

RITE AID CORP

Form S-4/A

July 21, 2003

As Filed with the Securities and Exchange Commission on July 21, 2003.

Registration Statement No. 333-105152

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1 TO
FORM S-4
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933
RITE AID CORPORATION

*And the Subsidiary Guarantors listed below
(Exact name of registrant as specified in its charter)

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)

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)

Copies of all communications to:
Stacy J. Kanter, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
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.

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.

TABLE OF ADDITIONAL REGISTRANTS

Name of Additional Registrant*	State or Other Jurisdiction of Incorporation or Formation	Primary Standard Industrial Classification Code Number	I.R.S. Employer Identification Number
Ann & Government Streets–Mobile, Alabama, LLC	Delaware	5912	N/A
Apex Drug Stores, Inc.	Michigan	5912	38-2413448
Baltimore/Annapolis Boulevard & Governor Richie Highway–Glen Burnie, Maryland, LLC	Delaware	5912	N/A
Broadview and Wallings–Broadview Heights Ohio, Inc.	Ohio	5912	25-1814215
Central Avenue & Main Street Petal, MS, LLC	Delaware	5912	N/A
Dominion Action One Corporation	Delaware	9995	25-1569007
Dominion Action Two Corporation	Delaware	9995	80-0052339
Dominion Action Three Corporation	Delaware	9995	80-0052340
Dominion Action Four Corporation	Delaware	9995	80-0052341
Dominion Drug Stores Corp.	Nevada	5912	80-0252342
Drug Fair, Inc.	Maryland	5912	54-0525766
Eagle Managed Care Corp.	Delaware	9995	25-1724201
Eighth & Water Streets–Urichsville, Ohio, LLC	Delaware	5912	N/A
England Street–Asheland Corporation	Virginia	5912	80-0052343
Fairground, L.L.C.	Virginia	5912	54-1849788
GDF, Inc.	Maryland	9995	34-1343867
Gettysburg and Hoover–Dayton, Ohio, LLC	Ohio	5912	N/A
Gratiot & Center–Saginaw Township, Michigan, LLC	Delaware	5912	N/A
Harco, Inc.	Alabama	5912	63-0522700
K&B, Incorporated	Delaware	6749	51-0346254
K&B Alabama Corporation	Alabama	5912	72-1011085

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K&B Louisiana Corporation	Louisiana	5912	72-1043860
K&B Mississippi Corporation	Mississippi	5912	72-0983482
K&B Services, Incorporated	Louisiana	5912	72-1245171
K&B Tennessee Corporation	Tennessee	5912	62-1444359
K&B Texas Corporation	Texas	5912	72-1010327
Keystone Centers, Inc.	Pennsylvania	5912	23-1730114
Lakehurst and Broadway Corporation	New Jersey	5912	23-2937947
Mayfield & Chillicothe Roads–Chesterland, LLC	Ohio	5912	N/A
Munson & Andrews, LLC	Ohio	5912	N/A
Name Rite, L.L.C.	Delaware	6749	N/A
Northline & Dix–Toledo–Southgate, LLC	Michigan	5912	N/A
Ocean Acquisition Corporation	Delaware	6719	25-1778194
PDS-1 Michigan, Inc.	Michigan	5912	38-2935739
P.L.D. Enterprises, Inc.	Nevada	9995	80-0052347
PL Xpress, Inc.	Oregon	4210	93-0962294
Patton Drive and Navy Boulevard Property Corporation	Florida	5912	23-2870495
Paw Paw Lake Road & Paw Paw Avenue–Coloma, Michigan, LLC	Delaware	5912	N/A
Perry Distributors, Inc.	Michigan	4225	38-1718545

Name of Additional Registrant*	State or Other Jurisdiction of Incorporation or Formation	Primary Standard Industrial Classification Code Number	I.R.S. Employer Identification Number
Perry Drug Stores, Inc.	Michigan	5912	38-0947300
Portfolio Medical Services Inc.	Delaware	9995	80-0052348
RDS Detroit, Inc.	Michigan	5912	35-1799950
Ram–Utica, Inc.	Michigan	9995	80-0052329
Read's Inc.	Maryland	6719	80-0052330
Rite Aid Drug Palace, Inc.	Delaware	7389	23-2325476
Rite Aid Hdqtrs. Corp.	Delaware	AUX1	23-2308342
Rite Aid of Alabama, Inc.	Alabama	5912	23-2410761
Rite Aid of Connecticut, Inc.	Connecticut	5912	23-1940645
Rite Aid of Delaware, Inc.	Delaware	5912	23-1940646
Rite Aid of Florida, Inc.	Florida	5912	23-2047226
Rite Aid of Georgia, Inc.	Georgia	5912	23-2125551
Rite Aid of Illinois, Inc.	Illinois	5912	23-2416666
Rite Aid of Indiana, Inc.	Indiana	5912	23-2048778
Rite Aid of Kentucky, Inc.	Kentucky	5912	23-2039291
Rite Aid of Maine, Inc.	Maine	5912	01-0324725
Rite Aid of Maryland, Inc.	Maryland	5912	23-1940941
Rite Aid of Massachusetts, Inc.	Massachusetts	5912	23-1940647
Rite Aid of Michigan, Inc.	Michigan	5912	38-0857390
Rite Aid of New Hampshire, Inc.	New Hampshire	5912	23-2008320
Rite Aid of New Jersey, Inc.	New Jersey	5912	23-1940648
Rite Aid of New York, Inc.	New York	5912	23-1940649
Rite Aid of North Carolina, Inc.	North Carolina	5912	23-1940650
Rite Aid of Ohio, Inc.	Ohio	5912	23-1940651

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Rite Aid of Pennsylvania, Inc.	Pennsylvania	5912	23-1940652
Rite Aid of South Carolina, Inc.	South Carolina	5912	23-2047222
Rite Aid of Tennessee, Inc.	Tennessee	5912	23-2047224
Rite Aid of Vermont, Inc.	Vermont	5912	23-1940942
Rite Aid of Virginia, Inc.	Virginia	5912	23-1940653
Rite Aid of Washington, D.C., Inc.	Washington, D.C.	5912	23-2461466
Rite Aid of West Virginia, Inc.	West Virginia	5912	23-1940654
Rite Aid Realty Corp.	Delaware	6719	23-1725347
Rite Aid Rome Distribution Center, Inc.	New York	4225	23-1887836
Rite Aid Services, L.L.C.	Delaware	7363	02-0655440
Rite Aid Transport, Inc.	Delaware	4210	25-1793102
Rite Aid Venturer #1, Inc.	Delaware	9995	23-2492985
Rite Fund, Inc.	Delaware	6749	51-0273194
Rite Investments Corp.	Delaware	6749	51-0273192
Rx Choice, Inc.	Delaware	7359	25-1598207
Seven Mile and Evergreen–Detroit, LLC	Michigan	5912	N/A
Silver Springs Road–Baltimore, Maryland/One, LLC	Delaware	5912	N/A
Silver Springs Road–Baltimore, Maryland/Two, LLC	Delaware	5912	N/A
Sophie One Corp.	Delaware	9995	80-0052332
State & Fortification Streets–Jackson, Mississippi, LLC	Delaware	5912	N/A
State Street and Hill Road–Gerard, Ohio, LLC	Delaware	5912	N/A
Super Ice Cream Suppliers, Inc.	Louisiana	9995	72-0678651

Name of Additional Registrant*	State or Other Jurisdiction of Incorporation or Formation	Primary Standard Industrial Classification Code Number	I.R.S. Employer Identification Number
Super Pharmacy Network, Inc.	Florida	9995	59-3252055
Super Tobacco Distributors, Inc.	Mississippi	9995	72-0875700
The Lane Drug Company	Ohio	5912	53-0125212
The Muir Company	Ohio	5912	38-0857390
Thrifty Corporation	California	5912	95-1297550
Thrifty PayLess, Inc.	California	5912	95-4391249
Tyler and Sanders Roads, Birmingham–Alabama, LLC	Delaware	5912	N/A
Virginia Corporation	Delaware	6749	51-0335659
112 Burleigh Avenue Norfolk, LLC	Virginia	5912	N/A
537 Elm Street Corp.	Rhode Island	5912	23-2962033
657–659 Broad St. Corp.	New Jersey	5912	80-0052338
764 South Broadway–Geneva, Ohio, LLC	Ohio	5912	23-1974076
1515 West State Street Boise, Idaho, LLC	Delaware	5912	80-0052351
1525 Cortyou Road–Brooklyn Inc.	New York	5912	N/A
1740 Associates, L.L.C.	Michigan	5912	N/A
3581 Carter Hill Road–Montgomery Corp.	Alabama	5912	80-0052336
4042 Warrensville Center Road–Warrensville Ohio, Inc.	Ohio	5912	25-1820507
5277 Associates, Inc.	Washington	5912	23-2940919
5600 Superior Properties, Inc.	Ohio	5912	80-0052337

* Addresses and telephone numbers of principal executive offices are the same as those of Rite Aid Corporation.

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 JULY 21, 2003

PROSPECTUS

RITE AID CORPORATION

Offer to exchange \$300.0 million aggregate principal amount of 9½% Senior Secured Notes Due 2011 (which we refer to as the old notes) for \$300.0 million aggregate principal amount of 9½% Senior Secured Notes Due 2011 (which we refer to as the new notes) which have been registered under the Securities Act of 1933, as amended, and fully and unconditionally guaranteed by the subsidiary guarantors listed on the first page of this prospectus

The exchange offer will expire at 5:00 p.m., New York City time, on , 2003 (the 21st business day following the date of this prospectus), 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 14 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 July , 2003.

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In this prospectus, the terms "Rite Aid Corporation," "we," "us" and "our" refer to Rite Aid Corporation and our subsidiaries.

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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Subsidiary Guarantors

Ann & Government Streets – Mobile, Alabama, LLC

Apex Drug Stores, Inc.

Baltimore/Annapolis Boulevard & Governor Richie
Highway - Glen Burnie,
Maryland, LLC

Broadview and Wallings -
Broadview Heights Ohio, Inc.

Central Avenue & Main Street - Petal, MS, LLC

Dominion Action One Corporation

Dominion Action Two Corporation

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Dominion Action Four Corporation

Dominion Drug Stores Corp.

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Eagle Managed Care Corp.

Eighth & Water Streets-
Urichsville, Ohio, LLC

England Street-Asheland
Corporation

Fairground, L.L.C.

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Gettysburg and Hoover - Dayton, Ohio, LLC

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Township, Michigan, LLC

Harco, Inc.

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K&B Louisiana Corporation

K&B Mississippi Corporation

K&B Services, Incorporated

K&B Tennessee Corporation

K&B Texas Corporation

Keystone Centers, Inc.

Lakehurst and Broadway Corporation

Mayfield & Chillicothe Roads – Chesterland, LLC

Munson & Andrews, LLC

Name Rite, L.L.C.

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Rite Aid of Massachusetts, Inc.

Rite Aid of Michigan, Inc.

Rite Aid of New Hampshire, Inc.

Rite Aid of New Jersey, Inc.

Rite Aid of New York, Inc.

Rite Aid of North Carolina, Inc.

Rite Aid of Ohio, Inc.

Rite Aid of Pennsylvania, Inc.

Rite Aid of South Carolina, Inc.

Rite Aid of Tennessee, Inc.

Rite Aid of Vermont, Inc.

Rite Aid of Virginia, Inc.

Rite Aid of Washington, D.C., Inc.

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The Lane Drug Company

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Thrifty Corporation

Thrifty PayLess, Inc.

Tyler and Sanders Roads, Birmingham-Alabama, LLC

Virginia Corporation

112 Burleigh Avenue Norfolk, LLC

537 Elm Street Corporation

657-659 Broad St. Corp.

764 South Broadway-Geneva, Ohio, LLC

1515 West State Street Boise, Idaho, LLC

1525 Cortyou Road – Brooklyn Inc.

1740 Associates, L.L.C.

3581 Carter Hill Road - Montgomery Corp.

4042 Warrensville Center Road - Warrensville Ohio, Inc.

5277 Associates, Inc.

5600 Superior Properties, Inc.

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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 more than • 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 and will secure the guarantees of the new notes on a second priority basis. 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 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	9½% Senior Secured Notes due 2011, which we issued on February 12, 2003.
New Notes	9½% Senior Secured Notes due 2011, 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 \$300.0 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 (the 21st business day following the date of this prospectus), 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

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notes you receive. For further information 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 expiration or termination of the exchange offer. For

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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 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.

Material Federal Income Tax Considerations

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.

Use of Proceeds

We will not receive any proceeds from the exchange offer.

Exchange Agent

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."

Resales

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

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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:

- you are our "affiliate," as defined in Rule 405 under the Securities Act;
- you are not acquiring the new notes in the exchange offer in the ordinary course of your business;
- 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;
- you are holding old notes that have or are reasonably likely to have the status of an unsold allotment in the initial offering; or
- 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.

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

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 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.

Registration Rights Agreement

When we issued the old notes in February 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

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relating to an offer to exchange the old notes for the new notes.

If we do not complete the exchange offer within 210 days of the date that we sold the old notes (February 12, 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. See "Description of the New Notes—Registration Rights and Additional Interest."

