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RITE AID CORP  
Form 11-K  
June 27, 2003

SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-5742

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

Perry Distributors, Inc. 401(k) Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

Rite Aid Corporation  
30 Hunter Lane  
Camp Hill, Pennsylvania 17011

PERRY DISTRIBUTORS, INC. 401(k) PLAN

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## INDEPENDENT AUDITORS' REPORT

To the Plan Administrator and Participants of  
Perry Distributors, Inc. 401(k) Plan:

We have audited the accompanying statements of net assets available for benefits of the Perry Distributors, Inc. 401(k) Plan (the "Plan") as of December 31, 2002 and 2001, and the related statement of changes in net assets available for benefits for each of the three years in the period ended December 31, 2002. These financial statements are the responsibility of the Plan Administrator. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan Administrator, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2002 and 2001, and the changes in net assets available for benefits for each of the three years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These schedules are the responsibility of the Plan Administrator. Such supplemental schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

/s/ Deloitte & Touche LLP

Philadelphia, Pennsylvania  
May 12, 2003

PERRY DISTRIBUTORS, INC. 401(k) PLAN

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2002 AND 2001

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	2002	2001
ASSETS:		
Investments	\$ 1,800,893	\$ 1,786,412
Contributions receivable:		
Employer	481	481
Employee	2,796	7,215
	-----	-----
Total contributions receivable	3,277	7,696
	-----	-----
NET ASSETS AVAILABLE FOR BENEFITS	\$ 1,804,170	\$ 1,794,108
	=====	=====

See notes to financial statements.

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PERRY DISTRIBUTORS, INC. 401(k) PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	Year ended Decem	
	2002	2001
ADDITIONS:		
Employee contributions	\$ 162,786	\$ 201,057
Employer contributions	-	32,651
Rollover contributions	-	-
Investment income	66,066	68,667
	-----	-----
Total additions	228,852	302,375
DEDUCTIONS:		
Net depreciation in fair value of investments	192,701	112,387
Benefit payments	25,765	51,282
Loan defaults	324	5,637
	-----	-----
Total deductions	218,790	169,306
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	10,062	133,069
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	1,794,108	1,661,039
	-----	-----
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	\$1,804,170	\$1,794,108
	=====	=====

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See notes to financial statements.

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PERRY DISTRIBUTORS, INC. 401(k) PLAN

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002, 2001 AND 2000

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## 1. PLAN DESCRIPTION

The following brief description of the Perry Distributors, Inc. 401(k) Plan (the "Plan") is provided for general informational purposes only. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General--The Plan is a defined contribution plan. An individual account is established for each participant and provides benefits that are based on (a) amounts the participant and Rite Aid Corporation (the "Company" or "Plan Sponsor") contributed to a participant's account, (b) investment earnings (losses), and (c) any forfeitures allocated to the account, less any administrative expenses charged to the Plan.

Effective January 2, 2003, employees of Perry Distributors, Inc. have become employees of Rite Aid Services, L.L.C., a wholly owned subsidiary of the Plan Sponsor. The Plan has continued to be recognized by the Plan Sponsor. Accordingly, all participants are provided the same benefits that were previously provided by the Plan before the creation of Rite Aid Services, L.L.C.

On December 11, 2002, the Plan Sponsor created the Trustee Search Committee ("TSC"), charged with engaging an institutional trustee for the Plan. Effective April 1, 2003, The Northern Trust Company was engaged to serve as Plan trustee with respect to all assets other than the Rite Aid Corporation Company Stock Fund. LaSalle Bank National Association was engaged to serve as the Plan trustee with respect to the Rite Aid Corporation Company Stock Fund. On that date, the TSC was renamed the Employee Benefits Administration Committee and named plan administrator ("Plan Administrator"). The Plan Administrator is responsible for the preparation of the Plan's financial statements.

In March 1995, Perry Drug Stores, Inc. was acquired by the Plan Sponsor, who elected to continue this Plan.

Effective June 16, 2001, the Plan Sponsor ceased making contributions to the Plan pursuant to a collective bargaining agreement dated May 27, 2001. Employees continue to contribute as described below, however, there is no Plan Sponsor match.

Participation--Each employee who is a member of the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers of America, Local 614 becomes eligible to participate in the Plan after attaining age 21 and completing one year of service (at least 1,000 hours).

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Contributions--Each year, a participant may elect to contribute up to 12% of the participant's pretax annual compensation, as defined in the Plan. A participant may also contribute, or rollover, amounts representing distributions from another qualified defined benefit or defined contribution plan. With respect to elective contributions paid or accrued prior to June 15, 2001, the Plan Sponsor matches 100% of each participant's pretax annual contribution, not to exceed the lesser of \$700 or 2% of the participant's pretax annual compensation. The Plan Sponsor match is contributed per pay period throughout the Plan year. No matching contribution will be made with respect to elective deferrals paid or accrued after June 15, 2001, except as described in the next paragraph.

