.

INDUSTRY AND MARKET DATA

In this prospectus, we rely on and refer to information and statistics regarding the drugstore industry. We obtained this information and these statistics from various third party sources and from our own internal estimates. We believe that these sources and estimates are reliable, but we have not independently verified them.

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SUMMARY

You should read the following summary, together with the more detailed information regarding our company and our notes and our financial statements and the notes to those statements incorporated by reference in this prospectus.

Duane Reade Inc.

We are the largest drugstore chain in New York City, which is the largest drugstore market in the United States in terms of sales volume. As of June 29, 2002, we operated 120 of our 218 stores in Manhattan's high-traffic business and residential districts. We operate approximately three times as many stores in Manhattan as our next largest competitor. In addition, at June 29, 2002, we had a total of 98 stores in New York's outer boroughs and in densely populated New York suburbs. Since opening our first store in 1960, we have successfully executed a marketing and operating strategy tailored to the unique characteristics of New York City, the most densely populated major market in the United States. According to data published in *Drug Store News*, we were the leading U.S. drugstore chain in 2000 in terms of sales per square foot, at over \$800. Since 1997, we have more than tripled our store base through a combination of new store openings and opportunistic acquisitions of smaller drugstore chains and independent pharmacies. This growth, combined with strong same store sales increases, produced total sales of \$1.1 billion, operating cash flow of \$25.8 million and EBITDA of \$102.1 million in fiscal 2001.

We enjoy strong brand name recognition in metropolitan New York, which we believe results from our many locations in high-traffic areas of New York City and the 80 million shopping bags with the distinctive Duane Reade logo that we distributed in 2001. According to surveys conducted in 2000, approximately 95% of the people who live in Manhattan have shopped at a Duane Reade store.

Recent Developments

On June 3, 2002, we completed a tender offer for 97.974% of our outstanding 9¹/₄% Senior Subordinated Notes due 2008. Under the terms of the tender offer, we purchased our senior subordinated notes at a purchase price of \$1,083.50 per \$1,000 principal amount, plus accrued and unpaid interest. In connection with the tender offer, we also amended the indenture governing the senior subordinated notes.

We were incorporated in Delaware in 1992, and our principal executive offices are located at 440 Ninth Avenue, New York, New York 10001. Our telephone number is (212) 273-5700. Our website address is www.duanereade.com. Information on our website does not constitute part of this prospectus.

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The Notes

Notes	\$381,488,000 aggregate principal amount at maturity of Senior Convertible Notes due April 16, 2022. Each note was issued at a price of \$572.76 per note and has a principal amount at maturity of \$1,000.
Maturity	April 16, 2022.
Cash Interest	2.1478% per year on the principal amount at maturity, payable

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semiannually in arrears until April 16, 2007 in cash on April 16 and October 16 of each year, beginning October 16, 2002. This cash interest is taxable to holders as original issue discount for United States federal income tax purposes and accordingly, is taxed to a holder as it accrues regardless of the holder's method of tax accounting. However, a holder will not recognize any income upon the actual payment of such cash interest. See "Certain United States Federal Income Tax Considerations."

Yield-to-Maturity of Notes

3.75% per year, computed on a semiannual bond equivalent basis and calculated from April 16, 2002.

Original Issue Discount

We offered our notes at an issue price significantly below the principal amount at maturity of the notes. As a result, the notes are treated as issued with original issue discount, which accrues daily at a rate of 3.75% per year beginning on April 16, 2007, calculated on a semiannual bond equivalent basis using a 360-day year comprised of twelve 30-day months. For United States federal income tax purposes, original issue discount will accrue at a constant rate of 3.75% per year, calculated on a semiannual bond equivalent basis, throughout the term of the notes from their issue date, and U.S. holders will be required to include original issue discount in their gross income as it accrues regardless of their method of tax accounting. See "Certain United States Federal Income Tax Considerations."

Conversion Rights

For each note surrendered for conversion, if the conditions for conversion are satisfied, a holder will receive 14.1265 shares of our common stock. In lieu of delivering shares of our common stock upon conversion of all or any portion of our notes, we may elect to pay holders surrendering notes cash or a combination of cash and shares of our common stock for the notes surrendered. If we elect to pay holders cash for their notes, the payment will be based on the average sale price of our common stock for the five consecutive trading days immediately following either:

the date of our notice of our election to deliver cash, which we must give within two business days after receiving a conversion notice, unless we have earlier given notice of redemption as described in this prospectus; or

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the conversion date, if we have given notice of redemption specifying that we intend to deliver cash upon conversion thereafter.