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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 \$300.0 million aggregate principal amount of 9½% Senior Secured Notes due 2011.
Maturity Date	February 15, 2011.
Interest	We will pay interest on the new notes at the rate of 9½% per year, payable in cash, on February 15 and August 15 of each year, beginning on August 15, 2003.
Mandatory Redemption	None.
Optional Redemption	Prior to February 15, 2007, 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 February 15, 2007, 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.
Subsidiary Guarantees	Our obligations under the new notes will be fully and unconditionally guaranteed, jointly and severally, subject to certain limitations, by those of our subsidiaries that from time to time guarantee our obligations under our new senior secured credit facility. Under certain circumstances, subsidiaries may be released from these guarantees without the consent of holders of the new notes. The subsidiary guarantees will be subordinated to the subsidiary guarantees of our new senior secured credit facility.
Security	The guarantees of the new notes will be secured, subject to permitted liens, by shared second priority liens granted by our subsidiary guarantors on all of the assets that secure our obligations under our new senior secured credit facility (other than cash or cash equivalents that may collateralize letter of credit obligations) which currently consist of substantially all of the inventory, accounts receivable, intellectual property and certain real property of the subsidiary guarantors (which we collectively refer to in this prospectus as the collateral). Under certain circumstances, collateral may be released without the consent of the holders of the new notes.
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Repurchase at Option of Holders Upon a Change in Control	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

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

Ranking

The new notes will be:

- unsecured, unsubordinated obligations of Rite Aid Corporation; and
- equal in ranking with all of our existing and future unsecured, unsubordinated debt. Currently, all of our debt is senior debt.

The subordinated guarantees by the subsidiary guarantors will be secured, subject to permitted liens, by second priority liens on the collateral, which is shared equally with other second priority debt in the distribution of proceeds of the collateral, except in limited circumstances.

Our subsidiaries conduct substantially all our operations and have significant liabilities, including trade payables. If the subsidiary guarantees are invalid or unenforceable or the limitations under the guarantees are applied, the new notes will be structurally subordinated to our substantial subsidiary liabilities and the liens on the collateral would be invalid or unenforceable.

As of May 31, 2003,

- the total outstanding debt of us and the subsidiary guarantors (including current maturities and capital lease obligations, but excluding letters of credit) was approximately \$3.9 billion;
- none of our or any subsidiary guarantor's debt would have been subordinated to the new notes or the subsidiary guarantees;
- the total outstanding debt of us and the subsidiary guarantors that would be senior to the guarantees by the subsidiary guarantors and have the benefit of first priority liens on the collateral would have been approximately \$1.2 billion; and
- the total outstanding debt of us and the subsidiary guarantors that would have the benefit of pari passu subordinated guarantees from the subsidiary guarantors and share pari passu, subject to permitted liens, second priority liens on the collateral would have been approximately \$801.6 million.

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Subject to permitted liens, the second priority liens will be shared equally and ratably with the holders of our 12.5% senior secured notes due 2006 and our 8.125% senior secured notes due 2010, in the distribution of the collateral, except in limited circumstances. Our new senior secured credit facility is secured by a first priority lien on the collateral and this lien will be senior to the liens securing the new notes. Pursuant to the indenture governing the new notes, the security agreements and a collateral trust and intercreditor agreement, additional debt secured by first priority liens and additional debt secured by second priority liens may be incurred without the consent of the holders of the notes.

Pursuant to the security agreements and a collateral trust and intercreditor agreement, the holders of the first priority liens will, at all times, control all rights and remedies with respect to the collateral while our new

senior secured credit facility is outstanding. The second priority liens will not entitle holders of the new notes to take any action whatsoever with respect to the collateral at any time when the first priority liens are outstanding. The holders of the first priority liens will receive all proceeds from any realization on the collateral until the obligations secured by the first priority liens are paid in full.

The indenture for the new notes provides that the holders of new notes are deemed to have consented to various releases of collateral and subsidiary guarantees as well as various amendments to the second priority collateral documents that could be adverse to holders of new notes. See "Description of the New Notes" and "Description of Collateral and Intercreditor Arrangements."

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 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.

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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 guarantees of the new notes will be subordinated to the guarantees of our first priority debt, including our new senior secured credit facility, and the guarantees of the new notes are secured only to the extent that the first priority debt are oversecured; the terms of the new notes permit, without the consent of holders of new notes, various releases of collateral and subsidiary guarantees as well as various amendments to the second priority collateral documents that could be adverse to holders of new notes.

Subject to some limitations, those of our subsidiaries that guarantee our obligations under our new senior secured credit facility will guarantee our obligations under the new notes. These guarantees will, however, be subordinated to the guarantees of our first priority debt, including our new senior secured credit facility. The collateral that secures the guarantees of the new notes will also secure the guarantees of certain existing and future indebtedness, including our new senior secured credit facility and any refinancing of our new senior secured credit facility, on a first priority basis,

certain existing and future indebtedness, on a second priority basis, including the guarantees of the old and new notes, our 12.5% senior secured notes due 2006, our 8.125% senior secured notes due 2010 and possible additional future indebtedness on a second priority basis. In addition, the indenture permits the incurrence of additional debt prior to the new notes but junior to our first priority debt. Any rights to payment and claims to the collateral by the holders of the new notes will therefore be fully subordinated to any claims by our creditors under the new senior secured credit facility. In addition, other second priority debt may require the proceeds of collateral dispositions to be allocated to prepay, repurchase or provide for the prepayment or repurchase of other second priority debt when no such prepayment, repurchase or provision is required with respect to the new notes.

Only when our obligations under the new senior secured credit facility and any other first priority debt are satisfied in full will the proceeds of the collateral be available, subject to other permitted liens, to satisfy obligations under guarantees of the new notes and the other debt secured by the shared second priority lien. Even if the proceeds from the sale or liquidation of the collateral are sufficient to satisfy our obligations under the new senior secured credit facility, and any such additional first priority debt, if the amount of such remaining proceeds is less than the aggregate outstanding principal amount of debt secured by the shared second priority lien, we may be unable to fully satisfy our obligations under guarantees of the new notes. As a result, our obligations that are secured, subject to permitted liens, by the shared second priority lien are secured only to the extent that (i) the new senior secured credit facility and other possible future first priority debt is oversecured, and (ii) the oversecured amount is sufficient, subject to other permitted liens, to secure the old and new notes, the 12.5% senior secured notes, the 8.125% senior secured notes and any other possible future second priority debt. Pursuant to the indenture and the second priority collateral documents, substantial additional debt may share the second priority liens securing the subsidiary guarantees of the new notes without the consent of holders of new notes.

The lenders under the first priority debt, including the new senior secured credit facility, will, at all times, control all remedies or other actions related to the collateral. In addition, if the lenders under the first priority debt release the liens securing the obligations under the first priority debt then, under the terms of the indenture governing the new notes and the amended and restated collateral trust and intercreditor agreement, the holders of the new notes will be deemed to have given approval for the release of the liens securing the new notes, subject to certain limitations. All collateral sold, transferred or otherwise disposed of in accordance with the terms of the new senior secured credit facility and the second priority debt will automatically be released from the lien securing the subsidiary guarantees of the new notes. Accordingly, any such sale, transfer or disposition in a transaction that does not violate the asset disposition covenant in the indenture governing the new notes may result in a release of collateral. Because the asset disposition covenant of the indenture does not restrict transfers of assets by our subsidiaries to us, any transfer of collateral to us could result in such assets ceasing to constitute collateral. The liens securing guarantees of the new notes may also be released pursuant to the directions from representatives of a majority of the second priority debt obligations, unless the release involves all or substantially all the collateral, in which case release shall require the consent of the holders of new notes.

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The new notes may not represent a majority of the second priority debt obligations. Accordingly, substantial collateral may be released automatically without consent of the holders of new notes or the trustee under the indenture. In addition, if the lenders under the first priority debt release any of the subsidiary guarantors securing the obligations under the first priority debt, then the holders of the new notes will be deemed to have given approval for such release of any such subsidiary guarantor from its obligations under the subsidiary guarantee, subject to certain limitations. The second priority collateral documents may be amended with the consent of holders representing a majority of the second priority debt obligations and the senior collateral agents. In addition, the terms of the new notes permit various other releases of collateral and subsidiary guarantees as well as various amendments to the second priority collateral documents that could be adverse to holders of new notes without the consent of holders of new notes. See "Description of the New Notes" and "Description of Collateral and Intercreditor Arrangements."

If the guarantees of the new notes and the liens that secure these guarantees are held to be invalid or unenforceable or are limited in accordance with their terms, the new notes would be unsecured and structurally subordinated to the debt of our subsidiaries.

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 financial obligations, including the payment of principal of and interest on 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 is structurally subordinated to the debt and other liabilities of our subsidiaries.

All of the subsidiaries that guarantee our obligations under our new senior secured credit facility will initially guarantee our obligations on the new notes. These guarantees will be secured, subject to permitted liens, by shared second priority liens on the collateral. The terms of these guarantees will provide that they are limited (and subject to reduction) to the extent necessary to prevent such guarantees and the guarantees of first priority debt from constituting fraudulent conveyances. However, the guarantees of first priority debt will only be limited (or reduced) after the subordinated guarantees for the new notes and the other debt are extinguished.

Our creditors or the creditors of our subsidiaries could challenge these guarantees and these liens as fraudulent conveyances or on other grounds. The delivery of these guarantees and the grant of the shared second priority liens securing these guarantees could be found to be a fraudulent transfer and declared void if a court determined that: the subsidiary delivered the guarantee and granted the lien with the intent to hinder, delay or defraud its existing or future creditors; the subsidiary did not receive fair consideration for the delivery of the guarantee and the incurrence of the lien; or the subsidiary was insolvent at the time it delivered the guarantee and granted the lien. We cannot assure you that a court would not reach one of these conclusions. In the event that a court declares either these guarantees or these liens to be void, or in the event that the guarantees must be limited or voided in accordance with their terms, any claim you may make against us for amounts payable on the new notes would be unsecured and effectively subordinated to the obligations of our subsidiaries, including trade payables and other liabilities that constitute indebtedness.

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

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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.

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 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.

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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. The consummation of the offering of the old notes and the offering of our 9½% senior secured notes required consents to certain amendments of our former senior secured credit facility and our second priority collateral arrangements. 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

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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 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 customer service, we have taken steps to address these issues. We believe that the continued consolidation of the drugstore industry and additional store openings will further increase competitive pressures in the industry. As competition increases, a significant increase in general pricing pressures could occur which would require us to increase our sales volume and to sell higher margin products and services in order to remain competitive. We cannot assure you that we will be able to continue to compete effectively in our markets or increase our sales volume in response to further increased competition.

Changes in third-party reimbursement levels for prescription drugs could reduce our margins and have a material adverse effect on our business.

Sales of prescription drugs, as a percentage of sales, and the percentage of prescription sales with third parties, have been increasing and we expect them to continue to increase. In fiscal 2003 and the first quarter of fiscal 2004, sales of prescription drugs represented 63.2% and 64.5% of our sales, respectively, and 92.7% and 93.1%, respectively, of all

of the prescription drugs that we sold were with third-party

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payors. During fiscal 2003, the top five third-party payors accounted for approximately 29% of our total sales. Any significant loss of third-party provider business could have a material adverse effect on our business and results of operations. Also, these third-party payors could reduce the levels at which they will reimburse us for the prescription drugs that we provide to their members. Furthermore, if Medicare is reformed to include prescription benefits, we may be reimbursed for some prescription drugs at prices lower than our current reimbursement levels. In fiscal 2003, approximately 11% of our revenues were from state sponsored Medicaid agencies. There have been a number of recent proposals and enactments by various states to reduce Medicaid reimbursement levels in response to budget problems, some of which propose to reduce reimbursement levels in the applicable states significantly, and we expect other similar proposals in the future. If third-party payors reduce their reimbursement levels or if Medicare or state Medicaid covers prescription drugs at reimbursement levels lower than our current levels, our margins on these sales would be reduced, and the profitability of our business and our results of operations, financial condition and cash flows could be adversely affected.

We are subject to governmental regulations, procedures and requirements; our noncompliance or a significant regulatory change could adversely affect our business, the results of our operations or our financial condition.

Our pharmacy business is subject to federal, state and local regulation. These include local registrations of pharmacies in the states where our pharmacies are located, applicable Medicare and Medicaid regulations, and prohibitions against paid referrals of patients. Failure to properly adhere to these and other applicable regulations could result in the imposition of civil and criminal penalties and could adversely affect the continued operation of our business. Furthermore, our pharmacies could be affected by federal and state reform programs, such as healthcare reform initiatives, the passing of which could adversely affect our results of operations, financial condition and cash flows.

Our pharmacy business is subject to patient privacy and other obligations, including corporate, pharmacy and associate responsibility, imposed by the Health Insurance Portability and Accountability Act. As a covered entity, we are required to implement privacy standards, train our associates on the permitted uses and disclosures of protected health information, provide a notice of privacy practice to our pharmacy customers and permit pharmacy customers to access and amend their records and receive an accounting of disclosures of protected health information. Failure to properly adhere to these requirements could result in the imposition of civil as well as criminal penalties.

Certain risks are inherent in the provision of pharmacy services; our insurance may not be adequate to cover any claims against us.

Pharmacies are exposed to risks inherent in the packaging and distribution of pharmaceuticals and other healthcare products, such as with respect to improper filling of prescriptions, labeling of prescriptions and adequacy of warnings. Although we maintain professional liability and errors and omissions liability insurance, from time to time, claims result in the payment of significant amounts, some portions of which are not funded by insurance. We cannot assure you that the coverage limits under our insurance programs will be adequate to protect us against future claims, or that we will maintain this insurance on acceptable terms in the future. Our results of operations, financial condition or cash flows may be adversely affected if in the future our insurance coverage proves to be inadequate or unavailable or there is an increase in liability for which we self insure or we suffer reputational harm as a result of an error or omission.

We will not be able to compete effectively if we are unable to attract, hire and retain qualified pharmacists.

