THE PETCO FOUNDATION

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS’ REPORT

For the Fiscal Year Ended May 1, 2010
<table>
<thead>
<tr>
<th>Financial Statement</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Financial Position</td>
<td>2</td>
</tr>
<tr>
<td>Statement of Activities and Changes in Net Assets</td>
<td>3</td>
</tr>
<tr>
<td>Statement of Cash Flows</td>
<td>4</td>
</tr>
<tr>
<td>Notes to Financial Statements</td>
<td>5</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITORS’ REPORT

The Board of Directors
The PETCO Foundation
San Diego, California

We have audited the accompanying statement of financial position of The PETCO Foundation (the “Foundation”), as of May 1, 2010, and the related statements of activities and changes in net assets and cash flows for the fiscal year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of May 1, 2010, and the results of its operations and its cash flows for the fiscal year then ended, in conformity with U.S. generally accepted accounting principles.

Rosner Brown Touchstone & Keller, LLP

July 21, 2010
THE PETCO FOUNDATION
STATEMENT OF FINANCIAL POSITION
May 1, 2010

ASSETS

Cash and cash equivalents $3,611,426
Contributions receivable 164,936

Total assets $3,776,362

LIABILITIES AND NET ASSETS

Liabilities:
   Accounts payable and accrued expenses $235,990

   Total liabilities 235,990

Net assets:
   Unrestricted 3,540,372

   Total net assets 3,540,372

Total liabilities and net assets $3,776,362

See Accompanying Notes to Financial Statements
THE PETCO FOUNDATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Fiscal Year Ended May 1, 2010

Changes in unrestricted net assets:

Support and revenue:
Contributions from fundraising activities:
  Tree of Hope $ 4,092,971
  Spring Pet 2,007,455
  Other contributions 1,074,615
  National Spay and Neuter Drive 982,998
  Guide Dog Fundraiser 783,557
  Golf Tournament 577,549
  Petco Adoption Fund 494,781
  Breeds in Need 299,847
  Annual Fundraiser 252,143
  Managers' Choice 150,676
  Interest income 11,983

Total unrestricted support and revenue 10,728,575

Expenditures:
Donations:
  Various programs 3,914,784
  Spring Pet 2,172,318
  Tree of Hope 1,994,487
  Guide Dog Fundraiser 764,775
  National Spay and Neuter Drive 550,136
  Golf Tournament 412,625
  Petco Adoption Fund 397,998
  Breeds In Need 193,505
  Managers' Choice 150,676
  Administration and other 1,133,388
  Direct costs of fundraising 708,588

Total expenditures 12,393,280

Decrease in unrestricted net assets (1,664,705)

Net assets, beginning of year 5,205,077

Net assets, end of year $3,540,372

See Accompanying Notes to Financial Statements
Cash flows from operating activities:
- Decrease in net assets $ (1,664,705)

Adjustments to reconcile change in net assets to net cash provided by operating activities:
- Decrease in contributions receivable 2,243,266
- Increase in accounts payable and accrued expenses 180,322

Net cash provided by operating activities 758,883

Net increase in cash and cash equivalents 758,883

Cash and cash equivalents, beginning of year 2,852,543

Cash and cash equivalents, end of year $ 3,611,426
1. Organization

The PETCO Foundation (the “Foundation”), a California non-profit public benefit corporation incorporated on February 16, 1999, is organized to promote, enhance and finance charitable, educational, literary, scientific or prevention of cruelty to animal activities through grants and contributions to organizations that conduct or sponsor charitable or educational programs related to domesticated animals. The Foundation may also conduct and/or sponsor charitable or educational programs, events or activities which further the purpose of the Foundation.

The Foundation is exempt from income tax under Section 501(c)(3) of the United States Internal Revenue Code (the “Code”), and similar provisions of the California Revenue and Taxation Code, and contributions to it are deductible within the limitations prescribed by the Code. The Foundation has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

The Foundation’s fiscal year ends on the Saturday closest to April 30, resulting in years of either 52 or 53 weeks. All references to a fiscal year refer to the fiscal year ending on the Saturday closest to April 30 of the following year. The fiscal year ended May 1, 2010 (fiscal year 2009) consisted of 52 weeks.

2. Summary of Significant Accounting Policies

The financial statements of the Foundation have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred. The significant accounting policies followed are discussed below.