The conversion rate may be adjusted for certain reasons, but will not be adjusted for accrued original issue discount, cash interest or interest payable upon the occurrence of a tax event. Upon conversion, a holder will not receive any cash payment representing accrued original issue discount or any accrued cash interest. Instead, accrued original issue discount or accrued cash interest will be deemed paid by the shares of common stock received by the holder on conversion.

Holders may surrender notes for conversion into our shares of common stock in any fiscal quarter commencing after June 29, 2002, if, as of the last day of the preceding fiscal quarter, the

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closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of such preceding fiscal quarter is more than 110% of the accreted conversion price per share of common stock on the last day of such preceding fiscal quarter. If the foregoing condition is satisfied, then the notes will be convertible at any time at the option of the holder, through maturity. The accreted conversion price per share as of any day will equal the issue price of a note plus accrued original issue discount to that day, divided by 14.1265, subject to any adjustments to the conversion rate through that day.

On or before April 16, 2017, a holder also may convert its notes into shares of our common stock at any time after a 10 consecutive trading-day period in which the average of the trading prices for the notes for that 10 trading-day period was less than 103% of the average conversion value for the notes during that period. Conversion value is equal to the product of the closing sale price for our shares of common stock on a given day multiplied by the then current conversion rate, which is the number of shares of common stock into which each note is then convertible.

Notes or portions of notes in integral multiples of \$1,000 principal amount at maturity called for redemption may be surrendered for conversion until the close of business on the second business day prior to the redemption date. In addition, if we make a distribution to our stockholders with a per share value of more than 15% of the sale price of our common stock on the date immediately preceding the declaration of such distribution, or if we are a party to certain consolidations, mergers or binding share exchanges, notes may be surrendered for conversion, as provided in "Description of Notes Conversion Rights." The ability to surrender notes for conversion will expire at the close of business on April 16, 2022.

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Ranking

The notes are senior unsecured obligations and rank equal in right of payment to all of our other unsecured and unsubordinated indebtedness. The notes are effectively subordinated to our secured indebtedness to the extent of the security.

As of June 29, 2002, Duane Reade Inc. had \$102.8 million of senior indebtedness outstanding (other than the notes), all of which represented guarantees of indebtedness under the senior credit agreement secured by the capital stock of its subsidiaries, and \$1.6 million of senior subordinated unsecured indebtedness outstanding representing indebtedness under its 9¹/₄% senior subordinated notes due 2008.

Guarantees

Each of our domestic subsidiaries, including any person that becomes a domestic subsidiary, guarantees the notes on an unsecured senior basis for so long as such subsidiary is a guarantor of any of our other indebtedness. As of June 29, 2002, all of our subsidiaries were domestic subsidiaries and guarantors of the notes. Each guarantee of a guarantor is equal in right of payment to all existing and future unsecured and unsubordinated indebtedness of such guarantor. The guarantees are effectively

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subordinated to secured indebtedness of the guarantors to the extent of the security.

As of June 29, 2002, the guarantors had an aggregate of \$102.8 million of senior indebtedness outstanding (other than guarantees of the notes), all of which represented borrowings or guarantees of indebtedness under the senior credit agreement, which is secured by substantially all of the guarantors' assets, and \$1.6 million of senior subordinated indebtedness outstanding, representing guarantees of our 9¹/₄% senior subordinated notes due 2008.

Sinking Fund

None.

Redemption of Notes at Our Option

We may redeem for cash all or a portion of the notes at any time on or after April 16, 2007, at redemption prices equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, to the applicable redemption date. See "Description of Notes - Redemption of Notes at Our Option."

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Purchase of the Notes by Duane Reade

Holders may require us to purchase all or a portion of their notes on each of the following dates at the following prices, plus accrued cash interest, if any, to the purchase date:

on April 16, 2007 at a price of \$572.76 per note;

on April 16, 2012 at a price of \$689.68 per note; and

on April 16, 2017 at a price of \$830.47 per note.

We may pay the purchase price in cash or shares of our common stock or in a combination of cash and shares of our common stock. If we elect to pay the purchase price, in whole or in part, in shares of our common stock, the number of shares we deliver will be equal to the portion of the purchase price to be paid in common stock divided by the market price of a share of common stock.

Change in Control

Upon a change in control of Duane Reade, the holders may require us to purchase for cash all or a portion of their notes at a price equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, to the date of purchase.