There is a nationwide shortage of qualified pharmacists. In response to this challenge, we have implemented improved benefits and training programs in order to attract, hire and retain qualified pharmacists. However, we may not be able to attract, hire and retain enough qualified pharmacists. This could adversely affect our operations.

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USE OF PROCEEDS

We will not receive any proceeds from the exchange offer. Any old notes that are properly tendered and exchanged pursuant to the exchange offer will be retired and cancelled.

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RATIO OF EARNINGS TO FIXED CHARGES

We have calculated the ratio of earnings to fixed charges in the following table by dividing earnings less preferred stock dividend requirements by fixed charges. For this purpose, earnings include pre-tax income from continuing operations plus fixed charges. Fixed charges include interest, whether expensed or capitalized, amortization of debt expense, preferred stock dividend requirement and that portion of rental expense which is representative of the interest factor in those rentals.

	Year Ended					Thirteen Week Period Ended	
	March 1, 2003 (52 weeks)	March 2, 2002 (52 weeks)	March 3, 2001 (53 weeks)	February 26, 2000 (52 weeks)	February 27, 1999 (52 weeks)	May 31, 2003	June 1, 2002
	(Dollars in thousands)						
Fixed Charges:							
Interest Expense	\$ 330,020	\$ 396,064	\$ 649,926	\$ 542,028	\$ 274,826	\$ 78,958	\$ 84,681
Interest Portion of Net Rental Expense (1)	189,463	182,260	159,066	146,852	139,104	46,782	47,090
Fixed Charges Before Capitalized Interest and Preferred Stock Dividend Requirements	519,483	578,324	808,992	688,880	413,930	125,740	131,721
Preferred Stock Dividend Requirement (2)	49,540	42,354	42,445	15,554	965	—	11,123
Capitalized Interest	301	806	1,836	5,292	7,069	48	95
Total Fixed Charges	\$ 569,324	\$ 621,484	\$ 853,273	\$ 709,726	\$ 421,964	\$ 125,788	\$ 142,939
Earnings:							
Loss From Continuing Operations Before Income Taxes and Cumulative Effect of Accounting Change (3)	\$ (154,016)	\$ (839,426)	\$ (1,282,807)	\$ (1,123,296)	\$ (665,040)	\$ (38,822)	\$ (40,927)
Share of Loss From Equity Method Investees	—	12,092	36,675	15,181	448	—	—
Preferred Stock Dividend	(49,540)	(42,354)	(42,445)	(15,554)	(965)	—	(11,123)

Requirement (2)

Fixed Charges Before
Capitalized

Interest	569,023	620,678	851,437	704,434	414,895	125,740	142,844
Total Adjusted Earnings (Loss)	365,467	(249,010)	(437,140)	(419,235)	(250,662)	86,918	90,794
Earnings to Fixed Charges, Deficiency	\$ (203,857)	\$ (870,494)	\$ (1,290,413)	\$ (1,128,961)	\$ (672,626)	\$ (38,870)	\$ (52,145)

(1)The interest portion of net rental expense is estimated to be equal to one-third of the minimum rental expense for the period.

(2)The preferred stock dividend requirement is computed as the pre-tax earnings that would be required to cover preferred stock dividends.

(3)Gains and losses on extinguishment of debt that were previously classified as an extraordinary item in the years ended March 1, 2003 and March 2, 2002, and in the thirteen week period ended June 1, 2002, are now included as a component of results from continuing operations, pursuant to the adoption of Statement of Financial Accounting Standards ("SFAS") No. 145, "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections."

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SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and related notes, incorporated by reference in this prospectus. The selected consolidated financial data for the thirteen-week periods ended May 31, 2003 and June 1, 2002 are unaudited and not necessarily indicative of the results to be expected for the full year. The unaudited interim selected consolidated financial data reflects all adjustments (consisting primarily of normal recurring adjustments except as described in the footnotes to the interim consolidated financial statements) which are, in the opinion of management, necessary to present fairly the financial data for the interim periods.

	Year Ended					Thirteen Week Period Ended	
	March 1, 2003 (52 weeks) ⁽⁵⁾	March 2, 2002 (52 weeks) ⁽⁵⁾	March 3, 2001 (53 weeks) ⁽¹⁾	February 26, 2000 (52 weeks) ⁽¹⁾	February 27, 1999 (52 weeks) ⁽¹⁾	May 31, 2003	June 1, 2002 ⁽⁵⁾
	(Dollars in thousands)						
Operations Data:							
Revenues	\$15,791,278	\$15,166,170	\$14,516,865	\$13,338,947	\$12,438,442	\$4,046,168	\$3,923,7
Costs and expenses:							
Cost of goods sold, including occupancy costs	12,035,537	11,697,912	11,151,490	10,213,428	9,406,831	3,068,175	2,993,7
Selling, general and administrative expenses	3,471,573 4,806	3,422,383 (15,891)	3,412,442 45,865	3,651,248 (43,438)	3,168,363 32,200	889,773 9,835	889,1 8,0

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Stock-based compensation expense (benefit) ⁽⁴⁾							
Goodwill amortization	—	21,007	20,670	24,457	26,055	—	
Store closing and impairment charges (credits)	135,328	251,617	388,078	139,448	195,359	6,366	(4,100)
Interest expense	330,020	396,064	649,926	542,028	274,826	78,958	84,600
Interest rate swap contracts	278	41,894	—	—	—	—	2,000
(Gain) loss on debt or lease conversions, modifications, and retirements ⁽³⁾	(13,628)	221,054	100,556	—	—	33,427	(2,000)
Share of loss from equity investment	—	12,092	36,675	15,181	448	—	
Gain on sale of assets and investments	(18,620)	(42,536)	(6,030)	(80,109)	—	(1,504)	(16,800)
Total costs and expenses	15,945,294	16,005,596	15,799,672	14,462,243	13,104,082	4,084,990	3,964,600
Loss from continuing operations before income taxes and cumulative effect of accounting change	(154,016)	(839,426)	(1,282,807)	(1,123,296)	(665,640)	(38,822)	(40,900)
Income tax (benefit) expense	(41,940)	(11,745)	148,957	(8,375)	(216,941)	—	43,500
Income (loss) from continuing operations before cumulative effect of accounting change	(112,076)	(827,681)	(1,431,764)	(1,114,921)	(448,699)	(38,822)	2,500
Income (loss) from discontinued operations, net ⁽¹⁾	—	—	11,335	9,178	(12,823)	—	
Loss on disposal of discontinued operations, net ⁽¹⁾	—	—	(168,795)	—	—	—	
Cumulative effect of accounting change, net	—	—	—	(27,300)	—	—	
Net income (loss)	\$ (112,076)	\$ (827,681)	\$ (1,589,224)	\$ (1,133,043)	\$ (461,522)	\$ (38,822)	\$ 2,500

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	March 1, 2003	March 2, 2002	Year Ended March 3, 2001	February 26, 2000	February 27, 1999	Thirteen Week Period Ended May 31, 2003	June 30, 2000
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(52 weeks)⁽⁵⁾ (52 weeks)⁽⁵⁾ (53 weeks)⁽¹⁾ (52 weeks)⁽¹⁾ 52 weeks)⁽¹⁾
(Dollars in thousands)

Basic and diluted (loss)
income per share:

Loss from continuing
operations⁽³⁾

\$ (0.28) \$ (1.82) \$ (5.15) \$ (4.34) \$ (1.74) \$ (0.08) \$

Income (loss) from
discontinued
operations

— — (0.50) 0.04 (0.05) —

Cumulative effect of
accounting change

— — — (0.11) — —

Net loss per share

\$ (0.28) \$ (1.82) \$ (5.65) \$ (4.41) \$ (1.79) \$ (0.08) \$

**Balance Sheet Data
(at end of period):**

Working capital
(deficit)

\$ 1,676,889 \$ 1,580,218 \$ 1,955,877 \$ 752,657 \$ (892,115) \$ 1,703,762 \$ 1,499

Property, plant and
equipment (net)

1,868,579 2,096,030 3,041,008 3,445,828 3,328,499 1,932,726 2,048

Total assets

6,133,515 6,491,759 7,913,911 9,845,566 9,778,451 6,239,100 6,469

Total debt and capital
lease obligations⁽²⁾

3,862,628 4,056,468 5,894,548 6,612,868 5,922,504 3,948,704 4,046

Redeemable preferred
stock

19,663 19,561 19,457 19,457 23,559 19,689 19

Total stockholders'
equity (deficit)

(112,329) 9,616 (354,435) 432,509 1,339,617 (140,636) 20

Other Data:

Cash flows from
continuing operations
provided by (used in):

Operating activities

\$ 305,383 \$ 16,343 \$ (704,554) \$ (623,098) \$ 278,947 \$ 49,800 \$ 38

Investing activities

(72,214) 342,531 677,653 (504,112) (2,705,043) (125,132) (3

Financing activities

(211,903) (107,109) (64,324) 905,091 2,660,341 52,753 7

Capital expenditures

116,154 187,383 141,504 641,070 1,314,423 133,655 22

Cash dividends
declared per common
share

\$ 0 \$ 0 \$ 0 \$.3450 \$.4375 0

Number of retail
drugstores

(at end of period)

3,404 3,497 3,648 3,802 3,870 3,396 3

Pharmacy sales as a
percentage of sales

63.2% 61.3% 59.5% 58.4% 54.2% 64.5%

(1)PCS was acquired on January 22, 1999 and sold on October 2, 2000, and accordingly, our PBM segment is reported as a discontinued operation for all periods presented.

(2)Includes capital lease obligations of \$176.2 million as of March 1, 2003, \$182.6 million as of March 2, 2002, \$1.1 billion as of March 3, 2001, February 26, 2000 and February 27, 1999, respectively, \$174.4 million as of May 31, 2003 and \$181.0 million as of June 1, 2002.

(3)Gains and losses on extinguishment of debt that were previously classified as an extraordinary item in the years ended March 1, 2003 and March 2, 2002 and in the thirteen week period ended June 1, 2002, are now included as a component of results from continuing operations, pursuant to the

adoption of SFAS No. 145.

(4)Effective March 1, 2003, the Company adopted SFAS No. 123, "Accounting for Stock Based Compensation", utilizing the modified prospective method of adoption under the provisions of SFAS No. 148, "Accounting for Stock Based Compensation—Transition and Disclosure." Accordingly, stock based compensation expense presented for the thirteen week period ended May 31, 2003 has been calculated as if the recognition provisions of SFAS No. 123 had been applied from its original effective date. Results for prior periods have not been restated.

(5)Certain reclassifications have been made to conform to current period classifications.

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THE EXCHANGE OFFER

Terms of the Exchange Offer; Period for Tendering Old Notes

Subject to terms and conditions detailed in this prospectus, we will accept for exchange old notes which are properly tendered on or prior to the expiration date and not withdrawn as permitted below. As used herein, the term "expiration date" means 5:00 p.m., New York City time, on , 2003, the 21st business day following the date of this prospectus. We may, however, in our sole discretion, extend the period of time during which the exchange offer is open. The term "expiration date" means the latest time and date to which the exchange offer is extended.

As of the date of this prospectus, \$300.0 million aggregate principal amount of old notes are outstanding. This prospectus, together with the letter of transmittal, is first being sent on or about the date hereof, to all holders of old notes known to us.

We expressly reserve the right, at any time, to extend the period of time during which the exchange offer is open, and delay acceptance for exchange of any old notes, by giving oral or written notice of such extension to the holders thereof as described below. During any such extension, all old notes previously tendered will remain subject to the exchange offer and may be accepted for exchange by us. Any old notes not accepted for exchange for any reason will be returned without expense to the tendering holder as promptly as practicable after the expiration or termination of the exchange offer.

Old notes tendered in the exchange offer must be in denominations of principal amount of \$1,000 and any integral multiple thereof.

We expressly reserve the right to amend or terminate the exchange offer, and not to accept for exchange any old notes, upon the occurrence of any of the conditions of the exchange offer specified under "—Conditions to the exchange offer." We will give oral or written notice of any extension, amendment, non-acceptance or termination to the holders of the old notes as promptly as practicable. Such notice, in the case of any extension, will be issued by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date.

Procedures for Tendering Old Notes

The tender to us of old notes by you as set forth below and our acceptance of the old notes will constitute a binding agreement between us and you upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal. Except as set forth below, to tender old notes for exchange pursuant to the exchange offer, you must transmit a properly completed and duly executed letter of transmittal, including all other documents required by such letter of transmittal or, in the case of a book--entry transfer, an agent's message in lieu of such letter of transmittal, to BNY Midwest Trust Company, as exchange agent, at the address set forth below under "—Exchange Agent" on or prior to the expiration date. In addition, either:

certificates for such old notes must be received by the exchange agent along with the letter of transmittal,

a timely confirmation of a book-entry transfer (a "book-entry confirmation") of such old notes, if such procedure is available, into the exchange agent's account at DTC pursuant to the procedure for book-entry transfer must be received by the exchange agent, prior to the expiration date, with the letter of transmittal or an agent's message in lieu of such letter of transmittal, or

- the holder must comply with the guaranteed delivery procedures described below.

The term "agent's message" means a message, transmitted by DTC to and received by the exchange agent and forming a part of a book-entry confirmation, which states that DTC has received an express acknowledgment from the tendering participant stating that such participant has received and agrees to be bound by the letter of transmittal and that we may enforce such letter of transmittal against such participant.

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The method of delivery of old notes, letters of transmittal and all other required documents is at your election and risk. If such delivery is by mail, it is recommended that you use registered mail, properly insured, with return receipt requested. In all cases, you should sufficient time to assure timely delivery. No letter of transmittal or old notes should be sent to us.

