Section 1: 10-Q (10-Q)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 25, 2017
or

☐ **TRANSITION REPORT PURSUANT OF SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission File Number: 001-33268

CENTRAL GARDEN & PET COMPANY

Delaware	**68-0275553**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1340 Treat Blvd., Suite 600, Walnut Creek, California 94597
(Address of principal executive offices)
(925) 948-4000
(Registrant’s telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☐
			Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the latest practicable date.

Common Stock Outstanding as of April 28, 2017	12,160,023
Class A Common Stock Outstanding as of April 28, 2017	37,811,221
Class B Stock Outstanding as of April 28, 2017	1,652,262

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited):	
	Condensed Consolidated Balance Sheets as of March 25, 2017, March 26, 2016 and September 24, 2016	4
	Condensed Consolidated Statements of Operations Three and Six Months Ended March 25, 2017 and March 26, 2016	5
	Condensed Consolidated Statements of Comprehensive Income Three and Six Months Ended March 25, 2017 and March 26, 2016	6
	Condensed Consolidated Statements of Cash Flows Six Months Ended March 25, 2017 and March 26, 2016	7
	Notes to Condensed Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	30
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	41
Item 4.	Controls and Procedures	41

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings	41
Item 1A.	Risk Factors	41
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	41
Item 3.	Defaults Upon Senior Securities	42
Item 4.	Mine Safety Disclosures	42
Item 5.	Other Information	42
Item 6.	Exhibits	42

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This Form 10-Q includes "forward-looking statements." Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries in which we operate and other information that is not historical information. When used in this Form 10-Q, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes" and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith, and we believe there is a reasonable basis for them, but we cannot assure you that our expectations, beliefs and projections will be realized.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this Form 10-Q. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Form 10-Q are set forth in the Form 10-K for the fiscal year ended September 24, 2016, including the factors described in the section entitled "Item 1A – Risk Factors." If any of these risks or uncertainties materializes, or if any of our underlying assumptions are incorrect, our actual results may differ significantly from the results that we express in, or imply by, any of our forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances, except as required by law. Presently known risk factors include, but are not limited to, the following factors:

- seasonality and fluctuations in our operating results and cash flow;
- fluctuations in market prices for seeds and grains and other raw materials;
- our inability to pass through cost increases in a timely manner;
- our dependence upon key executives;

- risks associated with new product introductions, including the risk that our new products will not produce sufficient sales to recoup our investment;
- fluctuations in energy prices, fuel and related petrochemical costs;
- declines in consumer spending during economic downturns;
- inflation, deflation and other adverse macro-economic conditions;
- supply shortages in pet birds, small animals and fish;
- adverse weather conditions;
- risks associated with our acquisition strategy;
- access to and cost of additional capital;
- dependence on a small number of customers for a significant portion of our business;
- increasing consolidation and other trends in the retail industry;
- competition in our industries;
- potential goodwill or intangible asset impairment;
- continuing implementation of an enterprise resource planning information technology system;
- our ability to protect our intellectual property rights;
- potential environmental liabilities;
- risk associated with international sourcing;
- litigation and product liability claims;
- regulatory issues;
- the impact of product recalls;
- potential costs and risks associated with actual or anticipated cyber attacks;
- the voting power associated with our Class B stock; and
- potential dilution from issuance of authorized shares.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

CENTRAL GARDEN & PET COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)
(Unaudited)

	March 25, 2017	March 26, 2016	September 24, 2016
ASSETS			
Current assets:			
Cash and cash equivalents	$ 6,169	$ 9,826	$ 92,982
Restricted cash	10,988	11,946	10,910
Accounts receivable (less allowance for doubtful accounts of $20,227, $23,759 and $21,069)	343,202	340,526	201,151
Inventories	426,385	390,754	362,004
Prepaid expenses and other	54,074	50,758	47,759
Total current assets	840,818	803,810	714,806
Land, buildings, improvements and equipment—net	175,940	164,794	158,224
Goodwill	230,385	213,753	231,385
Other intangible assets—net	91,424	82,989	95,865
Other assets	60,361	57,753	11,913
Total	$ 1,398,928	$ 1,323,099	$ 1,212,193
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	$ 141,791	$ 133,211	$ 102,413
Accrued expenses	101,421	97,682	99,343
Current portion of long-term debt	374	594	463
Total current liabilities	243,586	231,487	202,219
Long-term debt	495,870	496,396	394,806
Other long-term obligations	64,981	62,274	60,581
Equity:			
Common stock, 12,176,787, 11,908,317, and 11,998,472 shares outstanding at March 25, 2017, March 26, 2016 and September 24, 2016	122	119	120
Class A common stock, $0.01 par value: 37,731,149, 36,794,100 and 37,418,572 shares outstanding at March 25, 2017, March 26, 2016 and September 24, 2016	377	368	374
Class B stock, $0.01 par value: 1,652,262 shares outstanding	16	16	16
Additional paid-in capital	391,541	391,665	393,297
Accumulated earnings	202,822	140,082	160,501
Accumulated other comprehensive income (loss)	(1,658)	(528)	(1,294)
Total Central Garden & Pet Company shareholders' equity	593,220	531,722	553,014
Noncontrolling interest	1,271	1,220	1,573
Total equity	594,491	532,942	554,587
Total	$ 1,398,928	$ 1,323,099	$ 1,212,193