Optional Conversion to Semiannual Coupon Notes upon Tax Event

From and after the occurrence of a tax event, as described hereinafter, at our option, interest in lieu of future accrued original issue discount or cash interest will accrue on each note from the option exercise date at 3.75% per year, calculated on a semiannual bond equivalent basis, on the restated principal amount and will be payable semiannually. Any such interest in lieu of original issue discount or cash interest will be computed in the same manner and payable at the same time as the cash interest and will accrue from the most recent date to which cash interest, if payable, has been paid or provided for or, if no cash interest is payable or has been paid or provided for, the option exercise date. In such event, the redemption price, purchase price and change in control purchase price will be adjusted, as described herein.

However, there will be no change in the holder's conversion rights. See "Description of Notes Optional Conversion to Semiannual Coupon Notes upon Tax Event."

Trading Symbol of Our Common Stock

Our common stock is traded on The New York Stock Exchange under the symbol "DRD."

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RISK FACTORS

You should carefully consider the following risks, as well as the other information contained in this prospectus. If any of the following risks actually occur, our business could be harmed. You should refer to the other information set forth in this prospectus and our consolidated financial statements and the related notes incorporated by reference herein.

Risks Related to the Offering

Our substantial indebtedness could prevent us from fulfilling our obligations under the notes and otherwise restrict our activities.

We have a significant amount of indebtedness. As of June 29, 2002, we had approximately \$325.2 million of indebtedness outstanding, comprised of approximately \$102.8 million outstanding under our senior credit agreement, \$218.5 million of the notes, \$1.6 million of our outstanding 9¹/₄% senior subordinated notes due 2008 and approximately \$2.3 million of capital lease obligations.

Our outstanding indebtedness could have important consequences to you. For example, it could:

make it more difficult for us to satisfy our obligations with respect to these notes;

limit our ability to obtain additional financing for funding our growth strategy, capital expenditures, acquisitions, working capital or other purposes;

require us to dedicate a material portion of our operating cash flow to fund interest payments on our indebtedness, thereby reducing funds available for our growth strategy, capital expenditures, acquisitions, working capital and other purposes; and

limit our ability to withstand competitive pressures and reduce our flexibility in responding to changing business and economic conditions, including reacting to any economic slowdown in the metropolitan New York area.

In addition, our senior credit agreement contains financial and other restrictive covenants that limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default, which, if not cured or waived, could result in the acceleration of all of our debts.

Despite current indebtedness levels, we and our subsidiaries may still be able to incur substantial additional debt. This could further exacerbate the risks associated with our substantial indebtedness.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. As of June 29, 2002, we could borrow up to an additional \$79.3 million under our senior credit agreement, and all of these borrowings would have been senior indebtedness and secured by substantially all of our and our subsidiaries' assets. Furthermore, our senior credit agreement allows us to incur additional indebtedness. If new debt is added to our and our subsidiaries' current debt levels, the related risks that we and they now face could intensify. See "Description of Other Indebtedness Senior Credit Agreement."

Your right to receive payments on these notes is effectively subordinated to the rights of our and the guarantors' existing and future secured creditors. The notes, in certain other circumstances, may effectively be subordinated to any existing and future liabilities of us or of our subsidiaries.

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Holders of our secured indebtedness and the secured indebtedness of the guarantors will have claims that are prior to your claims as holders of the notes to the extent of the value of the assets securing that other indebtedness. Notably, we and our subsidiaries are parties to the senior credit agreement, which is secured by liens on substantially all of our assets and the assets of our subsidiaries. The notes will be effectively subordinated to all of that secured indebtedness. In the event of any

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distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, holders of secured indebtedness will have prior claim to those of our assets that constitute their collateral. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As a result, holders of notes may receive less, ratably, than holders of secured indebtedness.

As of June 29, 2002, the aggregate amount of our and our subsidiaries' secured indebtedness under the senior credit agreement was \$102.8 million, all of which represented term note indebtedness. Our senior credit agreement provides for revolving credit borrowings of up to \$100.0 million aggregate principal amount, for which we have lender commitments of \$80.0 million. See "Description of Other Indebtedness."

In addition, the notes effectively are subordinated to all existing and future liabilities, including claims with respect to trade payables, of any subsidiary which is not a guarantor of the notes. Although all of our existing subsidiaries are guarantors of the notes and all future domestic subsidiaries will be required to guarantee the notes, any non-domestic subsidiaries would not be required to guarantee the notes. Moreover, each of our domestic subsidiaries will be required to guarantee the notes only so long as such subsidiary guarantees other indebtedness of ours. As a result, in the future, we may have subsidiaries that are not guarantors of the notes.

Furthermore, if we fail to deliver our common stock upon conversion of a note and thereafter become the subject of bankruptcy proceedings, a holders' claim for damages arising from our failure could be subordinated to all of our and our subsidiaries' existing and future obligations.