Signatures on a letter of transmittal or a notice of withdrawal, as the case may be, must be guaranteed unless the old notes surrendered for exchange are tendered:

by a holder of the old notes who has not completed the box entitled "Special Issuance Instructions" or "Special Delivery Instructions" on the letter of transmittal, or

- for the account of an eligible institution (as defined below).

In the event that signatures on a letter of transmittal or a notice of withdrawal are required to be guaranteed, such guarantees must be by a firm which is a member of the Securities Transfer Agent Medallion Program, the Stock Exchanges Medallion Program or the New York Stock Exchange Medallion Program (each such entity being hereinafter referred to as an "eligible institution"). If old notes are registered in the name of a person other than the signer of the letter of transmittal, the old notes surrendered for exchange must be endorsed by, or be accompanied by a written instrument or instruments of transfer or exchange, in satisfactory form as we or the exchange agent determine in our sole discretion, duly executed by the registered holders with the signature thereon guaranteed by an eligible institution.

We or the exchange agent in our sole discretion will make a final and binding determination on all questions as to the validity, form, eligibility (including time of receipt) and acceptance of old notes tendered for exchange. We reserve the absolute right to reject any and all tenders of any particular old note not properly tendered or to not accept any particular old note which acceptance might, in our judgment or our counsel's, be unlawful. We also reserve the absolute right to waive any defects or irregularities or conditions of the exchange offer as to any particular old note either before or after the expiration date (including the right to waive the ineligibility of any holder who seeks to tender old notes in the exchange offer). Our or the exchange agent's interpretation of the term and conditions of the exchange offer as to any particular old note either before or after the expiration date (including the letter of transmittal and the instructions thereto) will be final and binding on all parties. Unless waived, any defects or irregularities in connection with tenders of old notes for exchange must be cured within a reasonable period of time, as we determine. We are not, nor is the exchange agent or any other person, under any duty to notify you of any defect or irregularity with respect to your tender of old notes for exchange, and no one will be liable for failing to provide such notification.

If the letter of transmittal is signed by a person or persons other than the registered holder or holders of old notes, such old notes must be endorsed or accompanied by powers of attorney signed exactly as the name(s) of the registered holder(s) that appear on the old notes.

If the letter of transmittal or any old notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing. Unless waived by us or the exchange agent, proper evidence satisfactory to us of their authority to so act must be submitted with the letter of transmittal.

By tendering old notes, you represent to us that, among other things, the new notes acquired pursuant to the exchange offer are being obtained in the ordinary course of business of the person receiving such new notes, whether or not such person is the holder, that neither the holder nor such other person has any arrangement or understanding with any person, to participate in the distribution of the new notes, and that 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 our "affiliate," as defined under Rule 405 under the Securities Act, and engage in or intend to engage in or have an arrangement or understanding with any person to participate in a distribution of such new notes to be acquired pursuant to the exchange offer, you or any such other person:

- could not rely on the applicable interpretations of the staff of the SEC and

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must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

Each broker-dealer that receives new notes for its own account 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, must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. See "Plan of Distribution." 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.

Acceptance of Old Notes for Exchange; Delivery of New Notes

Upon satisfaction or waiver of all of the conditions to the exchange offer, we will accept, promptly after the expiration date, all old notes properly tendered and will issue the new notes promptly after acceptance of the old notes. See "—Conditions to the Exchange Offer." For purposes of the exchange offer, we will be deemed to have accepted properly tendered old notes for exchange if and when we give oral (confirmed in writing) or written notice to the exchange agent.

The holder of each old note accepted for exchange will receive a new note in the amount equal to the surrendered old note. Holders of new notes on the relevant record date for the first interest payment date following the consummation of the exchange offer will receive interest accruing from the most recent date to which interest has been paid on the old notes. Holders of new notes will not receive any payment in respect of accrued interest on old notes otherwise payable on any interest payment date, the record date for which occurs on or after the consummation of the exchange offer.

In all cases, issuance of new notes for old notes that are accepted for exchange will be made only after timely receipt by the exchange agent of:

- a timely book-entry confirmation of such old notes into the exchange agent's account at DTC,
- a properly completed and duly executed letter of transmittal or an agent's message in lieu thereof, and
- all other required documents.

If any tendered old notes are not accepted for any reason set forth in the terms and conditions of the exchange offer or if old notes are submitted for a greater principal amount than the holder desires to exchange, such unaccepted or non-exchanged old notes will be returned without expense to the tendering holder (or, in the case of old notes tendered by book entry transfer into the exchange agent's account at DTC pursuant to the book-entry procedures described

below, such non-exchanged old notes will be credited to an account maintained with DTC as promptly as practicable after the expiration or termination of the exchange offer.

Book-Entry Transfers

For purposes of the exchange offer, the exchange agent will request that an account be established with respect to the old notes at DTC within two business days after the date of this prospectus, unless the exchange agent already has established an account with DTC suitable for the exchange offer. Any financial institution that is a participant in DTC may make book-entry delivery of old notes by causing DTC to transfer such old notes into the exchange agent's account at DTC in accordance with DTC's procedures for transfer. Although delivery of old notes may be effected through book-entry transfer at DTC, the letter of transmittal or facsimile thereof or an agent's message in lieu thereof, with any required signature guarantees and any other required documents, must, in any case, be transmitted to and received by the exchange agent at the address set forth under "—Exchange Agent" on or prior to the expiration date or the guaranteed delivery procedures described below must be complied with.

Guaranteed Delivery Procedures

If you desire to tender your old notes and your old notes are not immediately available, or time will not permit your old notes or other required documents to reach the exchange agent before the expiration date, a tender may be effected if:

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- the tender is made through an eligible institution, prior to the expiration date, the exchange agent received from such eligible institution a notice of guaranteed delivery, substantially in the form we provide (by telegram, telex, facsimile transmission, mail or hand delivery), setting forth your name and address, the amount of old notes tendered, stating that the tender is being made thereby and guaranteeing that within three New York Stock Exchange trading days after the date of execution of the notice of guaranteed delivery, the certificates for all physically tendered old notes, in proper form for transfer, or a book-entry confirmation, as the case may be, together with a properly completed and duly executed appropriate letter of transmittal or facsimile thereof or agent's message in lieu thereof, with any required signature guarantees and any other documents required by the letter of transmittal will be deposited by such eligible institution with the exchange agent, and the certificates for all physically tendered old notes, in proper form for transfer, or a book-entry confirmation, as the case may be, together with a properly completed and duly executed appropriate letter of transmittal or facsimile thereof or agent's message in lieu thereof, with any required signature guarantees and all other documents required by the letter of transmittal, are received by the exchange agent within three NYSE trading days after the date of execution of the notice of guaranteed delivery.

Withdrawal Rights

You may withdraw your tender of old notes at any time prior to the expiration date. To be effective, a written notice of withdrawal must be received by the exchange agent at one of the addresses set forth under "—Exchange Agent." This notice must specify:

- the name of the person having tendered the old notes to be withdrawn,
- the old notes to be withdrawn (including the principal amount of such old notes), and

where certificates for old notes have been transmitted, the name in which such old notes are registered, if different from that of the withdrawing holder.

If certificates for old notes have been delivered or otherwise identified to the exchange agent, then, prior to the release of such certificates, the withdrawing holder must also submit the serial numbers of the particular certificates to be withdrawn and a signed notice of withdrawal with signatures guaranteed by an eligible institution, unless such holder is an eligible institution. If old notes have been tendered pursuant to the procedure for book-entry transfer described above, any notice of withdrawal must specify the name and number of the account at DTC to be credited with the withdrawn old notes and otherwise comply with the procedures of DTC.

We or the exchange agent will make a final and binding determination on all questions as to the validity, form and eligibility (including time of receipt) of such notices. Any old notes so withdrawn will be deemed not to have been validly tendered for exchange for purposes of the exchange offer. Any old notes tendered for exchange but not exchanged for any reason will be returned to the holder without cost to such holder (or, in the case of old notes tendered by book-entry transfer into the exchange agent's account at DTC pursuant to the book-entry transfer procedures described above, such old notes will be credited to an account maintained with DTC for the old notes as soon as practicable after withdrawal, rejection of tender or termination of the exchange offer. Properly withdrawn old notes may be retendered by following one of the procedures described under "—Procedures for tendering old notes" above at any time on or prior to the expiration date.

Conditions to the Exchange Offer

Notwithstanding any other provision of the exchange offer, we are not required to accept for exchange, or to issue new notes in exchange for, any old notes and may terminate or amend the exchange offer, if any of the following events occur prior to acceptance of such old notes:

- (a) the exchange offer violates any applicable law or applicable interpretation of the staff of the SEC; or

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- (b) there is threatened, instituted or pending any action or proceeding before, or any injunction, order or decree has been issued by, any court or governmental agency or other governmental regulatory or administrative agency or commission,
 - (1) seeking to restrain or prohibit the making or consummation of the exchange offer or any other transaction contemplated by the exchange offer, or assessing or seeking any damages as a result thereof, or
 - (2) resulting in a material delay in our ability to accept for exchange or exchange some or all of the old notes pursuant to the exchange offer;

or any statute, rule, regulation, order or injunction has been sought, proposed, introduced, enacted, promulgated or deemed applicable to the exchange offer or any of the transactions contemplated by the exchange offer by any government or governmental authority, domestic or foreign, or any action has been taken, proposed or threatened, by any government, governmental authority, agency or court, domestic or foreign, that in our sole judgment might, directly or indirectly, result in any of the consequences referred to in clauses (1) or (2) above or, in our reasonable judgment, might result in the holders of new notes having obligations with respect to resales and transfers of new notes which are greater than those described in the interpretation of the SEC referred to on the cover page of this prospectus, or would otherwise make it inadvisable to proceed with the exchange offer; or

- (c) there has occurred:
 - (1) any general suspension of or general limitation on prices for, or trading in, securities on any national securities exchange or in the over-the-counter market,
 - (2) any limitation by a governmental agency or authority which may adversely affect our ability to complete the transactions contemplated by the exchange offer,
 - (3)

a declaration of a banking moratorium or any suspension of payments in respect of banks in the United States or any limitation by any governmental agency or authority which adversely affects the extension of credit, or

(4)a commencement of a war, armed hostilities or other similar international calamity directly or indirectly involving the United States, or, in the case of any of the foregoing existing at the time of the commencement of the exchange offer, a material acceleration or worsening thereof; or

(d)any change (or any development involving a prospective change) has occurred or is threatened in our business, properties, assets, liabilities, financial condition, operations, results of operations or prospects and our subsidiaries taken as a whole that, in our reasonable judgment, is or may be adverse to us, or we have become aware of facts that, in our reasonable judgment, have or may have adverse significance with respect to the value of the old notes or the new notes;

which in our reasonable judgment in any case, and regardless of the circumstances (including any action by us) giving rise to any such condition, makes it inadvisable to proceed with the exchange offer and/or with such acceptance for exchange or with such exchange.

The foregoing conditions are for our sole benefit and may be asserted by us regardless of the circumstances giving rise to any condition or may be waived by us in whole or in part at any time in our reasonable discretion. Our failure at any time to exercise any of the foregoing rights will not be deemed a waiver of any such right and each such right will be deemed an ongoing right which may be asserted at any time.

In addition, we will not accept for exchange any old notes tendered, and no new notes will be issued in exchange for any such old notes, if at such time any stop order is threatened or in effect with respect to the Registration Statement, of which this prospectus constitutes a part, or the qualification of the indenture under the Trust Indenture Act.

Exchange Agent

We have appointed BNY Midwest Trust Company as the exchange agent for the exchange offer. All executed letters of transmittal should be directed to the exchange agent at the address set forth below.

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Questions and requests for assistance, requests for additional copies of this prospectus or of the letter of transmittal and requests for notices of guaranteed delivery should be directed to the exchange agent addressed as follows:

BNY Midwest Trust Company, *Exchange Agent*

*By Registered or Certified Mail, Overnight Delivery after
4:30 p.m. on the Expiration Date:*

BNY Midwest Trust Company
c/o Bank of New York
Corporate Trust Operations
Reorganization Unit
101 Barclay Street – 7 East
New York, NY 10286
Attn: Santino Ginocchietti

For Information Call:
(212) 815-6331

By Facsimile Transmission
(for Eligible Institutions only):
(212) 298-1915

Confirm by Telephone:
(212) 815-6331

DELIVERY OF THE LETTER OF TRANSMITTAL TO AN ADDRESS OTHER THAN AS SET FORTH ABOVE OR TRANSMISSION OF SUCH LETTER OF TRANSMITTAL VIA FACSIMILE OTHER THAN AS SET FORTH ABOVE DOES NOT CONSTITUTE A VALID DELIVERY OF THE LETTER OF TRANSMITTAL.

Fees and Expenses

The principal solicitation is being made by mail by BNY Midwest Trust Company, as exchange agent. We will pay the exchange agent customary fees for its services, reimburse the exchange agent for its reasonable out-of-pocket expenses incurred in connection with the provision of these services and pay other registration expenses, including fees and expenses of the trustee under the indenture relating to the new notes, filing fees, blue sky fees and printing and distribution expenses. We will not make any payment to brokers, dealers or others soliciting acceptances of the exchange offer.

Additional solicitation may be made by telephone, facsimile or in person by our and our affiliates' officers and regular employees and by persons so engaged by the exchange agent.

Accounting Treatment

We will record the new notes at the same carrying value as the old notes, as reflected in our accounting records on the date of the exchange. Accordingly, we will not recognize any gain or loss for accounting purposes. The expenses of the exchange offer will be amortized over the term of the new notes.