See notes to condensed consolidated financial statements.

CENTRAL GARDEN & PET COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 25, 2017	March 26, 2016	March 25, 2017	March 26, 2016
Net sales	$ 569,924	$ 541,249	$ 989,422	$ 901,061
Cost of goods sold and occupancy	386,395	371,910	685,215	631,936
Gross profit	183,529	169,339	304,207	269,125
Selling, general and administrative expenses	119,669	109,936	220,409	200,949
Operating income	63,860	59,403	83,798	68,176
Interest expense	(6,830)	(7,096)	(13,703)	(29,241)
Interest income	8	9	46	31
Other expense	(965)	(88)	(1,932)	(561)
Income before income taxes and noncontrolling interest	56,073	52,228	68,209	38,405
Income tax expense	20,824	18,793	25,171	13,593
Income including noncontrolling interest	35,249	33,435	43,038	24,812
Net income attributable to noncontrolling interest	565	738	717	717
Net income attributable to Central Garden & Pet Company	$ 34,684	$ 32,697	$ 42,321	$ 24,095
Net income per share attributable to Central Garden & Pet Company:				
Basic	$ 0.69	$ 0.67	$ 0.85	$ 0.50
Diluted	$ 0.67	$ 0.65	$ 0.82	$ 0.48
Weighted average shares used in the computation of net income per share:				
Basic	50,079	48,717	49,872	48,641
Diluted	51,983	50,445	51,911	50,558

See notes to condensed consolidated financial statements.

CENTRAL GARDEN & PET COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	March 25, 2017	March 26, 2016	March 25, 2017	March 26, 2016
Net income	$ 35,249	$ 33,435	$ 43,038	$ 24,812
Other comprehensive income (loss):				
Foreign currency translation	144	(459)	(364)	(692)
Total comprehensive income	35,393	32,976	42,674	24,120
Comprehensive income attributable to noncontrolling interest	565	738	717	717
Comprehensive income attributable to Central Garden & Pet Company	$ 34,828	$ 32,238	$ 41,957	$ 23,403

See notes to condensed consolidated financial statements.

Table of Contents

CENTRAL GARDEN & PET COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Six Months Ended	
	March 25, 2017	March 26, 2016
Cash flows from operating activities:		
Net income	$ 43,038	$ 24,812
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	20,344	18,202
Amortization of deferred financing costs	681	773
Stock-based compensation	5,279	3,578
Excess tax benefits from stock-based awards	(13,166)	(1,181)
Deferred income taxes	6,530	7,516
Write-off of deferred financing costs	—	3,337
Loss on sale of property and equipment	40	8
Gain on sale of facility	(2,050)	
Other	1,085	25
Change in assets and liabilities (excluding businesses acquired):		
Accounts receivable	(139,319)	(111,671)
Inventories	(63,775)	(35,220)
Prepaid expenses and other assets	6,919	1,749
Accounts payable	38,041	27,415
Accrued expenses	502	9,548
Other long-term obligations	(391)	266
Net cash used by operating activities	(96,242)	(50,843)
Cash flows from investing activities:		
Additions to property and equipment	(26,794)	(12,795)
Payments to acquire companies, net of cash acquired	(60,042)	(68,901)
Proceeds from the sale of business, facility and other assets	8,268	
Change in restricted cash	(78)	1,211
Investment in equity method investee	(2,000)	—
Other investing activities	(1,395)	(500)
Net cash used in investing activities	(82,041)	(80,985)
Cash flows from financing activities:		
Repayments of long-term debt	(449)	(400,145)
Proceeds from issuance of long-term debt	—	400,000
Borrowings under revolving line of credit	216,000	280,000
Repayments under revolving line of credit	(115,000)	(178,000)
Repurchase of common stock, including shares surrendered for tax withholding	(20,172)	(1,722)
Payment of contingent consideration liability	(894)	
Distribution to noncontrolling interest	(1,019)	(592)
Payment of financing costs	—	(6,362)
Excess tax benefits from stock-based awards	13,166	1,181
Net cash provided by financing activities	91,632	94,360
Effect of exchange rate changes on cash and cash equivalents	(162)	(290)
Net decrease in cash and cash equivalents	(86,813)	(37,758)
Cash and equivalents at beginning of period	92,982	47,584
Cash and equivalents at end of period	$ 6,169	$ 9,826
Supplemental information:		
Cash paid for interest	$ 13,612	$ 18,781

See notes to condensed consolidated financial statements.

