



## **INSIDER TRADING POLICY** **(Current as of December 9, 2003)**

### **A. Introduction**

It is illegal for any person, either personally or on behalf of others, to trade in securities on the basis of material, nonpublic information. It is also illegal to communicate (or “tip”) material, nonpublic information to others who may trade in securities on the basis of that information. These illegal activities are commonly referred to as “insider trading.”

It is important that you understand the breadth of activities that constitute illegal insider trading and the consequences, which can be severe. Both the United States Securities and Exchange Commission (“SEC”) and the National Association of Securities Dealers investigate and are extremely effective at detecting insider trading. The SEC, together with the United States Attorneys, pursue insider trading violations vigorously.

Cases have been successfully prosecuted against trading by employees through foreign accounts, trading by family members and friends, and trading involving only a small number of shares, some as little as \$400 in profit. In connection with insider trading, hindsight can be remarkably acute, and an accusation can always be made that at any particular time a purchase or sale of securities by an insider was motivated by undisclosed favorable or unfavorable information. In such circumstances, the appearance of impropriety can be almost as problematic as an actual abuse, both to PETSMART and to the individual involved.

Potential penalties for insider trading violations include imprisonment for up to 10 years (25 years if its constitutes fraud), civil fines of up to three times the profit gained or loss avoided through the trade, and criminal fines of up to \$1 million. In addition, a company whose employee violates the insider trading prohibitions may be liable for a civil fine of up to the greater of \$1 million or three times the profit gained or loss avoided as a result of the employee’s insider trading violations.

This policy is designed to prevent insider trading or allegations of insider trading, and to protect the reputation of PETSMART, Inc., its affiliates or subsidiaries (collectively, “PETSMART”) for integrity and ethical conduct. All directors, officers, associates, and consultants of PETSMART must comply with this policy, not just “insiders.”

Insider trading is bad business. It’s cheating, theft, larceny, dishonest, morally wrong and reflects poorly on PETSMART and those involved. The PETSMART Code of Business Ethics and Policies prohibits trading and tipping others who may trade in securities (both of PETSMART and of other companies) while in possession of material, non-public information. Also, the Code of Business Ethics and Policies prohibits derivative transactions such as calls, puts, or any other interest in PETSMART securities. This policy supplements and provides background information on the general rules contained in the Code of Business Ethics and Policies.

It is your obligation to understand and comply with this policy. Associates are highly encouraged to ask questions and seek any information that they may require with respect to the matters set forth in this policy. The General Counsel must approve any exceptions to this Policy. Please direct all questions to Scott Crozier, Senior Vice President & General Counsel at (623) 587-2038, or Kevin Groman, Associate General Counsel at (623) 587-2818.

## **B. General Statement**

**The PETsMART policy is applicable to all directors, officers, associates and consultants, and prohibits trading, and tipping others who may trade, when you are in possession of material nonpublic information.**

## **C. Scope of Policy**

*1. Persons Covered.* As a director, officer, associate, or consultant of PETsMART, this policy applies to you. The same restrictions that apply to you apply to your family members who reside with you, anyone else that lives in your household and any family members who do not live in your household but whose transactions in PETsMART securities are directed by you or are subject to your influence or control (such as parents or children who consult with you before they trade in PETsMART securities). You are responsible for making sure the purchase or sale of any security covered by this policy by any such person complies with this policy.

*2. Companies Covered.* The prohibition on insider trading in this policy is not limited to trading in PETsMART securities; it includes trading in the securities of other companies, such as customers or vendors of PETsMART and those with which PETsMART may be negotiating major contracts or transactions, such as an acquisition, investment, large purchase or sale. Information that is not material to PETsMART may nevertheless be material to one of those other companies.

*3. Transaction Covered.* Trading includes purchases and sales of stock, derivative securities such as put and call options and convertible debentures or preferred stock, and debt securities (debentures, bonds, and notes). Trading also includes certain transactions under PETsMART plans as follows:

- a. Stock Option Exercises.* This policy's trading restrictions generally do not apply to the exercise of a stock option. The trading restrictions do apply, however, to any sale of the underlying stock or to a cashless exercise of the option through a broker, as this entails selling a portion of the underlying stock to cover the costs of exercise.
- b. Restricted Stock Grants and Vesting.* This policy's trading restrictions generally do not apply to the grant of restricted stock. The trading restrictions do apply, however, to any sale or transaction of the restricted stock once it has vested.
- c. Employee Stock Purchase Plan.* This policy's trading restrictions generally do not apply to the purchase of PETsMART stock in the employee stock purchase plan resulting from your periodic payroll contributions to the plan under an election you made at the time of enrollment in the plan. The trading restrictions do apply, however, to any sale of the stock acquired under the plan.