We are a holding company, and we may not have access to the cash flow and other assets of the subsidiaries that may be needed to make payment on the notes.

Although all of our business is conducted through our subsidiaries, all of which are currently guarantors, none of our subsidiaries is obligated to make funds available to us for payment on our indebtedness, including the notes. Accordingly, our ability to make payments on the notes is dependent on the earnings and the distribution of funds from our subsidiaries. The terms of the senior credit agreement significantly restrict the guarantors from paying dividends and otherwise transferring assets to us for purposes other than payments of interest, liquidated damages, if any, or payments upon a change of control. Furthermore, the guarantors are permitted under the terms of our indebtedness to incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by the guarantors to us. We cannot assure you that the agreements governing the current and future indebtedness of the guarantors will permit the guarantors to provide us with sufficient dividends, distributions or loans to fund payments on these notes when due.

The notes will be issued at a substantial discount from their principal amount and will therefore trigger certain U.S. federal income tax consequences for the holders of the notes.

The notes were issued at a substantial discount from their principal amount. Consequently, the notes will be treated as issued with original issue discount for U.S. federal income tax purposes and you will be required to include such original issue discount in your gross income as it accrues for U.S. federal income tax purposes in advance of receipt of any payment on the notes to which the original issue discount is attributable. To understand how this may affect you, you should seek advice from your own tax advisor prior to purchasing these notes. See "Certain Federal United States Income Tax Considerations" for a more detailed discussion of the U.S. federal income tax consequences to the holders of the notes of the purchase, ownership and disposition of the notes.

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Our existing debt includes restrictive and financial covenants that limit our operating flexibility.

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Our senior credit agreement, contains covenants that, among other things, restrict our ability to take specific actions, even if we believe them to be in our best interest. These include restrictions on our ability to:

- incur additional debt;
- pay dividends or distributions on, or redeem or repurchase, our capital stock;
- create liens or negative pledges with respect to our assets;
- issue, sell or allow distributions on capital stock of our subsidiaries;
- prepay or defease specified indebtedness;
- enter into transactions with affiliates;
- merge, consolidate or sell our assets; or
- make capital expenditure investments.

In addition, the senior credit agreement contains financial covenants that require us to comply with specified financial ratios and tests, including minimum net worth, maximum leverage ratios, minimum interest coverage ratios and minimum fixed charge coverage ratios. Our failure to meet these financial covenants may result in the accelerated repayment of debt under our senior credit agreement.

We may not have the ability to purchase notes at the option of the holders or to raise the funds necessary to finance the purchases.

Upon the occurrence of certain specific kinds of change in control events, we will be required to offer to purchase all outstanding notes. A change in control under the notes would be a default under the terms of our existing senior credit agreement. As a result, the lenders under our senior credit agreement could accelerate that indebtedness, causing an event of default under the notes. We may not purchase notes at the option of holders upon a change in control if there has occurred and is continuing an event of default with respect to the notes, other than a default in the payment of the change in control purchase price with respect to the notes. See "Description of Notes Change in Control Permits Purchase of Notes by Duane Reade at the Option of the Holder."

In addition, the terms of any future indebtedness, including any amended or new credit agreement, may also restrict our ability to purchase notes upon a change of control or if we are otherwise required to purchase notes at the option of the holder. As a result we would have to seek the consent of the lenders or repay these borrowings. If we were unable to obtain the necessary consent or unable to repay those borrowings, we would be unable to purchase the notes and, as a result, would be in default under the notes.

In addition, if there is a change in control, we would be required to repay our outstanding indebtedness under the senior credit agreement and the 9¹/₄% senior subordinated notes due 2008, in addition to being required to repurchase notes at the option of the holders. As a result, upon a change of control or if we are otherwise required to purchase the notes at the option of the holder, we may not have sufficient funds at that time to make the required purchase of notes, and we may be unable to raise the funds necessary. See "Description of Notes Purchase of Notes at the Option of the Holder" and " Change in Control Permits Purchase of Notes by Duane Reade at the Option of the Holder."

Federal and state statutes allow courts, under specific circumstances, to void guarantees and require note holders to return payments received from guarantors.

Under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts

of that guarantor, if, among other things, at the time it incurred the indebtedness evidenced by its guarantee, the guarantor received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee and the guarantor:

was insolvent or rendered insolvent by reason of such incurrence; or

was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or

intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

In addition, any payment by that guarantor pursuant to its guarantee could be voided and required to be returned to the guarantor, or to a fund for the benefit of the creditors of the guarantor.