1. Basis of Presentation

The condensed consolidated balance sheets of Central Garden & Pet Company and subsidiaries (the “Company” or “Central”) as of March 25, 2017 and March 26, 2016, the condensed consolidated statements of operations and the condensed consolidated statements of comprehensive income for the three and six months ended March 25, 2017 and March 26, 2016, and the condensed consolidated statements of cash flows for the six months ended March 25, 2017 and March 26, 2016 have been prepared by the Company, without audit. In the opinion of management, the interim financial statements include all normal recurring adjustments necessary for a fair statement of the results for the interim periods presented.

For the Company’s foreign business in the UK, the local currency is the functional currency. Assets and liabilities are translated using the exchange rate in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Deferred taxes are not provided on translation gains and losses because the Company expects earnings of its foreign subsidiary to be permanently reinvested. Transaction gains and losses are included in results of operations. See Note 8, Supplemental Equity Information, for further detail.

Due to the seasonal nature of the Company’s garden business, the results of operations for the three and six months ended March 25, 2017 are not indicative of the operating results that may be expected for the entire fiscal year. These interim financial statements should be read in conjunction with the annual audited financial statements, accounting policies and financial notes thereto, included in the Company’s 2016 Annual Report on Form 10-K, which has previously been filed with the Securities and Exchange Commission. The September 24, 2016 balance sheet presented herein was derived from the audited financial statements.

Noncontrolling Interest

Noncontrolling interest in the Company’s condensed consolidated financial statements represents the 20% interest not owned by Central in a consolidated subsidiary. Since the Company controls this subsidiary, its financial statements are consolidated with those of the Company, and the noncontrolling owner’s 20% share of the subsidiary’s net assets and results of operations is deducted and reported as noncontrolling interest on the consolidated balance sheets and as net income (loss) attributable to noncontrolling interest in the consolidated statements of operations. See Note 8, Supplemental Equity Information, for additional information.

Restricted Cash

Restricted cash includes cash and highly liquid instruments that are used as collateral for stand-alone letter of credit agreements related to normal business transactions. These agreements require the Company to maintain specified amounts of cash as collateral in segregated accounts to support the letters of credit issued thereunder, which will affect the amount of cash the Company has available for other uses. The amount of cash collateral in these segregated accounts was approximately $11.0 million, $11.9 million and $10.9 million as of March 25, 2017, March 26, 2016 and September 24, 2016, respectively, and is reflected in Restricted cash on the condensed consolidated balance sheets.

Derivative Instruments

The Company principally uses a combination of purchase orders and various short and long-term supply arrangements in connection with the purchase of raw materials, including certain commodities. The Company may also enter into commodity futures, options and swap contracts to reduce the volatility of price fluctuations of corn, which impacts the cost of raw materials. The Company’s primary objective when entering into these derivative contracts is to achieve greater certainty with regard to the future price of commodities purchased for use in its supply chain. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and does not use leveraged instruments.

The Company does not perform the assessments required to achieve hedge accounting for commodity derivative positions. Accordingly, the changes in the values of these derivatives are recorded currently in other income (expense) in its condensed consolidated statements of operations. As of March 25, 2017 and March 26, 2016, the Company had no outstanding derivative instruments.

Recent Accounting Pronouncements

Accounting Pronouncements Recently Adopted

Consolidation

In February 2015, the FASB issued ASU 2015-02 (ASU 2015-02), *Amendments to the Consolidation Analysis to ASC Topic 810, Consolidation*. ASU 2015-02 modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 became effective during the Company's first quarter of fiscal 2017, and the adoption of the standard had no impact on the Company's condensed consolidated financial statements.

Stock Based Compensation

In June 2014, the FASB issued ASU No. 2014-12 (ASU 2014-12), *Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period.* ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period should be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. ASU 2014-12 became effective during the Company's first quarter of fiscal 2017, and the adoption of the standard had no impact on the Company's condensed consolidated financial statements.

Accounting Standards Not Yet Adopted

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. This update was issued as Accounting Standards Codification Topic 606. The core principle of this amendment is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On July 9, 2015, the FASB deferred the effective date of ASU 2014-09 for one year. ASU 2014-09 is now effective for the Company beginning in the first quarter of its fiscal year ending September 28, 2019.

