

Contacts: Duane Reade Holdings, Inc.  
John Henry  
(212) 273-5746  
SVP - Chief Financial Officer

Investors: Caren Barbara  
Press: Melissa Merrill  
(212) 850-5600  
Financial Dynamics

Oak Hill Capital Partners  
Rhonda Barnat  
(212) 371-5999

## **FOR IMMEDIATE RELEASE**

### **DUANE READE TO OPEN EIGHT NEW LOCATIONS IN MANHATTAN**

*~Will Assume Leases from Gristedes~*

**New York, NY – February 20, 2007** – Duane Reade Holdings, Inc. today announced that its operating subsidiary has entered into an agreement to assume the leases of eight Gristedes locations throughout Manhattan. The acquisition of these leases is subject to the satisfaction of certain conditions, including consents, which are expected to be completed before the end of June.

Each location will be renovated and fully converted to a Duane Reade store approximately six to eight weeks after each lease assumption. All of the stores are located in convenient locations that complement the Company's existing 135 Manhattan stores.

Oak Hill Capital Partners, the majority owner of Duane Reade, is committing the equity capital required to acquire the leases and open the new Duane Reade stores in these attractive locations. The acquisition is expected to enhance liquidity and reduce leverage as a result of increased Adjusted FIFO EBITDA and related cash flow from operations.

"We are pleased to have this unique opportunity to expand our store base and to have the continued support and partnership of Oak Hill Capital," said Richard W. Dreiling, President and Chief Executive Officer. "We are confident that these locations will bolster our leading market position, provide our customers with added convenience, and expect that each will generate positive cash flow upon conversion."

"We are enthusiastic about Duane Reade's improved performance under the leadership of Rick Dreiling and his management team," said Tyler J. Wolfram, Partner of Oak Hill Capital. "This opportunity enables us to capitalize on the renewed momentum in the business and reinforce our leading position in our core Manhattan market."

Duane Reade was advised by the Winick Realty Group in this lease assumption transaction.

#### **About Duane Reade**

Founded in 1960, Duane Reade is the largest drug store chain in the metropolitan New York City area, offering a wide variety of prescription and over-the-counter drugs, health and beauty care items, cosmetics, greeting cards, photo supplies and photofinishing. As of December 31, 2006, the Company operated 248 stores.

#### **About Oak Hill Capital Partners**

Oak Hill Capital Partners is a private equity firm with more than \$4.6 billion of committed capital from leading entrepreneurs, endowments, foundations, corporations, pension funds and other global institutions. Robert M. Bass is a lead investor. Over a period of nearly 20 years, the professionals at Oak Hill Capital Partners have invested in more than 50 significant private equity transactions. Oak Hill Capital Partners is one of several separate Oak Hill partnerships, each of which has a dedicated and independent management team. These Oak

Hill partnerships comprise over \$20 billion of investment capital across multiple asset classes, including private equity, special situations, high yield and bank debt, venture capital, real estate, public equity and hedge funds.

*Except for historical information contained herein, the statements in this release and the accompanying discussion on the earnings conference call are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, this document may contain statements, estimates or projections that constitute "forward-looking" statements as defined under U.S. federal securities laws. Forward-looking statements involve known and unknown risks and uncertainties, which may cause the Company's actual results in future periods to differ materially from forecasted or expected results. Those risks include, among other things, the competitive environment in the drug store industry in general and in the New York metropolitan area, the ability to open and operate new stores, the continued efforts by payers and government agencies to reduce prescription reimbursement rates and prescription drug benefits, the strength of the economy in general, the economic conditions in the New York greater metropolitan area, changes in federal and state laws and regulations, including the potential impact of changes in regulations surrounding the importation of pharmaceuticals from foreign countries and changes in laws governing minimum wage requirements, changes in the Company's operating strategy, capital expenditure plans or development plans, the Company's ability to attract, hire and retain qualified pharmacy and other personnel, the Company's significant indebtedness, labor disturbances, the continued impact of, or new occurrences of, terrorist attacks in the New York greater metropolitan area and any actions that may be taken in response, demographic changes, the Company's ability to limit fraud and shrink, and recalls of pharmaceutical products due to health concerns or other reasons. Those and other risks are more fully described in Duane Reade's reports filed with the SEC from time to time, including its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Except to the extent otherwise required by federal securities laws, we do not undertake to publicly update or revise any forward-looking statements.*

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