



Published By
INFORMATION CLEARINGHOUSE INC.

Date Issued – July 9, 2009

..SPECIAL UPDATE..

DUANE READE HOLDINGS, INC.

New York, NY

As we reported in our *Special Update* earlier today, Duane Reade Inc. announced a tender offer for its \$210 million Senior Secured Floating Rate Notes due 2010 and \$195 million 9.75% Senior Subordinated Notes due 2011. Following the Company's announcement, Moody's downgraded Duane Reade Inc.'s Probability of Default (PD) rating to **Ca** from **Caa2**.

According to Moody's, the downgrade reflects its view that the cash tender offer for the \$195 million, 9.75% senior subordinated notes would constitute a distressed exchange, which Moody's would classify as a Limited Default under its guidelines. Duane Reade is offering to purchase the \$195 million, 9.75% senior subordinated notes for \$845 per \$1,000 principal amount, plus a consent payment of \$30 per \$1,000 principle amount based on certain conditions, in cash which would result in a material loss for noteholders.

Although the proposed tender and consent offer for the 9.75% notes is for less than the \$1,000 principal amount and would result in actual realization of a loss, the tender offer price with consent payment is above the latest market price for the notes. As we noted earlier, as of July 8, 2009, the 9.75% Senior Subordinated Notes were trading at \$86.00 and within a range of \$50.00 to \$89.50 over past twelve months.

For questions or analytical support on the Company please call [Michael Blackburn](mailto:Michael.Blackburn@fdreports.com) at (800) 789-0123, ext. 131.

F&D Reports website: www.fdreports.com