## **D. Definitions**

1. What information is **material**? All information an investor might consider important in deciding whether to buy, sell, or hold securities is considered material. Information that is likely to affect the price of a company's securities is almost always material. Examples of some types of material information are:

- Financial results or expectations for the quarter or the year
- Financial forecasts
- Changes in dividends
- Possible mergers, acquisitions, joint ventures, and other purchases and sales of companies and investments in companies
- Changes in vendor relationships with significant vendors
- Obtaining or losing important contracts
- Important product developments
- Major financing developments
- Major personnel changes
- Major litigation developments

2. What is **nonpublic** information? Information is considered to be nonpublic unless it has been effectively disclosed to the public. Examples of public disclosure include public filings with the SEC and company press releases. Not only must the information have been publicly disclosed, but there must also have been adequate time for the market as a whole to digest the information. Although timing may vary depending upon the circumstances, a good rule of thumb is that information is considered nonpublic until the second business day after public disclosure.

## **E. Statement of Policy**

1. No Trading on Inside Information. You may not trade in PETSMART securities directly or through family members or other persons or entities, if you are aware of material nonpublic information relating to PETSMART. Similarly, you may not trade in the securities of any other company if you are aware of material nonpublic information about that company which you obtained in the course of your employment with PETSMART.

2. No Tipping. You may not pass material nonpublic information on to others or recommend to anyone the purchase or sale of any securities when you are aware of such information. This practice, known as "tipping," also violates the securities laws and can result in the same civil and criminal penalties that apply to insider trading, even though you did not trade and did not gain any benefit from another's trading.

- a. *PETSMART Chat Room and Discussion Board Policy.* In light of the nature of electronic chat rooms and internet discussion boards or any other similar medium for the distribution of opinions and information, and the potential for tipping or an unintentional disclosure of material non public information, directors, officers, associates, and consultants shall be prohibited from using such medium to communicate about PETSMART or other companies with which it does business.

- b. *PETsMART Public Communication Policy.* In an effort to provide the public with timely, accurate, complete, appropriate and forthright information about PETsMART, any communication to the public shall be coordinated through the PETsMART communication department, and all such communications shall be consistent with the PETsMART Regulation FD Policy.

3. *No Derivative/Short Transactions.* You may not engage in transactions relating to any derivative securities of PETsMART, such as put and call options, nor in short sales of PETsMART securities (sales of securities that are not then owned), including a “sale against the box” (a sale with delayed delivery).

4. *Standing Orders.* Standing orders should be used only for a very brief period of time. A standing order placed with a broker to sell or purchase stock at a specified price leaves you with no control over the timing of the transaction. A standing order transaction executed by the broker when you are aware of material nonpublic information may result in unlawful insider trading.

5. *Margin Accounts and Pledges.* Securities held in a margin account or pledged as collateral for a loan may be sold without your consent by your broker if you fail to meet a margin call or by the lender in foreclosure if you default on the loan. A margin or foreclosure sale that occurs when you are aware of material nonpublic information may, under some circumstances, result in unlawful insider trading. Because of this danger, you should exercise caution in holding PETsMART securities in a margin account or pledging PETsMART securities as collateral for a loan.

6. *Post-Termination Transactions.* This policy continues to apply to your transactions in PETsMART securities even after you have terminated employment or other services to PETsMART. Basically, if you are aware of material nonpublic information when your employment or service relationship terminates, you may not trade in PETsMART securities until that information has become public or is no longer material.

## **F. Additional Requirements For Certain Designated Directors and Associates**

1. *Blackout Periods.* Compliance with this Section F(1) by “Section 16 Filers” (who are determined from time to time by the Board of Directors) is mandatory and for all vice presidents and individuals within the Finance, Investor Relations, and Legal Departments is recommended. PETsMART may from time to time establish periods of time (“Blackout Periods”) during which, trading is prohibited, due to the availability, or the possible appearance of the availability, of material, nonpublic information.