Financial Reporting

The Foundation’s net assets and its revenues, expenses, gains, and losses are reported based on the existence or absence of donor-imposed restrictions. This accounting method requires that the amounts for each of the three classes of net assets - permanently restricted, temporarily restricted and unrestricted be displayed in the statement of financial position and that the amounts of changes in each of those classes of net assets be displayed in the statement of activities.
2. Summary of Significant Accounting Policies, Continued

Contributions
The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. For the year ended May 1, 2010 the Foundation did not receive any temporarily or permanently restricted support.

Donated Goods, Services and Facilities
Those donated goods that meet the requirements for recognition under U.S. generally accepted accounting principles are recorded as both revenue and expense in the accompanying statement of activities, at amounts determined by management to be reasonable for obtaining such goods.

Estimates and Assumptions
The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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. These estimates are based on information that is currently available and on other assumptions that are believed to be reasonable under the circumstances. Actual results could vary from those estimates under different assumptions or conditions.

Cash and Cash Equivalents
Cash equivalents represent all liquid investments with original maturities of three months or less and include money market funds.

Donations Receivable
PETCO Animal Supplies Stores, Inc. retail locations serve as collection points for donations received from the general public for various Foundation fundraising activities. These donations are then periodically transferred to the Foundation.
2. Summary of Significant Accounting Policies, Continued

Subsequent Events
The Plan has evaluated subsequent events through July 21, 2010, the date the financial statements were available to be issued. Refer to Note 4 for disclosure of subsequent events identified prior to issuance of the financial statements for the fiscal year ended, May 1, 2010.

3. Related Party Transactions

Included in donations receivable is $164,936 due from PETCO Animal Supplies Stores, Inc. at May 1, 2010.

Included in accounts payable and accrued expenses is $235,990 due to PETCO Animal Supplies Stores, Inc. at May 1, 2010.

The Foundation reimburses PETCO Animal Supplies, Inc. for expenses incurred to operate the Foundation out of its office space and for administrative services provided. In addition, the Foundation reimburses PETCO Animal Supplies, Inc. for the cost of five employees who perform duties solely for the Foundation and 75% of the salary of the Executive Director. The cost for all of these expenses for the year ended May 1, 2010 was $952,665 of which $150,540 is included in accounts payable and accrued expenses at May 1, 2010.

4. Commitments and Contingencies

Subsequent to year end, the Foundation entered into the following commitments:

On May 14, 2010, the Foundation entered into a memorandum of understanding with Pets Are Wonderful Support of San Francisco (“S.F. PAWS”). Under the terms of the agreement, the Foundation is to make five annual gifts of $50,000 beginning in fiscal year 2010. These contributions are contingent upon S.F. PAWS fulfilling certain contractual obligations. The agreement expires May 14, 2014, unless terminated earlier by either party.
4. Commitments and Contingencies, Continued

On May 21, 2010, the Foundation entered into a memorandum of understanding with San Diego Humane Society & SPCA (“S.D. Society”) which is effective for fiscal year 2009. Under the terms of the agreement, the Foundation is to make five annual gifts of $200,000, the first of which was paid during fiscal year 2009. These contributions are contingent upon the S.D. Society fulfilling certain contractual obligations. The agreement expires May 21, 2014, unless terminated earlier by either party.

On June 2, 2010, the Foundation signed a memorandum of understanding with the Escondido Humane Society (the “Society”). Under the terms of the agreement, the Foundation is to make a onetime gift of $75,000 in fiscal year 2010. This contribution is contingent upon the Society fulfilling certain contractual obligations. The agreement expires June 2, 2011, unless terminated earlier by either party.

On June 10, 2010, the Foundation entered into a memorandum of understanding with Pets Are Wonderful Support of Chicago (“Chicago PAWS”). Under the terms of the agreement, the Foundation is to make one gift of $75,000 in fiscal year 2010 and two additional gifts of $130,000 in fiscal years 2011 and 2012. These contributions are contingent upon Chicago PAWS fulfilling certain contractual obligations. The agreement expires June 10, 2012, unless terminated earlier by either party.

5. Concentration of Risks

Donations
The majority of the donations received by the Foundation are collected at PETCO Animal Supplies Stores, Inc. retail locations.

Credit Risk
At May 1, 2010, the Company had $3,611,426 of cash and cash equivalents within one financial institution, a portion of which may be in excess of the federally insured limit. The Foundation has not experienced any such losses and believes it is not exposed to any significant credit risk on these cash deposits.