Transfer Taxes

You will not be obligated to pay any transfer taxes in connection with the tender of old notes in the exchange offer unless you instruct us to register new notes in the name of, or request that old notes not tendered or not accepted in the exchange offer be returned to, a person other than the registered tendering holder. In those cases, you will be responsible for the payment of any applicable transfer tax.

Consequences of Exchanging or Failing to Exchange Old Notes

If you do not exchange your old notes for new notes in the exchange offer, your old notes will continue to be subject to the provisions of the indenture relating to the notes regarding transfer and

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exchange of the old notes and the restrictions on transfer of the old notes described in the legend on your certificates. These transfer restrictions are required because the old notes were issued under an exemption from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, the old notes may not be offered or sold unless registered under the Securities Act, except under an exemption from, or in a transaction not subject to, the Securities Act and applicable state securities laws. We do not plan to register the old notes under the Securities Act. Based on interpretations by the staff of the SEC, as set forth in no-action letters issued to 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:

- you are our "affiliate," as defined in Rule 405 under the Securities Act,
- you are not acquiring the new notes in the exchange offer in the ordinary course of your business,
- 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,
- you are holding old notes that have, or are reasonably likely to have, the status of an unsold allotment in the initial offering, or
- you are a participating broker-dealer.

We do not intend to request the SEC to consider, and the SEC has not considered, the exchange offer in the context of a similar no-action letter. As a result, we cannot guarantee that the staff of the SEC would make a similar determination with respect to the exchange offer as in the circumstances described in the no action letters discussed above. Each holder, other than a broker-dealer, must acknowledge that it is not engaged in, and does not intend to engage in, a distribution of new notes and has no arrangement or understanding to participate in a distribution of new notes. If you are our affiliate, are engaged in or intend to engage in a distribution of the new notes or have any arrangement or understanding with respect to the distribution of the new notes you will receive in the exchange offer, you may not rely on the applicable interpretations of the staff of the SEC and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction involving the new notes. If you are a participating broker-dealer, you must acknowledge that you will deliver a prospectus in connection with any resale of the new notes. In addition, to comply with state securities laws, you may not offer or sell the new notes in any state unless they have been registered or qualified for sale in that state or an exemption from registration or qualification is available and is complied with. The offer and sale of the new notes to "qualified institutional buyers" (as defined in Rule 144A of the Securities Act) is generally exempt from registration or qualification under state securities laws. We do not plan to register or qualify the sale of the new notes in any state where an exemption from registration or qualification is required and not available.

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DESCRIPTION OF THE NEW NOTES

You can find the definitions of terms used in this description under the subheading "Definitions." In this description, the words "Company" and "we," "us" and "our" refer only to Rite Aid Corporation and not to any of its subsidiaries. The term "notes" or "Notes" includes the old notes and the new notes. The term "8.125% Notes" means the Company's 8.125% Senior Secured Notes Due 2010 issued under the Indenture dated as of April 22, 2003, among the Company, the Subsidiary Guarantors and BNY Midwest Trust Company, as trustee.

We will issue the new notes under the indenture dated as of February 12, 2003, among us, the Subsidiary Guarantors and BNY Midwest Trust Company, as trustee. This is the same indenture under which the old notes were issued.

We urge you to read the indenture because it, and not this description, defines your rights as a holder of the new notes. A copy of the indenture is available upon request to us at the address indicated under "Where You Can Find More Information."

New Notes Versus Old Notes

The new notes are substantially identical to the old notes, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes.

Principal, Maturity and Interest

We can issue up to \$300.0 million of new notes now and an unlimited principal amount of additional notes at later dates under the same indenture. We can issue additional notes as part of the same series or as an additional series. Any additional notes that we issue in the future will be identical in all respects to the new notes, except that notes issued in the future will have different issuance prices and issuance dates. We will issue notes only in fully registered form without coupons, in denominations of \$1,000 and integral multiples of \$1,000.

The new notes will mature on February 15, 2011. We are issuing \$300.0 million aggregate principal amount of new notes.

Interest on the new notes will accrue at a rate of 9½% per annum and will be payable semi-annually in arrears on February 15 and August 15, commencing on August 15, 2003. We will pay interest to those persons who were holders of record on the February 1 or August 1 immediately preceding each interest payment date.

Interest on the new notes will accrue from the date of original issuance or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

Ranking

The new notes will be:

- our unsubordinated unsecured obligations; equal in ranking ("*pari passu*") with all of our existing and future unsubordinated unsecured debt; guaranteed on a other subordinated basis by the Subsidiary Guarantors and these guarantees will be secured by second priority liens (subject to Permitted Liens) on the Collateral shared equally with Second Priority Debt in distributions of Collateral, in each case, subject to provisions governing releases of those guarantees and the Collateral.

As of May 31, 2003:

• the total outstanding debt of us and the Subsidiary Guarantors, excluding unused commitments and undrawn letters of credit made by lenders, was approximately \$3.9 billion;

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• none of our or any Subsidiary Guarantor's debt would have been subordinated to the new notes or the Subsidiary Guarantees;

- the total outstanding debt of us and the Subsidiary Guarantors that would be senior to the subordinated guarantees by the Subsidiary Guarantors and have the benefit of first priority liens on the Collateral would have been approximately \$1.2 billion; and

• the total outstanding debt of us and the Subsidiary Guarantors that would have the benefit of *pari passu* subordinated guarantees from the Subsidiary Guarantors and share *pari passu* second priority liens (subject to Permitted Liens) on the Collateral would have been approximately \$801.6 million.

We only have a stockholder's claim in the assets of our Subsidiaries. This stockholder's claim is junior to the claims that creditors of our Subsidiaries have against our Subsidiaries. Holders of the new notes will only be creditors of us and of those Subsidiaries that are Subsidiary Guarantors. In the case of Subsidiaries that are not Subsidiary Guarantors, all of the existing and future liabilities of these Subsidiaries, including any claims of trade creditors and preferred stockholders, will be effectively senior to the new notes.

As our Subsidiaries conduct substantially all of our operations, our ability to service our debt, including the new notes, is dependent upon the earnings of our Subsidiaries, and their ability to distribute those earnings as dividends, loans or other payments to us. Certain laws restrict the ability of our Subsidiaries to pay us dividends or make loans and

advances to us. If these restrictions are applied to Subsidiaries that are not Subsidiary Guarantors, then we would not be able to use the earnings of those Subsidiaries to make payments on the new notes. Furthermore, under certain circumstances, bankruptcy "fraudulent conveyance" laws or other similar laws could invalidate the Subsidiary Guarantees or the liens securing them. If this were to occur, we would also be unable to use the earnings of these Subsidiary Guarantors to the extent they face restrictions on distributing funds to us. Any of the situations described above could make it more difficult for us to service our debt.

As of May 31, 2003, the total balance sheet liabilities of the Subsidiary Guarantors, excluding intercompany liabilities and unused commitments and undrawn letters of credit made by lenders, was approximately \$2.2 billion. This represented approximately 98% of the liabilities held by our Subsidiaries.

The Subsidiary Guarantors and our other Subsidiaries have other liabilities, including contingent liabilities, that may be significant. The indenture contains limitations on the amount of additional Debt that we and the Restricted Subsidiaries may Incur. However, the amounts of this Debt could nevertheless be substantial and may be Incurred either by Subsidiary Guarantors or by our other Subsidiaries.

The new notes are our unsecured obligations. Our secured debt will be effectively senior to the new notes to the extent of the value of the assets securing this debt. While the Subsidiary Guarantees are secured, other secured debt of the Subsidiary Guarantors will be effectively senior to the new notes to the extent that this debt has any of the following:

- (1) a higher priority lien on the Collateral securing the Subsidiary Guarantees of the new notes;
- (2) a shared *pari passu* lien with the Subsidiary Guarantees but priority in the distribution of shared Collateral; or
- (3) a lien on other Property that is not Collateral that secures the Subsidiary Guarantees of the new notes.

In either of the above cases, the other secured debt will be effectively senior to the new notes to the extent of either:

- (1) the value of the assets securing the other secured Debt, or
- (2) the amount of the other secured Debt, whichever is less.

See "Risk Factors—Risks Related to the Exchange Offer and Holding the New Notes."

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Subsidiary Guarantees

Our obligations under the indenture, including the repurchase obligation resulting from a Change of Control, will be fully and unconditionally guaranteed, jointly and severally, on a subordinated basis, by our existing Subsidiaries that guarantee our Senior Credit Facility, and these guarantees will be secured by shared second priority liens (subject to Permitted Liens) on the Collateral, in each case subject to provisions governing releases of these guarantees and the Collateral.

The Subsidiary Guarantors currently generate all of our revenue. As of May 31, 2003, our Subsidiaries that were Subsidiary Guarantors represented the following approximate percentages of our assets and revenues, on a consolidated basis:

- 99% of our consolidated assets were represented by Subsidiaries that were Subsidiary Guarantors
- 100% of our consolidated total revenues were represented by Subsidiaries that were Subsidiary Guarantors.

If all of the Capital Stock of a Subsidiary Guarantor is sold, transferred or otherwise disposed of pursuant to a transaction permitted by the Second Priority Debt Documents, such Subsidiary Guarantor will be released from its obligations under the Second Priority Subsidiary Guarantee Agreement without further action.

Subject to any other consent required under the terms of the applicable Second Priority Collateral Documents, the holders of new notes will be deemed to have consented (including for purposes of determining actions of the Second Priority Instructing Group) to the release of a Subsidiary Guarantee of the new notes provided by a Subsidiary Guarantor, without any action required on the part of the Trustee or any holder of the new notes, upon such Subsidiary Guarantor ceasing to Guarantee or be an obligor in respect of, or to pledge any of its assets to secure, any Senior Obligations; *provided, however*, that after giving effect to such release (i) at least \$300.0 million in aggregate principal amount of Senior Obligations under Credit Facilities will thereafter remain outstanding and (ii) such Subsidiary Guarantor ceases to Guarantee or be an obligor in respect of, or to pledge any of its assets to secure, any Secured Obligation.

In addition, a Subsidiary Guarantee of the new notes provided by a Subsidiary Guarantor may be released only in respect of the new notes:

(a) upon our request without consent of any holder of the new notes unless, within 20 Business Days after written notice of the proposed release of such Subsidiary Guarantor is mailed to the Trustee and the holders of the new notes, holders of 25% of the outstanding principal amount of new notes deliver to us a written objection to such release; or

(b) with the written consent of the holders of at least a majority of the aggregate principal amount of the new notes then outstanding.

Under the circumstances described in clauses (a) and (b) above, holders of new notes (and the holders of 8.125% Notes pursuant to the terms of those notes) will also be deemed to have consented to such release for purposes of any consent required under the Second Priority Collateral Documents (including for purposes of determining actions of the Second Priority Instructing Group), subject to any other consent required under the applicable Second Priority Collateral Document.

At our request, the Trustee will execute and deliver any documents, instructions or instruments evidencing the consent of the holders of the new notes to any such release. The indenture will also direct the Trustee, in its capacity as Second Priority Representative for holders of new notes, to take such action under the Second Priority Collateral Documents or otherwise as may be requested by us to give effect to any such release.

The Subsidiary Guarantee of any Subsidiary Guarantor may also be released as described under "—Defeasance."

In addition, the Subsidiary Guarantees (a) will terminate when all the Second Priority Debt Obligations have been paid in full and (b) will continue to be effective or be reinstated, as the case may

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be, if at any time payment, or any part thereof, of any Second Priority Debt Obligations is rescinded or must otherwise be restored by any Second Priority Debt Party or any Subsidiary Guarantor upon the bankruptcy or reorganization of us, any Subsidiary Guarantor or otherwise.

The obligations of each Subsidiary Guarantor under the Second Priority Subsidiary Guarantee Agreements (the "Second Priority Guarantee Obligations") are limited (and subject to automatic reduction) to the extent necessary to prevent the guarantees by a Subsidiary Guarantor and the guarantee by that Subsidiary Guarantor of the Senior Obligations from constituting fraudulent conveyances. However, the guarantees of the Senior Obligations will only be limited (or reduced) after the subordinated guarantees for the new notes and the other Second Priority Debt

Obligations are extinguished.

The Second Priority Subsidiary Guarantee Agreement may be amended or otherwise modified by agreement of each Subsidiary Guarantor affected thereby and the Second Priority Collateral Trustee, with the written consent of the Second Priority Instructing Group unless the amendment adversely affects the rights of the holders of any particular Second Priority Debt Facility, in a manner materially different from its effect on the other Second Priority Debt Facilities, in which case the amendment requires the consent of a majority in principal amount of the holders of the Second Priority Debt Facility so adversely affected. Accordingly, the Second Priority Subsidiary Guarantee Agreement may, if the new notes do not represent a majority of the outstanding Second Priority Debt Obligations, be amended without the consent of the holders of new notes or the Trustee, unless the holders of new notes are adversely affected in a materially different manner. The old notes currently represent approximately 37.4% of the outstanding Second Priority Debt Obligations. This percentage can increase or decrease as Second Priority Debt Obligations are Repaid or Incurred. The consent of holders of new notes to any such amendment or other modification will be deemed to have been given as described under "—Amendments and Waivers." The consent of holders of 8.125% Notes will also be deemed to have been given under similar circumstances, and the notes and the 8.125% Notes together represent approximately 81.7% of the outstanding Second Priority Debt Obligations.

Subordination of Subsidiary Guarantees

The obligations of the Subsidiary Guarantors under the Second Priority Subsidiary Guarantee Agreement will be subordinated in right of payment to the prior payment when due of the guarantees by such Subsidiary Guarantors of the Senior Bank Obligations and may become subordinated to any Additional Senior Debt Obligations. The terms of the Senior Credit Facility and the indenture permit us to Incur a substantial amount of Additional Senior Debt Obligations.