In March 2016, the FASB issued ASU 2016-08 (ASU 2016-08), *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*. ASU 2016-08 clarifies the implementation guidance on principal versus agent considerations.

In April 2016, the FASB issued ASU 2016-10 (ASU 2016-10), *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. ASU 2016-10 clarifies the implementation guidance on identifying performance obligations. These ASUs apply to all companies that enter into contracts with customers to transfer goods or services.

In May 2016, the FASB issued ASU No. 2016-12 (ASU 2016-12), *Revenue from Contracts with Customers (Topic 606) - Narrow-Scope Improvements and Practical Expedients*. ASU 2016-12 is intended to clarify two aspects of Topic 606: first, assessing the collectability criterion, options for the presentation of sales and similar taxes, noncash consideration, transition contract modifications, transition contract completion and secondly, technical corrections.

Early adoption is permitted, but not before interim and annual reporting periods beginning after December 15, 2016. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02 (ASU 2016-02), *Leases (Topic 842)*. ASU 2016-02 requires companies to generally recognize on the balance sheet operating and financing lease liabilities and corresponding right-of-use assets. ASU 2016-02 is effective for the Company in our first quarter of fiscal 2020 on a modified retrospective basis and earlier adoption is permitted. The Company is currently evaluating the impact of its pending adoption of ASU 2016-02 on its consolidated financial statements, and it currently expects that most of its operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-of-use assets upon the adoption of ASU 2016-02.

Stock Compensation

In March 2016, the FASB issued ASU 2016-09 (ASU 2016-09), *Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. ASU 2016-09 simplifies the accounting for share-based payment award transactions including: income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2016, or the Company's first quarter of fiscal 2018. Early adoption is permitted. The Company is currently evaluating the requirements of ASU 2016-09 and has not yet determined the impact on its consolidated financial statements.

Inventory Measurement

In July 2015, the FASB issued ASU 2015-11 (ASU 2015-11), *Simplifying the Measurement of Inventory*. Under ASU 2015-11, inventory will be measured at the “lower of cost and net realizable value” and options that currently exist for “market value” will be eliminated. The standard defines net realizable value as the “estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.” No other changes were made to the current guidance on inventory measurement. ASU 2015-11 is effective for interim and annual periods beginning after December 15, 2016, or the Company’s first quarter of fiscal 2018. Early application is permitted and should be applied prospectively. The Company is currently evaluating the impact the adoption of ASU 2015-11 will have on its consolidated financial statements.

Balance Sheet Classification of Deferred Taxes.

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. This ASU eliminates the current requirement for entities to present deferred tax liabilities and assets as current and noncurrent in a classified statement of financial position and instead requires that deferred income tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2016, or the Company's first quarter of fiscal 2018, and interim periods within those annual periods. Earlier application is permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact the adoption of ASU 2015-17 will have on its consolidated financial statements.

Statement of Cash Flows

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15) . The ASU provides additional clarification guidance on the classification of certain cash receipts and payments in the statement of cash flows. The new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2017, or the Company's first quarter of fiscal 2019, with early adoption permitted. The Company is currently evaluating the impact the adoption of ASU 2016-15 will have on its consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)* (ASU 2016-18). This ASU clarifies the presentation of restricted cash on the statement of cash flows. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning and ending cash balances on the statement of cash flows. ASU 2016-18 is effective for fiscal years, and interim periods within those fiscal years beginning after December 15, 2017, or the Company's first quarter of fiscal 2019, with early adoption permitted. The Company does not expect that ASU 2016-18 will have a material impact on its condensed consolidated financial statements and related disclosures.

Business Combinations

In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business* (ASU 2017-01), which requires an evaluation of whether substantially all of the fair value of assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If so, the transaction does not qualify as a business. The guidance also requires an acquired business to include at least one substantive process and narrows the definition of outputs. The Company is required to apply this guidance to annual periods beginning after December 15, 2017, including interim periods within those periods, or the Company's first quarter of fiscal 2019. The Company is currently evaluating the impact the adoption of ASU 2017-01 will have on its consolidated financial statements.

Goodwill

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment*. The new guidance simplifies the subsequent measurement of goodwill by removing the second step of the two-step impairment test. The amendment requires an entity to perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The new guidance will be effective for annual periods or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019, or the Company's first quarter of fiscal 2021. The amendment should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The adoption of this amendment is not expected to have a material impact on the Company's consolidated financial statements.