- a. *Quarterly Blackout Periods.* The PETsMART announcement of its quarterly financial results and year end results almost always has the potential to have a material effect on the market for PETsMART securities. Therefore, to avoid even the appearance of trading on the basis of material nonpublic information, you may not trade in PETsMART securities during the period beginning 14 calendar days prior to the end of the quarter and ending the second trading day following the release of PETsMART’s earnings for that quarter or year end as the case may be.

- b. *Interim Earnings Guidance and Event-Specific Blackouts.* PETsMART may on occasion issue interim earnings guidance or other potentially material information by means of a press release, SEC filing on Form 8-K, or other means designed to achieve widespread dissemination of the information. You should anticipate trading will be blacked out while PETsMART is in the process of assembling the information to be released and until the information has been released and fully absorbed by the market, two trading days following the release.

From time to time, an event may occur that is material to PETsMART and is known by only a few directors or executives. So long as the event remains material and nonpublic, the persons who are aware of the event, as well as other persons covered by the quarterly earnings blackout procedures, may not trade in PETsMART securities. The failure of the General Counsel to designate a person as being subject to an event-specific blackout will not relieve that person of the obligation not to trade while aware of material nonpublic information.

2. *Pre-clearance Procedure.* Section 16 Filers and any other persons designated by the General Counsel as being subject to the Company's pre-clearance procedures, together with their family members, may not engage in any transaction involving the Company's securities (including a stock plan transaction such as an option exercise, a gift, a loan or pledge or hedge, a contribution to a trust, or any other transfer) without first obtaining pre-clearance of the transaction from the General Counsel, in the manner as set forth by the General Counsel from time to time. A request for pre-clearance should be submitted to the General Counsel at least two days in advance of the proposed transaction. The General Counsel will then determine whether the transaction may proceed and, if so, assist in complying with the reporting requirements of Section 16 of the Securities and Exchange Act of 1934.

A person subject to this Section F(2) may implement a trading plan under SEC Rule 10b5-1, provided it follows the PETsMART 10b5-1 guidelines and has been precleared by the General Counsel, and thereafter compliance with this preclearance procedure for trades within such 10b5-1 plan are not needed.

3. *Post-Trade Reporting.* Section 16 Filers, and their brokers are required to immediately confirm with PETsMART the details of any transaction in securities of PETsMART, by them, their spouse, or any immediate family member. Section 16 Filers shall be responsible for following all procedures in connection herewith and obtaining signoff by their broker on the form (i.e. Broker Instruction/Representation form) that instructs the broker to release all required information to PETsMART. The General Counsel may from time to time establish procedures appropriate for the Section 16 filing requirements of the Securities and Exchange Act of 1934.

4. *Certification.* All persons subject to this Section F, or those individuals at the request of the Company, must certify their understanding of, and intent to comply with this policy.

## **G. Unauthorized Disclosure**

Maintaining the confidentiality of PETsMART information is essential for competitive, security, and other business reasons, as well as to comply with securities laws. You should treat all information you learn about PETsMART or its business plans in connection with your employment as confidential and proprietary to PETsMART. Inadvertent disclosure of confidential information or nonpublic information may expose PETsMART and you to significant risk of investigation and litigation.

The timing and nature of PETsMART's disclosure of material information to outsiders is subject to legal rules, the breach of which could result in substantial liability to you, PETsMART, and its management. Accordingly, it is important that responses to inquiries about PETsMART by the press, investment analysts or others in the financial community be made on PETsMART's behalf only through authorized individuals and consistent with the PETsMART Regulation FD Policy and other policies.

## **H. Personal Responsibility**

You should remember that the ultimate responsibility for adhering to this policy and avoiding improper trading rests with you. If you violate this policy, it may result in disciplinary action, up to and including dismissal for cause.

Your compliance with this policy is of the utmost importance both for you and for PETsMART. If you have any questions about this policy or its application to any proposed transaction, you may obtain additional guidance from the PETsMART General Counsel, Scott Crozier, at (623) 587-2038 or PETsMART's Associate General Counsel, Kevin Groman, at (623) 587-2818.



## INSIDER TRADING POLICY

### CERTIFICATION

To PETSMART, Inc.:

I, \_\_\_\_\_, have received and read a copy of PETSMART's Insider Trading Policy. I hereby fully understand and agree to comply with the specific requirements of the policy in all respects during my employment, directorship or other service relationship with PETSMART, Inc. I understand that my failure to comply in all respects with the policy is a basis for disciplinary action, up to and including dismissal for cause of my employment, directorship or other service relationship with PETSMART, Inc.

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Date)