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Various settlement agreements have been entered into with respect to litigation involving the Company common stock held by the Plan. Under these settlement agreements, certain additional contributions will be made to the Plan as restorative payments. These restorative payments are in addition to the contributions otherwise made to the Plan. The restorative payments will be allocated to the accounts of certain participants (as described in the settlement agreement) whose accounts under the Plan included investments in the Company common stock. The restorative payments will be fully vested when made, and will be commingled with the eligible individuals' before-tax contributions. Once the full amount of the restorative payments is received by the Plan, there will be no further contributions stemming from these settlement agreements. Participants have been or will be advised if they are entitled to share in any of the restorative payments. No restorative payment amounts have been recorded in the Statement of Net Assets Available for Benefits.

Investment Options--The Plan provides participants with the option of investing in ten funds. The funds vary in degree of risk and investment objective.

Payment of Benefits--Upon termination of service due to death, disability, or retirement, a participant may elect to receive a lump sum amount equal to the value of the participant's vested interest in the participant's account, or installment payments as determined by the Plan Administrator.

Loans--Loans under the Plan are not permitted. However, the Plan Administrator has identified loans made under the Plan resulting in an operational failure. To correct this operational failure, the Plan Sponsor has proposed to retroactively amend the Plan to permit up to three loans be outstanding at one time. This operational failure and the proposed correction method have been identified in the Voluntary Correction Program ("VCP") described in Note 7.

Vesting--A participant is vested immediately in the participant's voluntary contributions, plus actual earnings (losses) thereon. Vesting in the Plan Sponsor's contributions is based on years of service, as defined in the Plan document. A participant becomes fully vested in the Plan Sponsor contributions upon the participant's death, disability or attainment of normal retirement age while employed, or the occurrence of a plan termination. If not vested earlier for one of the foregoing reasons, and not subject to other exceptions described in the Plan document, a participant's account becomes fully vested upon the participant's attainment of five years of service.

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Forfeitures--When a participant withdraws from the Plan prior to becoming fully vested, the non-vested portion of the participant's account is forfeited and credited to a suspense account. The suspense account will be reallocated to participants in the same manner as matching contributions.

### 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting--The accompanying financial statements are prepared on the accrual basis of accounting.

Investments--The Plan's investments are stated at fair value, except the Guaranteed Interest Account, as measured by quoted prices in an active market. Realized gain or loss on investment transactions is determined using the first-in, first-out method; investment transactions are recorded at the trade date. Interest income is recorded on the accrual basis. Dividend income is recognized on the ex-dividend date.

The Plan had 347 and 363 shares of Company common stock at December 31, 2002 and 2001, respectively.

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The Guaranteed Interest Account ("GIA") is a group annuity insurance product issued by Prudential. Interest on the GIA is credited daily. Prudential declares the current interest rate on each successive calendar quarter which remains in effect until the end of the following four quarters for contributions received during that calendar quarter. The GIA is deemed to be fully benefit responsive; therefore, it is presented at contract value which approximates fair value. The average yields were 4.49%, 5.06% and 5.31% for 2002, 2001 and 2000, respectively. As of December 31, 2002 and 2001, the crediting interest rates were 3.75% and 4.50%, respectively.

Administrative Expenses--Under the terms of the Plan agreement, costs relating to Plan administration may be paid by the Plan Sponsor. For the years ended December 31, 2002, 2001 and 2000, the Plan Sponsor has paid substantially all administrative expenses.

Use of Estimates--The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

The Plan invests in mutual funds, corporate stocks and the GIA. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statements of Net Assets Available for Benefits.

### 3. INVESTMENTS

The following presents investments that represent 5% or more of the Plan's assets:

December 31,

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	----- 2002	2001
Prudential Guaranteed Interest Account	\$ 1,008,531	\$ 849,638
Prudential Jennison Growth Fund	181,419	272,387
Prudential Active Balanced Fund	160,619	166,494
Prudential Stock Index Fund	160,010	195,501

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) (depreciated) appreciated in value as follows:

	Year ended December 31,		
	----- 2002	2001	2000
Investments, at fair value:			
Mutual Funds	\$(191,751)	\$(113,371)	\$ (87,000)
Common Stock	(950)	984	(3,903)
	-----	-----	-----
Total depreciation	\$(192,701)	\$(112,387)	\$ (90,903)
	=====	=====	=====

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4. TAX STATUS

The Plan obtained its latest determination letter dated November 20, 1995, in which the Internal Revenue Service ("IRS") stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code ("IRC"). The Plan has been amended since receiving the determination letter. On February 28, 2002, the Plan Sponsor submitted the Plan for a new determination letter from the IRS. The Plan Administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC, including the processes identified for remediation. Therefore, no provision for income taxes has been included in the Plan's financial statements.