2. Fair Value Measurements

ASC 820 establishes a single authoritative definition of fair value, a framework for measuring fair value and expands disclosure of fair value measurements. ASC 820 requires financial assets and liabilities to be categorized based on the inputs used to calculate their fair values as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability, which reflect the Company’s own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The Company’s financial instruments include cash and equivalents, short term investments consisting of bank certificates of deposit, accounts receivable and payable, derivative instruments, short-term borrowings, and accrued liabilities. The carrying amount of these instruments approximates fair value because of their short-term nature.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the Company’s financial assets and liabilities measured at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of March 25, 2017 (in thousands):

	Level 1	Level 2	Level 3	Total
Liabilities:				
Liability for contingent consideration (a)	$ 0	$ 0	$ 4,420	$ 4,420
Total liabilities	$ 0	$ 0	$ 4,420	$ 4,420

The following table presents the Company’s financial assets and liabilities measured at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of March 26, 2016 (in thousands):

	Level 1	Level 2	Level 3	Total
Liabilities:				
Liability for contingent consideration (a)	$ 0	$ 0	$ 6,215	$ 6,215
Total liabilities	$ 0	$ 0	$ 6,215	$ 6,215

The following table presents our financial assets and liabilities at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of September 24, 2016:

	Level 1	Level 2	Level 3	Total
Liabilities:				
Liability for contingent consideration (a)	$ 0	$ 0	$ 5,113	$ 5,113
Total liabilities	$ 0	$ 0	$ 5,113	$ 5,113

(a) The liability for contingent consideration relates to an earn-out for B2E, acquired in December 2012, and future performance-based contingent payments for Hydro-Organics Wholesale, Inc., acquired in October 2015. The fair value of the estimated contingent consideration arrangement is determined based on the Company's evaluation as to the probability and amount of any earn-out that will be achieved based on expected future performance by the acquired entity. This is presented as part of long-term liabilities in the Company's condensed consolidated balance sheets.

The following table provides a summary of the changes in fair value of the Company's Level 3 financial instruments for the periods ended March 25, 2017 and March 26, 2016 (in thousands):

	Amount
Balance September 24, 2016	$ 5,113
Estimated contingent performance-based consideration established at the time of acquisition	—
Changes in the fair value of contingent performance-based payments established at the time of acquisition	201
Performance-based payments made	(894)
Balance March 25, 2017	$ 4,420

	Amount
Balance September 26, 2015	$ 3,625
Estimated contingent performance-based consideration established at the time of acquisition	2,590
Changes in the fair value of contingent performance-based payments established at the time of acquisition	—
Balance March 26, 2016	$ 6,215

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company measures certain non-financial assets and liabilities, including long-lived assets, goodwill and intangible assets, at fair value on a non-recurring basis. Fair value measurements of non-financial assets and non-financial liabilities are used primarily in the impairment analyses of long-lived assets, goodwill and other intangible assets. During the periods ended March 25, 2017 and March 26, 2016, the Company was not required to measure any significant non-financial assets and liabilities at fair value.

Fair Value of Other Financial Instruments

In November 2015, the Company issued $400 million aggregate principal amount of 6.125% senior notes due November 2023 (the "2023 Notes"). The estimated fair value of the Company's 2023 Notes as of March 25, 2017, March 26, 2016 and September 24, 2016 was $422.4 million, $416.1 million and $430.3 million, respectively, compared to a carrying value of $394.8 million, $394.0 million and $394.4 million, respectively.

3. Acquisitions

Segrest Inc.

On October 24, 2016, the Company acquired Segrest, Inc., a wholesaler of aquarium fish, for a purchase price of approximately $60.0 million, of which $6.0 million is in an escrow account managed by an independent trustee and is payable contingent upon future events. The purchase price exceeded the estimated fair value of the net tangible assets acquired by approximately $47.7 million, which is included in other assets in the Company's condensed consolidated balance sheet as of March 25, 2017. The Company has not yet finalized the allocation of the purchase price to the fair value of the intangible assets acquired. This acquisition is expected to strengthen the Company's position in the aquatics category and provide the opportunity for synergies with the Company's existing aquatics business.

Proforma financial information has not been presented as the Segrest acquisition was not considered material to the Company's overall consolidated financial statements during the periods presented.

4. Inventories, net

Inventories, net of allowance for obsolescence, consist of the following (in thousands):

	March 25, 2017	March 26, 2016	September 24, 2016
Raw materials	$ 122,029	$ 113,779	$ 120,786
Work in progress	21,636	15,267	17,378
Finished goods	273,752	252,453	217,788
Supplies	8,968	9,255	6,052
Total inventories, net	$ 426,385	$ 390,754	$ 362,004

5. Goodwill

The Company tests goodwill for impairment annually, or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This assessment involves the use of significant accounting judgments and estimates as to future operating results and discount rates. Changes in estimates or use of different assumptions could produce significantly different results. An impairment loss is generally recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. The Company uses discounted cash flow analysis to estimate the fair value of our reporting units. The Company's goodwill impairment analysis also includes a comparison of the aggregate estimated fair value of its reporting units to the Company's total market capitalization.