The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if:

the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets; or

if the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or

it could not pay its debts as they become due.

On the basis of historical financial information, recent operating history and other factors, we believe that each guarantor, after giving effect to its guarantee of these notes, will not be insolvent, will not have unreasonably small capital for the business in which it is engaged and will not have incurred debts beyond its ability to pay such debts as they mature. We cannot assure you, however, as to what standard a court would apply in making these determinations or that a court would agree with our conclusions in this regard.

An active trading market for the notes may not develop.

The notes comprise a new issue of securities for which there is currently no public market. The notes will not be listed on any securities exchange or included in any automated quotation system. We do not know whether an active trading market will develop for the notes. If the notes are traded after their initial issuance, they may trade at a discount from their initial offering price depending on prevailing interest rates, the market for similar securities, the price of our common stock, its and our performance and other factors. We do not intend to apply for listing of the notes on any securities exchange or other stock market.

We do not expect to pay cash dividends in the foreseeable future.

Since our initial public offering in February 1998, we have not declared or paid cash or other dividends on our common stock and do not expect to pay cash dividends for the foreseeable future. We currently intend to retain all future earnings for use in the operation of our business and to fund future growth. In addition, the terms of our senior credit agreement restrict our ability to pay cash dividends. If these restrictions are removed, any future cash dividends will depend upon our results of operations, financial conditions, cash requirements, the availability of a surplus and other factors.

Shares eligible for public sale after this offering could adversely affect our stock price.

DLJ Merchants Banking Partners II, L.P. and a number of its affiliates, who together owned 1,822,265 shares of common stock on June 29, 2002 (7.6% of our shares of common stock then

outstanding), may sell their shares in accordance with Rule 144 under the Securities Act and have the right to require us to register 1,738,143 shares of common stock held by them at any time pursuant to a stockholders' and registration rights agreement. We refer you to "Description of Our Capital Stock Stockholders' and Registration Rights Agreement" for additional information. In addition to these shares, 1,587,693 shares of common stock underlying vested stock options are currently eligible for sale. We currently have on file a registration statement on Form S-8 under the Securities Act covering the shares underlying these options. We cannot predict the effect, if any, that market sales of those shares of common stock or the availability of those shares of common stock for sale will have on the market price of our common stock from time to time. The sale of a substantial number of shares held by the existing stockholders, whether pursuant to a public offering or otherwise, or the perception that these sales could occur, could adversely affect the market price of our common stock and could materially impair our future ability to raise capital through an offering of equity securities.

Risks Related to Our Business

We may be unable to realize our plans for future growth.

We have grown rapidly primarily through opening new stores and store acquisitions, growing from 67 stores at the end of fiscal 1997 to 218 stores at June 29, 2002. We intend to continue to rapidly grow through these methods. Through the end of fiscal 2003, we plan to open 40 to 50 stores, of which approximately two-thirds will be located outside of Manhattan. We may also acquire additional stores through acquisitions. Our operating complexity and management responsibilities have increased, and will continue to increase, as we grow. Our growth also requires that we continue to expand and improve our operating and financial systems and to expand, train and manage our employee base. In addition, as we continue to open or acquire new stores, we may be unable to hire a sufficient number of qualified store personnel or successfully integrate the stores into our business.

Our expansion prospects also depend on a number of other factors, including, among other things:

economic conditions;

competition;

consumer preferences;

financing and working capital requirements;

our ability to negotiate store leases on favorable terms; and

the availability of additional warehouse space and new store locations.

Failure to realize these growth plans could be detrimental to our goals of increasing market share, increasing same store revenues and applying the benefits of our size in the New York metropolitan market. Even if we succeed in opening new stores as planned, we cannot assure you that our newly opened stores will achieve revenue or profitability levels comparable to those of our existing stores in time periods estimated by us or at all. Moreover, we cannot assure you that our newly opened stores will not adversely affect the revenues and profitability of our existing stores.

We require a significant amount of cash flow from operations and third party financing to pay our indebtedness, to expand our business in accordance with our growth strategy and to fund our other liquidity needs.

We cannot assure you that we will be able to generate sufficient cash flow from operations or that future borrowings will be available to us under our senior credit agreement or otherwise in an amount we will need to pay our indebtedness, to grow our business as currently planned or to fund our other liquidity needs. We currently expect to spend approximately \$48.0 million in fiscal 2002 on capital expenditures, primarily for new and replacement stores, and, in addition, approximately \$8.5 million for

lease and pharmacy file acquisition costs. We also require working capital to support inventory for our existing stores. In addition, we may need to refinance some or all of our indebtedness, including these notes, at or before maturity. We cannot assure you that we will be able to refinance any of our indebtedness, including these notes and our senior credit agreement, on commercially reasonable terms or at all. Failure to generate or raise sufficient funds may require us to modify, delay or abandon some of our future growth or expenditure plans.