Subject to any other consent required under the terms of the applicable Second Priority Debt Document, the holders of new notes will be deemed to have consented (including for purposes of determining actions of the Second Priority Instructing Group) to the amendment of the Second Priority Subsidiary Guarantee Agreement to subordinate, on comparable terms, the obligations of the Subsidiary Guarantors under the Second Priority Subsidiary Guarantee Agreement to the prior payment when due of the guarantees by such Subsidiary Guarantors of any Additional Senior Debt. If such an amendment is made, references to the Senior Bank Obligations and the Senior Credit Facility in the following description would include such Additional Senior Debt.

As a result of this subordination, no payment will be made on account of the Second Priority Guarantee Obligations of any Subsidiary Guarantor until (i) the Senior Bank Obligations have been paid in full, (ii) all lending commitments under the Senior Credit Facility have been terminated, and (iii) there are no outstanding letters of credit under the Senior Credit Facility other than such as have been fully collateralized.

Also:

(a) no direct or indirect payment or distribution on account of the Second Priority Guarantee Obligations may be made until the obligations of such Subsidiary Guarantors under the guarantees of the Senior Bank Obligations have been paid in full, and

(b) no payment or distribution of cash, properties or securities of any kind or character may be made in respect of the Second Priority Guarantee Obligations of a Subsidiary Guarantor unless

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payment in full or provision for payment in full in cash or cash equivalents is made in respect of the obligations of such Subsidiary Guarantors under

the guarantees of the Senior Bank Obligations, including in any of the following situations or proceedings relating to such Subsidiary Guarantor:

- liquidation, dissolution or winding up;
- reorganization (whether in bankruptcy, insolvency, receivership or similar proceedings); or
- assignments for the benefit of its creditors or otherwise.

Until all of the obligations of a Subsidiary Guarantor under its guarantee of the Senior Bank Obligations are paid in full or provided for in cash or cash equivalents, if, notwithstanding the subordination provisions above, a payment or distribution is made to holders of new notes that, due to such subordination provisions, should not have been made to them, such holders are required to hold it in trust for the parties under the Senior Bank Obligations and pay it over to them as their interests may appear.

Following the payment in full in cash or cash equivalents or provision for payment in full in cash or cash equivalents of all obligations of any Subsidiary Guarantor under its guarantee in respect of the Senior Bank Obligations, the holders of the new notes will be subrogated to the rights of the parties under the Senior Bank Obligations to receive payments or distributions of assets in respect of the guarantees of such Subsidiary Guarantor in respect of such obligations until all amounts owing in respect of such obligations of such Subsidiary Guarantor have been paid in full.

Because of the subordination provisions contained in the Second Priority Subsidiary Guarantee Agreement, holders of Senior Bank Obligations and other creditors (including trade creditors) of us or the Subsidiary Guarantors may recover disproportionately more than the holders of the new notes recover in a bankruptcy or similar proceeding relating to us or a Subsidiary Guarantor. This could apply even if the new notes or the applicable Subsidiary Guarantee ranked *pari passu* with the other creditors' claims. In such a case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the new notes.

See "Risk Factors—Risks Related to the Exchange Offer and Holding the New Notes—The guarantees of the new notes will be subordinated to the guarantees of our first priority debt, including our new senior secured credit facility, and the guarantees of the new notes are secured only to the extent that the first priority debt, are oversecured; the terms of the new notes permit, without the consent of holders of new notes, various releases of collateral and subsidiary guarantees as well as various amendments to the second priority collateral documents that could be adverse to holders of new notes" and "Risk Factors—Risks Related to the Exchange Offer and Holding the New Notes—If the guarantees of the new notes and the liens that secure these guarantees are held to be invalid or unenforceable or are limited in accordance with their terms, the new notes would be unsecured and structurally subordinated to the debt of our subsidiaries."

Security for Subsidiary Guarantees

The Subsidiary Guarantees of the new notes will be secured by second priority liens (subject to Permitted Liens) granted by our Subsidiary Guarantors on the assets securing our Senior Credit Facility (other than any cash or cash equivalents collateralizing letter of credit obligations), which currently includes substantially all of their inventory, accounts receivable, intellectual property and certain of their owned real property.

The second priority liens securing the Subsidiary Guarantees of the new notes will be shared equally and ratably (subject to Permitted Liens) with the holders of Second Priority Debt Obligations, which includes the 12.5% Notes, the 8.125% Notes and any additional Second Priority Debt Obligations. In addition, other Second Priority Debt Documents may require the proceeds of Collateral Dispositions to be allocated to prepay, repurchase or provide for the prepayment or repurchase of other Second Priority Debt Obligations when no such prepayment, repurchase or provision is required with respect to the new notes. The 12.5% Notes require such repurchase or provision for repurchase in certain circumstances. The

guarantees of the Senior Credit Facility are secured by first priority liens on the Collateral, which liens will be senior to the liens securing the new notes. Pursuant to the Second Priority Collateral Documents, substantial additional Debt may have the benefit of first priority liens on the Collateral or may share the second priority liens securing the Subsidiary Guarantees of the new notes without the consent of holders of new notes. In addition, the indenture permits the Incurrence of substantial additional Debt that would be secured by the Collateral and share in the distribution of proceeds thereof on a prior basis to the new notes even if such Debt does not share the proceeds of the Collateral on an equal and ratable basis with the Senior Obligations. The lenders under the Senior Credit Facility will, at all times, control all remedies or other actions related to the Collateral so long as any Senior Bank Obligations remain outstanding. Subject to any other consent required under the terms of the applicable Second Priority Debt Documents, the holders of new notes (and the holders of the 8.125% Notes pursuant to the terms of those notes) will be deemed to have consented (including for purposes of determining actions of the Second Priority Instructing Group) to an amendment of the Intercreditor Agreement to permit, on comparable terms, the lenders under any Senior Obligations to control all remedies or other actions related to the Collateral so long as any Senior Obligations remain outstanding.

All Collateral used, sold, transferred or otherwise disposed of in accordance with the terms of the Second Priority Debt Documents, including any waiver or amendment of these documents, will automatically be released from the Lien securing Subsidiary Guarantees of the new notes so that the use, sale, transfer or other disposition may be made free of such Lien. Accordingly, subject to the terms of the other Second Priority Debt Documents, any such sale, transfer or other disposition of Collateral in a transaction that does not violate the asset disposition covenant in the indenture governing the new notes may result in a release of the Lien on such Collateral securing Subsidiary Guarantees of the new notes. Because the asset disposition covenant of the indenture does not restrict transfers of assets by our Subsidiaries to us, any transfer of Collateral to us could result in such assets ceasing to constitute Collateral and secure the new notes. In addition, the Liens securing Subsidiary Guarantees of the new notes may be released pursuant to directions from the Second Priority Instructing Group, unless the release involves all or substantially all the Collateral, in which case such release shall require the consent of the holders of the new notes. Accordingly, unless all or substantially all the Collateral is being released, substantial Collateral may be released without the consent of the holders of new notes or the Trustee. Furthermore, as described below, under certain circumstances the holders of new notes may be deemed to consent to a release of all or substantially all of the Collateral. See "Description of Collateral and Intercreditor Arrangements."

In addition, subject to any other consent required under the terms of the applicable Second Priority Debt Documents, the holders of new notes will be deemed to have consented (including for purposes of determining actions of the Second Priority Instructing Group) to the release of assets included in the Collateral from the Liens securing Subsidiary Guarantees of the new notes under any one or more of the following circumstances:

- (a) if all other Liens on that asset securing the Senior Obligations (including all commitments thereunder) are released; *provided, however,* that after giving effect to the release (i) at least \$300.0 million in aggregate principal amount of Senior Obligations under Credit Facilities will remain outstanding and (ii) there remains no Lien on such assets securing Secured Obligations;
- (b) if we provide substitute collateral with at least an equivalent fair value, as determined in good faith by our Board of Directors (as evidenced by a resolution of the Board of Directors); *provided, however,* that after giving effect to such substitution there remains no Lien on the released assets securing Secured Obligations; or
- (c) if all of the Capital Stock of any of our Subsidiaries that is pledged as Collateral is released or if any Subsidiary that is a Subsidiary Guarantor is released from its Subsidiary Guarantee, such Subsidiary's assets will also be released from the Liens securing its Subsidiary Guarantee of the new notes; *provided, however,* that after giving effect to the release there remains no Lien on such assets securing any Secured Obligations.

In addition, assets securing a Subsidiary Guarantee of the new notes may be released only in respect of the new notes:

(x) upon our request without consent of any holder of the new notes unless, within 20 Business Days after written notice of the proposed release of such Collateral from the Liens securing Subsidiary Guarantees of the new notes is mailed to the Trustee and the holders of new notes, holders of 25% of the outstanding principal amount of new notes deliver to us a written objection to such release; or

(y) with the written consent of the holders of at least a majority of the aggregate principal amount of the new notes then outstanding.

Under the circumstances described in clauses (x) and (y) above, holders of new notes will also be deemed to have consented to such release for purposes of any consent required under the Second Priority Collateral Documents (including for purposes of determining actions of the Second Priority Instructing Group), subject to any other consent required under the Second Priority Collateral Documents.

At our request, the Trustee will execute and deliver any documents, instructions or instruments evidencing the consent of the holders of the new notes to such release. The indenture will also direct the Trustee, in its capacity as Second Priority Representative for holders of new notes, to take such action under the Second Priority Collateral Documents or otherwise as may be requested by us to give effect to any such release.

Liens on Collateral securing Subsidiary Guarantees of the new notes may also be released as described under "—Defeasance." To the extent the new notes are ever secured directly by Liens on Collateral, such Liens could be released on a comparable basis to the release of Liens on Collateral securing Subsidiary Guarantees of the new notes.

The terms of the 8.125% Notes contain similar deemed consents by holders of such notes (including for purposes of determining actions of the Second Priority Instructing Group).

Optional Redemption

We may choose to redeem the new notes at any time. If we do so, we may redeem all or any portion of the new notes, at once or over time, after giving the required notice under the indenture.

To redeem the new notes prior to February 15, 2007, we must pay a redemption price equal to 100% of the principal amount of the new notes to be redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). Any notice to holders of new notes of such a redemption needs to include the appropriate calculation of the redemption price, but does not need to include the redemption price itself. The actual redemption price must be set forth in an Officers' Certificate delivered to the Trustee no later than two Business Days prior to the redemption date.

"*Applicable Premium*" means, with respect to any new note on any redemption date, the greater of (i) 1.0% of the principal amount of such new note and (ii) the excess of (A) the present value at such redemption date of (1) the redemption price of such new note at February 15, 2007, (such redemption price being set forth in the table below) plus (2) all required interest payments due on such new note through February 15, 2007 (excluding accrued but unpaid interest), computed using a discount rate equal to the Treasury Rate on such redemption date plus 75 basis points over (B) the principal amount of such new note.

"*Treasury Rate*" means, as of any redemption date, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (or, if such statistical release is no longer published, any publicly available source of similar market data)) most nearly equal

to the period from the redemption date to February 15, 2007; *provided, however*, that if the period from the redemption date to February 15, 2007 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year shall be used.

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Beginning on February 15, 2007, the new notes may be redeemed at the redemption prices set forth below, plus accrued and unpaid interest, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). The following prices are for new notes redeemed during the 12-month period commencing on February 15 of the years set forth below, and are expressed as percentages of principal amount:

Redemption Year	Price
2007	104.750%
2008	102.375%
2009 and thereafter	100.000%

In addition, at any time and from time to time, prior to February 15, 2006, we may redeem up to a maximum of 35% of the original aggregate principal amount of the new notes (including additional notes, if any) with the proceeds of one or more Equity Offerings, at a redemption price equal to 109.5% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that after giving effect to any such redemption, at least 65% of the original aggregate principal amount of the new notes (including additional notes, if any) remains outstanding. Any such redemption shall be made within 75 days of the completion of such Equity Offering upon not less than 30 nor more than 60 days' prior notice.

If the optional redemption date is on or after a record date and on or before the relevant interest payment date, the accrued and unpaid interest, if any, will be paid to the person or entity in whose name the new note is registered at the close of business on that record date, and no additional interest will be payable to holders whose new notes shall be subject to redemption.

Sinking Fund

There will be no mandatory sinking fund payments for the new notes.

Repurchase at the Option of Holders Upon a Change of Control

Upon the occurrence of a Change of Control, each holder of new notes will have the right to require us to repurchase all or any part of such holder's new notes pursuant to the offer described below (the "Change of Control Offer") at a purchase price (the "Change of Control Purchase Price") equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the purchase date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date). If the purchase date is on or after a record date and on or before the relevant interest payment date, the accrued and unpaid interest, if any, will be paid to the person or entity in whose name the new note is registered at the close of business on that record date, and no additional interest will be payable to holders whose new notes shall be subject to redemption.

Within 30 days following any Change of Control, we shall:

(a) cause a notice of the Change of Control Offer to be sent at least once to the Dow Jones News Service or similar business news service in the United States; and

(b) send, by first-class mail, with a copy to the Trustee, to each holder of new notes, at such holder's address appearing in the register for the new notes, a notice stating:

(1) that a Change of Control has occurred and a Change of Control Offer is being made pursuant to the covenant entitled "Repurchase at the Option of Holders Upon a Change of Control" and that all new notes timely tendered will be accepted for payment;

(2) the Change of Control Purchase Price and the purchase date, which shall be, subject to any contrary requirements of applicable law, a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed;

(3) the circumstances and relevant facts regarding the Change of Control (including, to the extent reasonably practicable, information with respect to pro forma historical income, cash flow and capitalization after giving effect to the Change of Control); and

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(4) the procedures that holders of new notes must follow in order to tender their new notes (or portions thereof) for payment, and the procedures that holders of new notes must follow in order to withdraw an election to tender new notes (or portions thereof) for payment.