6. Other Intangible Assets

The following table summarizes the components of gross and net acquired intangible assets:

	Gross	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
			(in millions)	
March 25, 2017				
Marketing-related intangible assets – amortizable	$ 14.9	$ (11.7)	$ —	$ 3.2
Marketing-related intangible assets – nonamortizable	62.7	—	(26.0)	36.7
Total	77.6	(11.7)	(26.0)	39.9
Customer-related intangible assets – amortizable	64.3	(28.0)	—	36.3
Other acquired intangible assets – amortizable	20.8	(12.2)	—	8.6
Other acquired intangible assets – nonamortizable	7.8	—	(1.2)	6.6
Total	28.6	(12.2)	(1.2)	15.2
Total other intangible assets	$ 170.5	$ (51.9)	$ (27.2)	$ 91.4

	Gross	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
			(in millions)	
March 26, 2016				
Marketing-related intangible assets – amortizable	$ 14.1	$ (10.8)	$ —	$ 3.3
Marketing-related intangible assets – nonamortizable	63.6	—	(24.2)	39.4
Total	77.7	(10.8)	(24.2)	42.7
Customer-related intangible assets – amortizable	48.3	(23.6)	—	24.7
Other acquired intangible assets – amortizable	20.0	(11.0)	—	9.0
Other acquired intangible assets – nonamortizable	7.8	—	(1.2)	6.6
Total	27.8	(11.0)	(1.2)	15.6
Total other intangible assets	$ 153.8	$ (45.4)	$ (25.4)	$ 83.0

	Gross	Accumulated Amortization	Accumulated Impairment	Net Carrying Value
			(in millions)	
September 24, 2016				
Marketing-related intangible assets – amortizable	$ 14.9	$ (11.3)	$ —	$ 3.6
Marketing-related intangible assets – nonamortizable	63.0	—	(26.0)	37.0
Total	77.9	(11.3)	(26.0)	40.6
Customer-related intangible assets – amortizable	65.6	(26.1)	—	39.5
Other acquired intangible assets – amortizable	20.8	(11.6)	—	9.2
Other acquired intangible assets – nonamortizable	7.8	—	(1.2)	6.6
Total	28.6	(11.6)	(1.2)	15.8
Total other intangible assets	$ 172.1	$ (49.0)	$ (27.2)	$ 95.9

Other acquired intangible assets include contract-based and technology-based intangible assets.

The Company evaluates long-lived assets, including amortizable and indefinite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. The Company evaluates indefinite-lived intangible assets on an annual basis. In the fourth quarter of fiscal 2016, the Company recognized a non-cash $1.8 million impairment charge to certain indefinite-lived intangible assets as a result of increased competition in the marketplace and declining volume of sales. Other factors indicating the carrying value of the Company's amortizable intangible assets may not be recoverable were not present in fiscal 2016 or during the six months ended March 25, 2017, and accordingly, no impairment testing was performed on these assets.

The Company amortizes its acquired intangible assets with definite lives over periods ranging from four years to 25 years; over weighted average remaining lives of six years for marketing-related intangibles, 11 years for customer-related intangibles and 13 years for other acquired intangibles. Amortization expense for intangibles subject to amortization was approximately $1.4 million and $1.2 million for the three months ended March 25, 2017 and March 26, 2016, respectively, and $2.9 million and $2.2 million for the six months ended March 25, 2017 and March 26, 2016, respectively, and is classified within operating expenses in the condensed consolidated statements of operations. Estimated annual amortization expense related to acquired intangible assets in each of the succeeding five years is estimated to be approximately $5 million per year from fiscal 2017 through fiscal 2021.

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7. Long-Term Debt

Long-term debt consists of the following:

	March 25, 2017	March 26, 2016	September 24, 2016
		(in thousands)	
Senior notes, interest at 6.125%, payable semi-annually, principal due November 2023	$ 400,000	$ 400,000	$ 400,000
Unamortized debt issuance costs	(5,237)	(6,032)	(5,635)
Net carrying value	394,763	393,968	394,365
Asset-based revolving credit facility, interest at LIBOR plus a margin of 1.25% to 1.75% or Base Rate plus a margin of 0.25% to 0.75%, final maturity December 2018	—	102,000	—
Asset-based revolving credit facility, interest at LIBOR plus a margin of 1.25% to 1.50% or Base Rate plus a margin of 0.25% to 0.50%, final maturity April 2021	101,000		—
Other notes payable	481	1,022	904
Total	496,244	496,990	395,269
Less current portion	(374)	(594)	(463)
Long-term portion	$ 495,870	$ 496,396	$ 394,806

Senior Notes and Redemption of Senior Subordinated Notes

On November 9, 2015, the Company issued $400 million aggregate principal amount of 6.125% senior notes due November 2023. In December 2015, the Company used the net proceeds from the offering, together with available cash, to redeem its $400 million aggregate principal amount of 8.25% senior subordinated notes due March 1, 2018 (2018 Notes) at a price of 102.063% of the principal amount and to pay fees and expenses related to the offering.

The Company incurred approximately $6.3 million of debt issuance costs in conjunction with these transactions, which included underwriter fees and legal, accounting and rating agency expenses. The debt issuance costs are being amortized over the term of the 2023 Notes.

As a result of the Company's redemption of the 2018 Notes, the Company incurred a call premium payment of $8.3 million, overlapping interest expense for 30 days of approximately $2.7 million and a $3.3 million non-cash charge for the write off of unamortized deferred financing costs and discount related to the 2018 Notes. These amounts are included in interest expense in the condensed consolidated statements of operations for the quarter ended March 26, 2016.

The 2023 Notes require semiannual interest payments on May 15 and November 15. The 2023 Notes are unconditionally guaranteed on a senior basis by each of the Company’s existing and future domestic restricted subsidiaries which are borrowers under or guarantors of Central’s senior secured revolving credit facility. The 2023 Notes are unsecured senior obligations and are subordinated to all of the Company’s existing and future secured debt, including the Company’s Credit Facility, to the extent of the value of the collateral securing such indebtedness.

The Company may redeem some or all of the 2023 Notes at any time, at its option, prior to November 15, 2018 at the principal amount plus a “make whole” premium. At any time prior to November 15, 2018, the Company may also redeem, at its option, up to 35% of the original aggregate principal amount of the notes with the proceeds of certain equity offerings at a redemption price of 106.125% of the principal amount of the notes. The Company may redeem some or all of the 2023 Notes, at its option, at any time on or after November 15, 2018 for 104.594%, on or after November 15, 2019 for 103.063%, on or after November 15, 2020 for 101.531% and on or after November 15, 2021 for 100%, plus accrued and unpaid interest.

The holders of the 2023 Notes have the right to require the Company to repurchase all or a portion of the 2023 Notes at a purchase price equal to 101% of the principal amount of the notes repurchased, plus accrued and unpaid interest upon the occurrence of a change of control.

The 2023 Notes contain customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions. The Company was in compliance with all covenants as of March 25, 2017.

Asset-Based Loan Facility Amendment

On April 22, 2016, the Company entered into an amended and restated credit agreement which provides up to a $400 million principal amount senior secured asset-based revolving credit facility, with up to an additional $200 million principal amount available with the consent of the Lenders if the Company exercises the accordion feature set forth therein (collectively, the “Amended Credit Facility”). The Amended Credit Facility matures on April 22, 2021. The Company may borrow, repay and reborrow amounts under the Amended Credit Facility until its maturity date, at which time all amounts outstanding under the Amended Credit Facility must be repaid in full. As of March 25, 2017, there were borrowings of $101.0 million outstanding and no letters of credit outstanding under the Credit Facility. There were other letters of credit of $2.6 million outstanding as of March 25, 2017.

The Amended Credit Facility is subject to a borrowing base, calculated using a formula based upon eligible receivables and inventory, minus certain reserves and subject to restrictions. As of March 25, 2017, the borrowing base and remaining borrowing availability was $238.9 million. Borrowings under the Amended Credit Facility bear interest at an index based on LIBOR or, at the option of the Company, the Base Rate (defined as the highest of (a) the SunTrust prime rate, (b) the Federal Funds Rate plus 0.5% and (c) one-month LIBOR plus 1.00%), plus, in either case, an applicable margin based on the Company’s consolidated senior leverage ratio. Such applicable margin for LIBOR-based borrowings fluctuates between 1.25% - 1.50% and was 1.25% as of March 25, 2017, and such applicable margin for Base Rate borrowings fluctuates between 0.25%-0.5% and was 0.25% as of March 25, 2017. As of March 25, 2017, the applicable interest rate related to Base Rate borrowings was 4.0%, and the applicable interest rate related to LIBOR-based borrowings was 2.1%.