We face a high level of competition in our markets.

We operate in highly competitive markets. In metropolitan New York, we compete against national, regional and local drugstore chains, discount drugstores, supermarkets, combination food and drugstores, discount general merchandise stores, mass merchandisers, independent drugstores and local merchants. Major chain competitors in the metropolitan New York market include CVS, Rite Aid, Eckerd and Walgreens. In addition, other chain stores may enter the New York metropolitan market and become significant competitors in the future. Many of our competitors have greater financial resources than we do. Currently, we have the largest market share in metropolitan New York compared to our competitors in the drugstore business. If any of our current competitors, or new competitors, were to devote significant resources to enhancing or establishing an increased presence in metropolitan New York, they could make it difficult for us to maintain or grow our market share and, as a result, our business and prospects could suffer. This competition could adversely affect our results of operations and financial condition in the future. In addition to competition from the drugstore chains named above, our pharmacy business also competes with hospitals, health maintenance organizations, mail order and internet-based prescription drug providers. Our stores compete, among other things, on the basis of convenience of location and store layout, product mix, selection, customer convenience and price.

We operate in a concentrated region and, as a result, are highly dependent on the economic conditions of the metropolitan New York area.

Substantially all of our stores are located in the metropolitan New York area. As a result, we are sensitive to, and our success will be substantially affected by, economic conditions and other factors affecting this region, such as the regulatory environment, the cost of energy and the availability of labor. We can make no prediction as to economic conditions in this region. During the 1990s, the New York economy grew substantially, and our business benefited from this high rate of economic growth. As a result of the current economic recession and the terrorist attack on the World Trade Center in September 2001, however, the New York City economy has been adversely affected. During a downturn in New York's economic conditions, such as the current one, our revenues and profitability could be adversely affected because of, among other things, a reduction in the size of the workforce in the New York metropolitan area, reduced income levels or a decline in population growth.

We would be materially and adversely affected if our distribution center is shut down.

We operate a single centralized distribution center in Queens, New York. We ship nearly all of our non-pharmacy products to our stores through our distribution center. If our distribution center is shut down for any reason, we could incur significantly higher costs and longer lead times associated with distributing our products to our stores during the time it takes for us to reopen or replace the center. We maintain business interruption insurance to protect us from the costs relating to matters such as a shutdown, but we cannot assure you that our insurance will be sufficient, or that the insurance proceeds will be timely paid to us, in the event of a shutdown.

Our operations are subject to trends in the healthcare industry.

Pharmacy sales represent a significant and growing percentage of our total sales. Pharmacy sales accounted for 41.6% of our net sales for the twenty-six weeks ended June 29, 2002, 39.2% of our net sales for fiscal 2001 and 35.4% of our net sales for fiscal 2000. Pharmacy sales not only have lower

margins than non-pharmacy sales, but are also subject to increasing margin pressure, as managed care organizations, insurance companies, employers and other third party payors, which collectively we call third party plans, become more prevalent in the metropolitan New York area and as these plans continue to seek cost containment. Also, any substantial delays in reimbursement, significant reduction in coverage or payment rates from third party plans can have a material adverse effect on our business. Pharmacy sales to third party plans accounted for 89.5% of our total pharmacy sales for the twenty-six weeks ended June 29, 2002, 86.9% of our total pharmacy sales for fiscal 2001 and 84.0% of our total pharmacy sales for fiscal 2000.

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Healthcare reform and enforcement initiatives of federal and state governments may also affect our revenues from prescription drug sales. These initiatives include: proposals designed to significantly reduce spending on Medicare, Medicaid and other government programs; changes in programs providing for reimbursement for the cost of prescription drugs by third party plans; increased scrutiny of prescription drug manufacturers' pricing and marketing practices; and regulatory changes relating to the approval process for prescription drugs.

These initiatives could lead to the enactment of, or changes to, federal regulations and state regulations in New York and New Jersey that could adversely impact our prescription drug sales and, accordingly, our results of operations.

Our operations are subject to federal and state laws and regulations, which could adversely impact our business if changed.