We will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of new notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described above, we will comply with the applicable securities laws and regulations and will not be deemed to have breached our obligations under this covenant by virtue of such compliance.

The Change of Control repurchase feature is a result of negotiations between us and the Initial Purchasers of the old notes. Management has no present intention to engage in a transaction involving a Change of Control, although it is possible that we would decide to do so in the future. Subject to the covenants described below, we could, in the future, enter into transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the indenture, but that could increase the amount of debt outstanding at such time or otherwise affect our capital structure or credit ratings.

The definition of Change of Control includes a phrase relating to the sale, transfer, assignment, lease, conveyance or other disposition of "all or substantially all" our assets. Although there is a developing body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, if we dispose of less than all our assets by any of the means described above, the ability of a holder of new notes to require us to repurchase our new notes may be uncertain. In such a case, holders of the new notes may not be able to resolve this uncertainty without resorting to legal action.

The Senior Credit Facility provides that the occurrence of certain of the events that constitute a Change of Control will constitute a default under such facility.

Our other existing debt contains, and our future debt may contain, prohibitions of events that would constitute a Change of Control or that would require such debt to be repurchased upon a Change of 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 of 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 of Control would result in a default under the indenture. Such a default would, in turn, constitute a default under our existing debt, and may constitute a default under future debt as well. Our obligation to make an offer to repurchase the new notes as a result of a Change of Control may be waived or modified at any time prior to the occurrence of such Change of Control with the written consent of the holders of a majority in aggregate principal amount of the outstanding new notes. See "—Amendments and Waivers."

Restrictive Covenants

Limitation on Debt. The Company will not, and will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Debt unless, after giving effect to the application of the proceeds thereof, no Default or Event of Default would occur as a consequence of such Incurrence and no Default or Event of Default would be continuing following such Incurrence and application of proceeds and either:

(1) such Debt is Debt of the Company or a Subsidiary Guarantor and after giving effect to the Incurrence of such Debt and the application of the proceeds thereof, the Consolidated Interest Coverage Ratio would be greater than (i) if such Incurrence occurs within two years of the 11¼% Notes Issue Date, 1.75 to 1.00 or (ii) if such Incurrence occurs at any time thereafter, 2.00 to 1.00; or

(2) such Debt is Permitted Debt.

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The term "Permitted Debt" is defined to include the following:

(a) Debt of the Company evidenced by the old notes and new notes and of Subsidiary Guarantors evidenced by Subsidiary Guarantees relating to the old notes and new notes;

(b) Debt of the Company or a Subsidiary Guarantor (including Guarantees thereof) (i) under any Credit Facilities, (ii) Incurred pursuant to a Real Estate Financing Transaction, a Sale and Leaseback Transaction or an Equipment Financing Transaction, (iii) Incurred in respect of Capital Lease Obligations, (iv) Incurred pursuant to Debt Issuances or (v) Incurred by a Receivables Entity in a Qualified Receivables Transaction that is not recourse to the Company or any other Restricted Subsidiary (except for Standard Securitization Undertakings), *provided* that the aggregate principal amount of all such Debt in clauses (i) through (v) hereof at any one time outstanding shall not exceed the greater of (1) \$2,500 million, which amount shall be permanently reduced by the amount of Net Available Cash used to Repay Debt under the Credit Facilities, and not subsequently reinvested in Additional Assets or used to purchase Notes or Repay other Debt, pursuant to the covenant described under "—Limitation on Asset Sales and Specified Collateral Dispositions" and (2) the sum of the amount equal to (A) 60% of the book value of the inventory (determined using the first-in-first-out method of accounting) of the Company and the Restricted Subsidiaries and (B) 85% of the book value of the accounts receivables of the Company and the Restricted Subsidiaries, in each case as of the most recently ended quarter of the Company for which financial statements have been filed with the SEC;

(c) [Intentionally omitted];

(d) Debt of the Company outstanding on the Issue Date and evidenced by the 12.5% Notes and of Subsidiary Guarantors, including any future Guarantor, evidenced by guarantees relating to the 12.5% Notes;

(e) Debt Incurred after the Issue Date in respect of Purchase Money Debt, *provided* that the aggregate principal amount of such Debt does not exceed 80% of the Fair Market Value (on the date of the Incurrence thereof) of the Property acquired, constructed, developed or leased, including additions and improvements thereto;

(f) Debt of the Company owing to and held by any consolidated Restricted Subsidiary and Debt of a Restricted Subsidiary owing to and held by the Company or any consolidated Restricted Subsidiary; *provided, however*, that any subsequent issue or transfer of Capital Stock or other event that results in any such consolidated Restricted Subsidiary ceasing to be a consolidated Restricted Subsidiary or any subsequent transfer of any such Debt (except to the Company or a consolidated Restricted Subsidiary) shall be deemed, in each case, to constitute the Incurrence of such Debt by the issuer thereof;

(g) Debt under Interest Rate Agreements entered into by the Company or a Restricted Subsidiary for the purpose of limiting interest rate risk in the ordinary course of the financial management of the Company or such Restricted Subsidiary and not for speculative purposes, *provided* that the obligations under such agreements are directly related to payment obligations on Debt otherwise permitted by the terms of this covenant;

(h) Debt under Currency Exchange Protection Agreements entered into by the Company or a Restricted Subsidiary for the purpose of limiting currency exchange rate risks directly related to transactions entered into by the Company or such Restricted Subsidiary in the ordinary course of business and not for speculative purposes;

(i) Debt under Commodity Price Protection Agreements entered into by the Company or a Restricted Subsidiary in the ordinary course of the financial management of the Company or that Restricted Subsidiary and not for speculative purposes;

(j) Debt in connection with one or more standby letters of credit, banker's acceptance, performance or surety bonds or completion guarantees issued by the Company or a Restricted Subsidiary in the ordinary course of business or pursuant to self-insurance obligations and not in connection with the borrowing of money or the obtaining of advances or credit;

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(k) Debt outstanding on the Issue Date not otherwise described in clauses (a) through (j) above or clauses (p) through (q) below, excluding the Shareholder Notes;

(l) other Debt of the Company or a Subsidiary Guarantor (including Guarantees thereof) in an aggregate principal amount outstanding at any one time not to exceed \$400 million;

(m) Debt of a Restricted Subsidiary outstanding on the date on which that Restricted Subsidiary was acquired by the Company or otherwise became a Restricted Subsidiary (other than Debt Incurred as consideration in, or to provide all or any portion of the funds or credit support utilized to consummate, the transaction or series of transactions pursuant to which that Restricted Subsidiary became a Subsidiary of the Company or was otherwise acquired by the Company), *provided* that at the time that Restricted Subsidiary was acquired by the Company or otherwise became a Restricted Subsidiary and after giving effect to the Incurrence of that Debt, the Company would have been able to Incur \$1.00 of additional Debt pursuant to clause (1) of the first paragraph of this covenant;

(n) Debt arising from the honoring by a bank or other financial institution of a check or draft or other similar instrument inadvertently drawn against insufficient funds in the ordinary course of business, *provided* that such Debt is extinguished within five Business Days of its Incurrence;

(o) endorsements of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business;

(p) Debt of the Company or a Subsidiary Guarantor (including Guarantees thereof) Incurred in respect of Synthetic Leases in an aggregate principal amount outstanding at any one time not to exceed \$107 million;

(q) Debt in respect of Sale and Leaseback Transactions or Real Estate Financing Transactions involving only real property (and the related personal property) owned by the Company or a Subsidiary Guarantor on the Issue Date in an aggregate principal amount outstanding at any one time not to exceed \$150 million, *provided* that such Sale and Leaseback Transactions or Real Estate Financing Transactions may involve Property other than real property (and the related personal property) owned on the Issue Date to the extent the portion of the Debt related to such Property is permitted by another provision of this covenant at the time of Incurrence;

(r) Debt in respect of Sale and Leaseback Transactions that are not Capital Lease Obligations Incurred to finance the acquisition, construction and development of Property after the Issue Date, including additions and improvements thereto, *provided* that any reclassification of such Debt as a Capital Lease Obligation shall be deemed an Incurrence of such Debt;

(s) Permitted Refinancing Debt Incurred in respect of Debt Incurred pursuant to clause (1) of the first paragraph of this covenant and clauses (a), (d), (e), (k) and (q) above; and

(t) Debt arising from agreements of the Company or any Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, Incurred or assumed in connection with the disposition of any business, assets or a Subsidiary, other than Guarantees of Debt incurred by any Person acquiring all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that (a) such Debt is not reflected on the balance sheet of the Company or any Restricted Subsidiary (contingent obligations referred to in a footnote or footnotes to financial statements and not otherwise reflected on the balance sheet will not be deemed to be reflected on such balance sheet for purposes of this clause (a)) and (b) the maximum assumable liability in respect of such Debt will at no time exceed the gross proceeds including non-cash proceeds (the fair market value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value) actually received by the Company or such Restricted Subsidiary in connection with such disposition.

Notwithstanding anything to the contrary contained in this covenant, the Company shall not permit any Restricted Subsidiary that is not a Subsidiary Guarantor to Incur any Debt pursuant to this covenant

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if the proceeds thereof are used, directly or indirectly, to Refinance any Debt of the Company or any Subsidiary Guarantor. In addition, the Company shall not, and shall not permit any Subsidiary Guarantor to, Incur, directly or indirectly, any Senior Obligation that is subordinate or junior in right of payment to any other Debt of the Company or any Subsidiary Guarantor.

For purposes of determining compliance with this covenant, (1) in the event that an item of Debt meets the criteria of more than one of the types of Debt described herein, the Company, in its sole discretion, will classify such item of Debt at the time of Incurrence and only be required to include the amount and type of such Debt in one of the above clauses, (2) the Company will be entitled at the time of such Incurrence to divide and classify an item of Debt in more than one of the types of Debt described herein and (3) with respect to Debt permitted under clause (k) or (p) in respect of Synthetic Lease Obligations or Sale and Leaseback Transactions that are not Capital Lease Obligations on the Issue Date, any reclassification of such Debt as a Capital Lease Obligation shall not be deemed an Incurrence of such Debt; *provided, however,* that (x) all outstanding Debt under the Senior Credit Facility immediately following the Issue Date will be deemed to have been Incurred pursuant to clause (b) of the second paragraph of this covenant, (y) all outstanding obligations under the Synthetic Lease Facility immediately following the Issue Date will be deemed to be Debt Incurred pursuant to clause (p) of the second paragraph of this covenant and (z) any Permitted Debt may later be reclassified as having been Incurred pursuant to any other clause of the second paragraph of this covenant to the extent such Debt could be Incurred pursuant to such clause at the time of such reclassification.

Limitation on Restricted Payments. The Company will not make, and will not permit any Restricted Subsidiary to make, directly or indirectly, any Restricted Payment if at the time of, and after giving effect to, such proposed Restricted Payment:

(a) a Default or Event of Default shall have occurred and be continuing;

(b) the Company could not Incur at least \$1.00 of additional Debt pursuant to clause (1) of the first paragraph of the covenant described under "—Limitation on Debt;" or

(c) the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made since the Issue Date (the amount of any Restricted Payment, if made other than in cash, to be based upon Fair Market Value) would exceed an amount equal to the sum of:

(1) 50% of the aggregate amount of Consolidated Net Income accrued during the period (treated as one accounting period) from the beginning of the first fiscal quarter that commences after the Issue Date occurs to the end of the most recent fiscal quarter for which financial statements have been filed with the SEC (or if the aggregate amount of Consolidated Net Income for such period shall be a deficit, minus 100% of such deficit); plus

(2) 100% of Capital Stock Sale Proceeds; plus

(3) the sum of:

(A) the aggregate net cash proceeds received by the Company or any Restricted Subsidiary from the issuance or sale after the Issue Date of convertible or exchangeable Debt that has been converted into or exchanged for Capital Stock (other than Disqualified Stock) of the Company; and

(B) the aggregate amount by which Debt (other than Subordinated Obligations) of the Company or any Restricted Subsidiary is reduced on the Company's consolidated balance sheet after the Issue Date upon the conversion or exchange of any Debt (other than convertible or exchangeable debt issued or sold after the Issue Date) for Capital Stock (other than Disqualified Stock) of the Company;

excluding, in the case of clause (A) or (B):

(x) any such Debt issued or sold to the Company or a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees; and

(y) the aggregate amount of any cash or other Property distributed by the Company or any Restricted Subsidiary upon any such conversion or exchange;

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plus

(4) an amount equal to the sum of:

(A) the net reduction in Investments in any Person other than the Company or a Restricted Subsidiary resulting from dividends, repayments of loans or advances or other transfers of Property, in each case to the Company or any Restricted Subsidiary from such Person less the cost of the disposition of such Investments; and

(B) the portion (proportionate to the Company's equity interest in such Unrestricted Subsidiary) of the Fair Market Value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a

Restricted Subsidiary;

provided, however, that the foregoing sum shall not exceed, in the case of any Person, the amount of Investments previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Person.