5. PLAN TERMINATION

Although it has not expressed any intent to do so, the Plan Sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event the Plan terminates, participants would become fully vested in their Plan Sponsor contributions.

6. PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by Prudential, the custodian of the Plan. The transactions related to such investments qualify as party-in-interest transactions. The Plan has also permitted investment in the common stock of the Plan Sponsor and therefore these transactions qualify as party-in-interest transactions. The Plan does not consider Plan Sponsor contributions or benefits paid by the Plan to be party-in-interest transactions.

7. CONTINGENCIES

In late 1999, the Plan Sponsor's Board of Directors hired a new

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executive management team to address and resolve various business, operational and financial challenges confronting the Plan Sponsor. New management began the process of reviewing the administration of the Plan for purposes of determining compliance with provisions of the Plan and regulatory requirements. The Plan Administrator has identified certain processes not in compliance with the provisions of the Plan or regulatory requirements, the more significant of which are as follows:

- a) During 2000, the Plan Sponsor failed to withhold and contribute participants' salary deferral contributions associated with supplemental salary payments in the amount of \$24. In addition, the Plan Sponsor match contributions of \$13 associated with such participant salary deferrals were also not contributed to participant accounts. The Plan Sponsor has compiled an evaluation of the amount of investment income that would have been earned by the participants on such matching and salary deferral contributions during 2000 and the prior periods in question. The Plan Sponsor estimates the maximum foregone investment income on such contributions to be \$0, \$2 and \$26 for 2002, 2001 and 2000, respectively. The Plan Sponsor expects to make a contribution to the respective participant accounts following receipt of a compliance statement related to the Voluntary Correction Program ("VCP") filing with the IRS, as described below.
- b) The Plan was not being operated in accordance with the Plan document relating to the disbursement of minimum account balances. The Plan calls for lump-sum disbursements of a participant's account following a termination or retirement if that participant's account is

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not more than \$5,000. The estimate of the minimum account balances subject to disbursement in accordance with the Plan document for Plan years ended December 31, 2002, 2001 and 2000 is \$13,071, \$11,635 and \$10,220, respectively. This defect was included within the VCP filing with the IRS and its correction is subject to the receipt of a compliance statement from the IRS for the VCP filing as described below.

In July 2001, the Plan Administrator filed a VCP with the IRS, requesting a compliance statement and approval of the correction method for operational failures identified in the Plan. The Plan Administrator is in discussions with the IRS regarding the issues identified in the VCP; however, the Plan Administrator believes that the proposed correction methods are acceptable under current IRS guidelines.

The Plan Administrator believes that the processes identified for remediation would not cause the Plan to be disqualified by the IRS. Penalties, taxes and remedial payments, if any, due to non-compliance will be paid by the Plan Sponsor.

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FORM 5500, SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)  
DECEMBER 31, 2002

Identity of Issue	Description of Investment	Current Value
*Rite Aid Corporation	Company Stock Fund	\$ 851
*Prudential	Guaranteed Interest Account	1,008,531
*Prudential	Jennison Growth Fund	181,419
*Prudential	Stock Index Fund	160,010
*Prudential	Active Balanced Fund	160,619
*Prudential	International Stock Fund	53,617
*Prudential	MoneyMart Assets Fund	44,128
*Prudential	Government Income Fund	45,842
Fidelity	Magellan Fund	28,330
Putnam	Growth and Income Fund	11,707
**Participant Notes	Loan Fund	105,839
TOTAL		\$ 1,800,893

\*Party-in-interest

\*\*The loans range in interest rates from 5.75% to 10.50% and expire through 2021.

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PERRY DISTRIBUTORS, INC. 401(k) PLAN

FORM 5500, SCHEDULE H, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)  
DECEMBER 31, 2001

Identity of Issue	Description of Investment	Current Value
*Rite Aid Corporation	Company Stock Fund	\$ 1,835
*Prudential	Guaranteed Interest Account	849,638
*Prudential	Jennison Growth Fund	272,387
*Prudential	Stock Index Fund	195,501
*Prudential	Active Balanced Fund	166,494
*Prudential	International Stock Fund	65,438
*Prudential	MoneyMart Assets Fund	42,363
*Prudential	Government Income Fund	20,236
Fidelity	Magellan Fund	42,091
Putnam	Growth and Income Fund	12,439
**Participant Notes	Loan Fund	117,990
TOTAL		\$ 1,786,412

\*Party-in-interest.

\*\*The loans range in interest rates from 5.75% to 10.50% and expire through 2021.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

PERRY DISTRIBUTORS, INC. 401(k) PLAN

By: /s/ Theresa G. Nichols

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Theresa G. Nichols,  
not in her individual capacity,  
but solely as an authorized signatory  
for the Employee Benefits  
Administration Committee

Date: June 27, 2003

EXHIBIT INDEX

Exhibit Number	Description
23	Consent of Deloitte & Touche LLP