Our business is subject to various federal and state regulations. For example, we are subject to federal, state and local licensing and registration regulations relating to, among other things, our pharmacy operations. Violations of any of these regulations could result in various penalties, including suspension or revocation of our licenses or registrations or monetary fines. We are also subject to certain laws prohibiting payment for patient referrals as well as applicable Medicare and Medicaid requirements relating to our pharmacy business. Federal and state laws that require our pharmacists to offer counseling, without additional charge, to their customers about medication, dosage, delivery systems, common side effects and other information the pharmacists deem significant can impact our business. Our pharmacists may also have a duty to warn customers regarding any potential negative effects of a prescription drug if the warning could reduce or negate these effects. Additionally, we are subject to federal Drug Enforcement Agency and state regulations relating to our pharmacy operations, including purchasing, storing and dispensing of controlled substances. Laws governing our employee relations, including minimum wage requirements, overtime and working conditions also impact our business. Increases in the federal minimum wage rate, employee benefit costs or other costs associated with employees could significantly increase our cost of operations, which could adversely affect our level of profitability.

Most of our employees are covered by collective bargaining agreements. A failure to negotiate new agreements when the existing agreements terminate could disrupt our business.

As of June 29, 2002, we had approximately 5,900 employees, 82% of whom were full-time. Unions represent approximately 4,400 of our employees. Non-union employees include employees at corporate headquarters, employees at our personnel office, store management and most part-time employees, as well as some of our store pharmacists. The distribution facility employees are represented by the International Brotherhood of Teamsters, Chauffeurs and Warehousemen and Helpers of America, Local 815. Our three-year contract with this union expires on August 31, 2002. Employees in most of our stores are represented by the Allied Trades Council, or ATC, and other stores are represented by Local 340A New York Joint Board, UNITE AFL-CIO, or UNITE. Our recently renegotiated contract with UNITE expires on March 31, 2004. On August 31, 2001, our collective bargaining agreement with the ATC expired after we were unable to reach agreement with the ATC on terms for a successor agreement. The ATC unsuccessfully attempted to strike some of our stores, but our employees

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remained at work at all times and have been working pursuant to the terms of our recently implemented contract with the ATC, which expires on August 31, 2004.

We have not experienced any material business interruption as a result of labor disputes within the past 15 years, and we consider our employee relations to be good. Upon the expiration of any of our collective bargaining agreements, however, we may be unable to negotiate new collective bargaining agreements on terms favorable to us, and our business operations may be interrupted as a result of labor disputes or difficulties and delays in the process of renegotiating our collective bargaining agreements.

We may be subject to significant liability should the consumption of any of our products cause injury, illness or death.

Products that we sell could become subject to contamination, product tampering, mislabeling or other damage. In addition, we may be required to recall our private label products in any of these events. We cannot assure you that product liability claims will not be asserted against us with respect to any of the products we sell or that we will not be obligated to recall our private label products. A product liability judgment against us or a product recall could have a material adverse effect on our business, financial condition or results of operations.

We depend on key personnel and may not be able to retain these employees or recruit additional qualified personnel, which would harm our business.

Our success depends to a large extent on the continued service of our executive management team. We have employment agreements with each of our five executive officers, but it is possible that members of management may leave us. Departures by our executive officers could have a negative impact on our business, as we may not be able to find suitable management personnel to replace departing executives on a timely

basis. We do not maintain key-man life insurance on any of our executive officers.

In addition, as our business expands, we believe that our future success will depend greatly on our continued ability to attract and retain highly skilled and qualified personnel. Recently, competition for qualified pharmacists and other pharmacy professionals has been especially strong. Although we generally have been able to meet our staffing requirements in the past, our inability to do so in the future at costs that are favorable to us, or at all, could impair our ability to increase revenue, and our customers could experience lower levels of customer care.

Provisions in our charter documents might deter acquisition bids for us.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that, among other things: authorize our board of directors to issue preferred stock ranking senior to our common stock without any action on the part of the stockholders; establish advance notice procedures for stockholder proposals, including nominations of directors, to be considered at shareholders' meetings; authorize a majority of our board of directors, in certain circumstances, to fill vacancies on the board resulting from an increase in the authorized number of directors or from vacancies; restrict the ability of stockholders to modify the number of authorized directors; and restrict the ability of stockholders to call special meetings of stockholders. In addition, Section 203 of the Delaware general corporation law prohibits us from entering into some business combinations with interested stockholders without the approval of our board of directors. These provisions could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders.

Our stock price may be volatile and could decline substantially.

The stock market has, from time to time, experienced extreme price and volume fluctuations. Many factors may cause the market price for our common stock to decline following this offering, including:

our operating results failing to meet the expectations of securities analysts or investors in any quarter;

downward revisions in securities analysts' estimates;

material announcements by us or our competitors;

public sales of a substantial number of shares of our common stock following this offering;

governmental regulatory action; or

adverse changes in general market conditions or economic trends.