Notwithstanding the foregoing limitation, the Company may:

(a) pay dividends on its Capital Stock within 60 days of the declaration thereof if, on said declaration date, such dividends could have been paid in compliance with the Indenture; *provided, however*, that at the time of such payment of such dividend, no other Default or Event of Default shall have occurred and be continuing (or result therefrom); *provided further, however*, that such dividend shall be included in the calculation of the amount of Restricted Payments;

(b) purchase, repurchase, redeem, legally defease, acquire or retire for value Capital Stock of the Company or Subordinated Obligations in exchange for, or out of the proceeds of the substantially concurrent sale of, Capital Stock of the Company (other than Disqualified Stock and other than Capital Stock issued or sold to a Subsidiary of the Company or an employee stock ownership plan or trust established by the Company or any such Subsidiary for the benefit of their employees); *provided, however*, that:

(1) such purchase, repurchase, redemption, legal defeasance, acquisition or retirement shall be excluded in the calculation of the amount of Restricted Payments; and

(2) the Capital Stock Sale Proceeds from such exchange or sale shall be excluded from the calculation pursuant to clause (c)(2) above;

(c) purchase, repurchase, redeem, legally defease, acquire or retire for value any Subordinated Obligations in exchange for, or out of the proceeds of the substantially concurrent sale of, Permitted Refinancing Debt; *provided, however*, that such purchase, repurchase, redemption, legal defeasance, acquisition or retirement shall be excluded in the calculation of the amount of Restricted Payments;

(d) so long as no Default or Event of Default shall have occurred or be continuing, declare and pay dividends to the holders of Series B Preferred Stock, Series C Preferred Stock, Series D Preferred Stock, Class A Cumulative Preferred Stock, Class C Cumulative Preferred Stock and Class D Cumulative Preferred Stock outstanding on the Issue Date or issued after the Issue Date solely in payment of dividends on the same class of stock; *provided, however*, that such dividends shall be included in the calculation of the amount of Restricted Payments;

(e) so long as no Default or Event of Default has occurred and is continuing the repurchase or other acquisition, of shares of or options to purchase shares of, Capital Stock of the Company or any of its Subsidiaries from employees, former employees, directors or former directors of the Company or any of its Subsidiaries (or permitted transferees of such employees, former employees, directors or former directors), pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by the Board of Directors under which such individuals purchase or sell or are granted the option to purchase or sell, shares of such Capital Stock; *provided, however*, that the aggregate amount of such repurchases and other acquisitions shall not exceed \$10 million; *provided, further, however*, that such repurchases and other acquisitions shall be included in the calculation of the amount of Restricted Payments;

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(f) make payments not to exceed \$1 million in the aggregate to enable the Company to make payments to holders of its Capital Stock in lieu of the issuance of fractional shares of its Capital Stock; *provided, however*, that such payments shall be included in the calculation of the amount of Restricted Payments; and

(g) make any other Restricted Payments not to exceed an aggregate amount of \$25 million; *provided, however*, that such payments shall be included in the calculation of the amount of Restricted Payments.

Limitation on Liens. The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, incur or suffer to exist, any Lien (other than Permitted Liens) upon any of its Property (including Capital Stock of a Restricted Subsidiary), whether owned at the Issue Date or thereafter acquired, or any interest therein or any income or profits therefrom. If the Company or any Subsidiary Guarantor creates any additional Lien upon any Property to secure any Secured Obligations, it must concurrently grant a second priority Lien (subject to Permitted Liens) upon such Property as security for the Notes or Subsidiary Guarantees of the Notes such that the Property subject to such Lien becomes Second Priority Collateral subject to the Second Priority Liens or the Second Priority Mortgages, except (i) to the extent the terms of the 12.5% Notes as in effect on the Issue Date require, with respect to proceeds of Collateral Dispositions and (ii) to the extent such Property constitutes cash or cash equivalents required to secure only letter of credit obligations under Credit Facilities following a default under such Credit Facilities.

Notwithstanding anything in the preceding paragraph, (a) (i) the aggregate principal amount of all Secured Debt at any one time outstanding under clauses (a), (b), (l) and (s) (as it relates to clause (a)) of the second paragraph of the covenant described under "—Restrictive Covenants—Limitation on Debt" shall not exceed the aggregate amount of Debt that at such time may be outstanding at any one time under such clauses (b) and (l) and (ii) the aggregate principal amount of Senior Obligations constituting Debt, Senior Second Priority Debt Obligations constituting Debt and any other Debt secured by a Lien on the Collateral that shares in the distribution of proceeds of Collateral prior to the Notes, at any one time outstanding shall not exceed the sum of the aggregate amount of Debt that at such time may be outstanding at any one time under such clause (b) and \$200 million; and (b) the Company will not, and will not permit any of its Subsidiaries to, create or suffer to exist any Lien upon any of the Collateral (including Collateral consisting of Capital Stock or Debt of any Subsidiary of the Company) now owned or hereafter acquired by it securing any Public Debt unless the holders of such Public Debt share in the distribution of proceeds from the foreclosure on Collateral either (A) on an equal and ratable basis with the holders of the Senior Obligations or (B) on an equal and ratable basis with the holders of the Notes (and any other obligations that share on an equal and ratable basis with the holders of the Notes).

Limitation on Asset Sales and Specified Collateral Dispositions. The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, consummate any Asset Sale unless:

(a) the Company or such Restricted Subsidiary receives consideration at the time of such Asset Sale at least equal to the Fair Market Value of the Property subject to such Asset Sale;

(b) at least 75% of the consideration paid to the Company or such Restricted Subsidiary in connection with such Asset Sale is in the form of Qualified Consideration; and

(c) the Company delivers an Officers' Certificate to the Trustee certifying that such Asset Sale complies with the foregoing clauses (a) and (b).

The Net Available Cash (or any portion thereof) from Asset Sales and Specified Collateral Dispositions may be applied by the Company or a Restricted Subsidiary, to the extent the Company or such Restricted Subsidiary elects (or is required by the terms of any Debt):

(a) to Repay the Secured Obligations (or, to the extent required by the terms of the 12.5% Notes (but only to the extent the terms as in effect on the Issue Date would have so required) with respect to proceeds of Specified Collateral Dispositions, to provide for such Repayment) or any other Debt of the Company or any Restricted Subsidiary secured by a Lien on Property of the Company or any Restricted Subsidiary of the Company (excluding, in any such case, any Debt owed to the Company

or an Affiliate of the Company); *provided, however*, that to the extent the proceeds from a Specified Collateral Disposition will be allocated pursuant to the terms of any other Second Priority Debt Obligations (other than any Senior Second Priority Debt Obligations) to Repay or provide for the Repayment of such Second Priority Debt Obligations, a pro rata portion of such proceeds must be allocated to Repay the Notes pursuant to an Asset Sales Prepayment Offer and the full amount of such allocated portion (i) will be deemed Excess Proceeds and (ii) will, upon such Asset Sales Prepayment Offer, be deemed Allocable Excess Proceeds; or

(b) to reinvest in Additional Assets or Expansion Capital Expenditures (including by means of an Investment in Additional Assets or Expansion Capital Expenditures by a Restricted Subsidiary with Net Available Cash received by the Company or another Restricted Subsidiary); *provided, however*, that (i) the Net Available Cash (or any portion thereof) from Asset Sales from the Company to any Subsidiary must be reinvested in Additional Assets or Expansion Capital Expenditures of the Company and (ii) if the assets that were the subject of such Asset Disposition constituted Collateral, then such Net Available Cash must be reinvested in Additional Assets that are pledged at the time as Collateral to secure the Notes or Subsidiary Guarantees of the Notes, subject to the Collateral Documents, or in Expansion Capital Expenditures to improve assets that constitute Collateral securing the Notes or Subsidiary Guarantees of the Notes at the time.

Pending application of Net Available Cash pursuant to this covenant, which shall not be required in respect of an Asset Sale that is not a Specified Collateral Disposition if the Net Available Cash from such Asset Sale is less than \$1 million, such Net Available Cash shall be invested in Temporary Cash Investments or applied to temporarily reduce revolving credit indebtedness. If the Net Available Cash from an Asset Sale that is not a Specified Collateral Disposition equals or exceeds \$1 million, any Net Available Cash from such Asset Sale not applied in accordance with the preceding paragraph within 270 days from the date of the receipt of such Net Available Cash or that is not segregated from the general funds of the Company for investment in identified Additional Assets in respect of a project that shall have been commenced, and for which binding contractual commitments have been entered into, prior to the end of such 270-day period and that shall not have been completed or abandoned shall constitute "Excess Proceeds;" *provided, however*, that the amount of any Net Available Cash that ceases to be so segregated as contemplated above and any Net Available Cash that is segregated in respect of a project that is abandoned or completed shall also constitute "Excess Proceeds" at the time any such Net Available Cash ceases to be so segregated or at the time the relevant project is so abandoned or completed, as applicable; *provided further, however*, that the amount of any Net Available Cash that continues to be segregated for investment and that is not actually reinvested within 24 months from the date of the receipt of such Net Available Cash shall also constitute "Excess Proceeds."

When the aggregate amount of Excess Proceeds exceeds \$20.0 million (taking into account income earned on such Excess Proceeds, if any), the Company will be required to make an offer to purchase (the "Asset Sales Prepayment Offer") the Notes which offer shall be in the amount of the Allocable Excess Proceeds, on a pro rata basis according to principal amount at maturity, at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the purchase date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), in accordance with the procedures (including prorating in the event of oversubscription) set forth in the Indenture. To the extent that any portion of the amount of Net Available Cash remains after compliance with the preceding sentence and provided that all holders of Notes have been given the opportunity to tender their Notes for purchase in accordance with the Indenture, the Company or such Restricted Subsidiary may use such remaining amount for any purpose permitted by the Indenture and the amount of Excess Proceeds will be reset to zero.

The term "Allocable Excess Proceeds" will mean the product of:

(a) the Excess Proceeds; and

(b) a fraction,

(1) the numerator of which is the aggregate principal amount of the Notes outstanding on the date of the Asset Sales Prepayment Offer; and

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(2) the denominator of which is the sum of the aggregate principal amount of the Notes outstanding on the date of the Asset Sales Prepayment Offer and the aggregate principal amount of other Debt of the Company outstanding on the date of the Asset Sales Prepayment Offer that is *pari passu* in right of payment with the Notes and subject to terms and conditions in respect of Asset Sales similar in all material respects to the covenant described hereunder and requiring the Company to make an offer to purchase such Debt or otherwise repay such Debt at substantially the same time as the Asset Sales Prepayment Offer.

Within five Business Days after the Company is obligated to make an Asset Sales Prepayment Offer as described in the preceding paragraph, the Company will send a written notice, by first-class mail, to the holders of Notes, accompanied by such information regarding the Company and its Subsidiaries as the Company in good faith believes will enable such holders to make an informed decision with respect to such Asset Sales Prepayment Offer. Such notice shall state, among other things, the purchase price and the purchase date, which shall be, subject to any contrary requirements of applicable law, a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed.

The Company will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to the covenant described hereunder. To the extent that the provisions of any securities laws or regulations conflict with provisions of the covenant described hereunder, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the covenant described hereunder by virtue thereof.

Limitation on Restrictions on Distributions from Restricted Subsidiaries. The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist any consensual restriction on the right of any Restricted Subsidiary to:

(a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock, or pay any Debt or other obligation owed, to the Company or any other Restricted Subsidiary;

(b) make any loans or advances to the Company or any other Restricted Subsidiary; or

(c) transfer any of its Property to the Company or any other Restricted Subsidiary.

The foregoing limitations will not apply:

(1) with respect to clauses (a), (b) and (c), to restrictions:

(A) in effect on the Issue Date;

(B) relating to Debt of a Restricted Subsidiary and existing at the time it became a Restricted Subsidiary if such restriction was not created in connection with or in anticipation of the transaction or series of transactions pursuant to which such Restricted Subsidiary became a Restricted Subsidiary or was acquired by the Company;

(C) that result from the Refinancing of Debt Incurred pursuant to an agreement referred to in clause (1)(A) or (B) above or in clause (2)(A) or (B) below, *provided* such restriction is no less favorable to the holders of Notes in any

material respect, as reasonably determined by the Board of Directors (as evidenced by a resolution of the Board of Directors), than those under the agreement evidencing the Debt so Refinanced;

(D) resulting from the Incurrence of any Debt permitted pursuant to the covenant described under "—Limitation on Debt," *provided* that (i) the restriction is no less favorable to the holders of Notes in any material respect, as reasonably determined by the Board of Directors (as evidenced by a resolution of the Board of Directors), than the restrictions of the same type contained in the Indenture and (ii) the Board of Directors determines (as evidenced by a resolution of the Board of Directors) in good faith that such restrictions will not impair the ability of the Company to make payments of principal and interest on the Notes when due;

(E) existing by reason of applicable law; or

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(F) any contractual requirements incurred with respect to Qualified Receivables Transactions relating exclusively to a Receivables Entity that, in the good faith determination of the Board of Directors of the Company, are customary for Qualified Receivables Transactions; and

(2) with respect to clause (c) only, to restrictions:

(A) relating to Debt that is permitted to be Incurred and secured pursuant to the covenants described under "—Limitation on Debt" and "—Limitation on Liens" that limit the right of the debtor to dispose of the Property securing such Debt;

(B) encumbering Property at the time such Property was acquired by the Company or any Restricted Subsidiary, so long as such restriction relates solely to the Property so acquired and was not created in connection with or in anticipation of such acquisition;

(C) resulting from customary provisions restricting subletting or assignment of leases or customary provisions in other agreements that restrict assignment of such agreements or rights thereunder; or

(D) customary restrictions contained in agreements relating to the sale or other disposition of Property limiting the transfer of such Property pending the closing of such sale.

Limitation on Transactions with Affiliates. The Company will not, and will not permit any Restricted Subsidiary to, directly or indirectly, conduct any business or enter into or suffer to exist any transaction or series of transactions (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any Property or the rendering of any service) with, or for the benefit of, any Affiliate of the Company (an "Affiliate Transaction"), unless: