

# PET VALU, INC.

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## **PET VALU ANNOUNCES CLOSING OF PRIVATE PLACEMENT OF 10% NON-CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES**

July 24, 2006, Markham, Ontario. Pet Valu, Inc. and one of its principal affiliates Pet Valu Canada Inc. (TSX stock symbol: PVC) announced today the closing of a private placement of CAD\$8,820,000 of non-convertible unsecured subordinated debentures (“Debentures”).

The Debentures were issued by Pet Valu Canada Inc. (“Pet Valu Canada”) and are guaranteed by its parent company, Pet Valu, Inc. The Debentures pay quarterly interest at an annual rate of 10%. The term of the Debentures is two years, with a two-year extension available at the Debenture holder’s option subject to a prepayment right on the part of Pet Valu Canada.

The direct or indirect investors in the private placement include, among others, certain directors and/or officers of Pet Valu, Inc. and Pet Valu Canada. In particular, Geoffrey F. Holt, who is a director and officer of both companies, invested CAD\$5,000,000 through Holtcorp Inc., a personal holding company; Douglas Lunau, who is a director of both companies, invested CAD\$3,000,000 through the Lunau Family Trust; Breena Holt, who is a director of both companies and a part-time employee of Pet Valu Canada, invested CAD\$150,000; Darryl Squires, who is a director of both companies, invested CAD\$20,000; and John Turner, who is an officer and part-time employee of Pet Valu Canada, invested CAD\$150,000. The private placement was also offered to all holders of the 8.5% debentures of Pet Valu Canada in the principal amount of CAD\$15,054,788 which mature today (“8.5% Debentures”). Mr. Holt’s company, Holtcorp Inc., and Mr. Turner are among such holders. Mr. Holt beneficially owns, directly or indirectly, or controls or directs 2,738,912 exchangeable shares of Pet Valu Canada (“Exchangeable Shares”), representing approximately 34% of the outstanding Exchangeable Shares. Mr. Lunau beneficially owns directly or indirectly, or controls or directs 206,800 Exchangeable Shares, representing approximately 2.6% of the outstanding Exchangeable Shares. John Turner beneficially owns directly or indirectly, or controls or directs 25,428 Exchangeable Shares, representing less than 1% of the outstanding Exchangeable Shares. Mr. Squires does not own, directly or indirectly, control or direct any Exchangeable Shares. The Debentures are non-convertible and accordingly will not have an impact on any of the aforementioned directors’ percentage ownership of Exchangeable Shares.

The Debentures were issued to assist Pet Valu Canada in repaying the 8.5% Debentures. To the extent that Pet Valu Canada does not require all of the Debenture principal to repay such 8.5% Debentures, then such principal may be used to prepay a portion of a 12.5% debenture of Pet Valu Canada maturing in 2009.

The Boards of Directors of Pet Valu Canada and Pet Valu, Inc. (the “Boards”) reviewed various options before choosing to proceed with the private placement. Thereafter, the Boards considered the terms of the private placement, and the related Debentures, and the transaction was approved, including by unanimous decision of the independent members of the Boards. It was not necessary for the Boards to seek a formal valuation of the Debentures or minority approval of the private placement because the fair

market value of the Debentures and their purchase price did not exceed 25 per cent of Pet Valu Canada's market capitalization.

This news release contains discussion of forward-looking information and potential future circumstances and developments. The discussion of such matters is qualified by the inherent risks and uncertainties surrounding future expectations generally. Actual results and developments may therefore differ materially from those described in this release.

Pet Valu, Inc. is a specialty retailer of pet food and pet supplies operating company-owned and franchised locations in Canada and the U.S.

For further information, please contact:  
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