In the past, companies that have experienced volatility in the market price of their stock have been the subject of securities class action litigation. If we become involved in a securities class action litigation in the future, it could result in substantial costs and diversion of management attention and resources, thus harming our business.

USE OF PROCEEDS

We will not receive any proceeds from the resale of the notes or the shares of common stock offered by this prospectus.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following table sets forth our selected consolidated financial and operating data as of and for the fiscal years ended December 29, 2001, December 30, 2000, December 25, 1999, December 26, 1998 and December 27, 1997, which we derived from our audited consolidated financial statements and the notes to those statements. Our audited consolidated financial statements for the fiscal years ended December 29, 2001, December 30, 2000 and December 25, 1999 and the notes to those statements have been incorporated by reference in this prospectus. You should read this table in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our annual report on Form 10-K for the fiscal year ended December 29, 2001 and our consolidated financial statements and the related notes incorporated by reference in this prospectus.

	Fiscal Year ⁽¹⁾				
	2001	2000	1999	1998	1997
(In thousands, except per share amounts, percentages and store data)					
Statement of Operations Data:					
Net sales	\$ 1,143,564	\$ 1,000,068	\$ 839,771	\$ 587,432	\$ 429,816
Cost of sales	871,215	745,717	621,510	431,025	322,340
Gross profit	272,349	254,351	218,261	156,407	107,476
Selling, general & administrative expenses	172,972	155,584	135,786	94,577	65,414
Depreciation and amortization	26,634	23,151	21,415	14,158	8,810
Store pre-opening expenses	1,667	1,395	1,492	3,273	767
Non-recurring charges ⁽²⁾					12,726
Operating income	71,076	74,221	59,568	44,399	19,759
Interest expense, net	27,623	35,935	29,348	25,612	34,473
Income (loss) before income taxes	43,453	38,286	30,220	18,787	(14,714)
Income tax (expense) benefit	(17,232)	(15,610)	10,471		
Income (loss) before extraordinary charge	26,221	22,676	40,691	18,787	(14,714)
Extraordinary charge ⁽³⁾	(1,491)			(23,600)	
Net income (loss)	\$ 24,730	\$ 22,676	\$ 40,691	\$ (4,813)	\$ (14,714)
Per common share-basic: ⁽⁴⁾					
Income (loss) before extraordinary charge	\$ 1.25	\$ 1.28	\$ 2.38	\$ 1.16	\$ (1.45)
Extraordinary charge	(0.07)			(1.46)	
Net income (loss)	\$ 1.18	\$ 1.28	\$ 2.38	\$ (0.30)	\$ (1.45)
Weighted average common shares outstanding ⁽⁴⁾					
	20,984	17,718	17,119	16,198	10,161
Per common share-diluted: ⁽⁴⁾					
Income (loss) before extraordinary charge	\$ 1.20	\$ 1.23	\$ 2.26	\$ 1.07	\$ (1.45)
Extraordinary charge	(0.07)			(1.34)	
Net income (loss)	\$ 1.13	\$ 1.23	\$ 2.26	\$ (0.27)	\$ (1.45)
Weighted average common shares outstanding ⁽⁴⁾					
	21,851	18,424	17,971	17,508	10,161
Operating and Other Data:					
	\$ 25,762	\$ 22,074	\$ 16,888	\$ 5,539	\$ (2,051)

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Fiscal Year⁽¹⁾

Net cash provided by (used in) operating activities										
Net cash used in investing activities	\$	(48,052)	\$	(32,647)	\$	(45,309)	\$	(111,575)	\$	(10,040)
Net cash provided by financing activities	\$	26,283	\$	10,539	\$	28,565	\$	106,644	\$	12,136
EBITDA ⁽⁵⁾	\$	102,075	\$	101,357	\$	85,762	\$	62,016	\$	43,056
EBITDA as a percentage of sales		8.9%		10.1%		10.2%		10.6%		10.0%
Number of stores at end of period		200		172		149		128		67
Same store sales growth ⁽⁶⁾		6.3%		7.3%		8.9%		6.5%		7.6%
Pharmacy same store sales growth		16.6%		18.8%		21.0%		21.5%		24.6%
Average store size (square feet) at end of period		7,169		7,166		7,438		7,742		6,910
Sales per square foot ⁽⁷⁾	\$	818	\$	847	\$	813	\$	1,040	\$	1,010
Pharmacy sales as a % of net sales		39.2%		35.4%		31.9%		28.3%		25.1%
Third-Party Plan sales as a % of pharmacy sales		86.9%		84.0%		81.2%		77.9%		74.2