The Company incurred approximately $1.2 million of debt issuance costs in conjunction with this transaction, which included underwriter fees, legal and accounting expenses. The debt issuance costs will be amortized over the term of the Amended Credit Facility.

The Amended Credit Facility contains customary covenants, including financial covenants which require the Company to maintain a minimum fixed charge coverage ratio of 1.00:1.00 upon reaching certain borrowing levels. The Amended Credit Facility is secured by substantially all assets of the Company. The Company was in compliance with all financial covenants under the Amended Credit Facility during the quarter ended March 25, 2017.

8. Supplemental Equity Information

The following table provides a summary of the changes in the carrying amounts of equity attributable to controlling interest and noncontrolling interest for the six months ended March 25, 2017 and March 26, 2016

	Controlling Interest								
(in thousands)	Common Stock	Class A Common Stock	Class B Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total	Noncontrolling Interest	Total
Balance September 24, 2016	$ 120	$ 374	$ 16	$ 393,297	$ 160,501	$ (1,294)	$553,014	$ 1,573	$554,587
Comprehensive income					42,321	(364)	41,957	717	42,674
Amortization of share-based awards				4,222			4,222		4,222
Restricted share activity		(1)		(5,501)			(5,502)		(5,502)
Issuance of common stock, including net share settlement of stock options	2	4		(13,619)			(13,613)		(13,613)
Tax benefit on stock option exercise, net of tax deficiency				13,142			13,142		13,142
Distribution to Noncontrolling interest								(1,019)	(1,019)
Balance March 25, 2017	$ 122	$ 377	$ 16	$ 391,541	$ 202,822	$ (1,658)	$593,220	$ 1,271	$594,491

	Controlling Interest								
(in thousands)	Common Stock	Class A Common Stock	Class B Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total	Noncontrolling Interest	Total
Balance September 26, 2015	$ 119	$ 364	$ 16	$ 388,636	$ 115,987	$ 164	$505,286	$ 1,094	$506,380
Comprehensive income					24,095	(692)	23,403	717	24,120
Amortization of share-based awards				2,986			2,986		2,986
Restricted share activity		2		(580)			(578)		(578)
Issuance of common stock, including net share settlement of stock options		2		(554)			(552)		(552)
Tax benefit on stock option exercise, net of tax deficiency				1,177			1,177		1,177
Distribution to Noncontrolling interest								(592)	(592)
Other								1	1
Balance March 26, 2016	$ 119	$ 368	$ 16	$ 391,665	$ 140,082	$ (528)	$531,722	$ 1,220	$532,942

9. Stock-Based Compensation

The Company recognized share-based compensation expense of $5.3 million and $3.6 million for the six months ended March 25, 2017 and March 26, 2016, respectively, as a component of selling, general and administrative expenses. The tax benefit associated with share-based compensation expense for the six months ended March 25, 2017 and March 26, 2016 was $1.9 million and $1.3 million, respectively.

10. Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted per share computations for income from continuing operations.

	Three Months Ended March 25, 2017			Six Months Ended March 25, 2017		
	Income	Shares	Per Share	Income	Shares	Per Share
Basic EPS:						
Net income available to common shareholders	$ 34,684	50,079	$ 0.69	$ 42,321	49,872	$ 0.85
Effect of dilutive securities:						
Options to purchase common stock		1,156	(0.01)	—	1,273	(0.02)
Restricted shares		748	(0.01)	—	766	(0.01)
Diluted EPS:				—		
Net income available to common shareholders	$ 34,684	51,983	$ 0.67	$ 42,321	51,911	$ 0.82

	Three Months Ended March 26, 2016			Six Months Ended March 26, 2016		
	Income	Shares	Per Share	Income	Shares	Per Share
Basic EPS:						
Net income available to common shareholders	$ 32,697	48,717	$ 0.67	$ 24,095	48,641	$ 0.50
Effect of dilutive securities:						
Options to purchase common stock		976	(0.01)		1,166	(0.02)
Restricted shares		752	(0.01)		751	—
Diluted EPS:						
Net income available to common shareholders	$ 32,697	50,445	$ 0.65	$ 24,095	50,558	$ 0.48

Options to purchase 3.1 million shares of common stock at prices ranging from $6.43 to $31.76 per share were outstanding at March 25, 2017, and options to purchase 6.8 million shares of common stock at prices ranging from $6.43 to $15.56 per share were outstanding at March 26, 2016.

For the three months ended March 25, 2017, all options outstanding were included in the computation of diluted earnings per share. For the three months ended March 26, 2016, options to purchase 1.6 million shares of common stock were outstanding but were not included in the computation of diluted earnings per share, because the option exercise prices were greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive.

For the six month periods ended March 25, 2017 and March 26, 2016, respectively, options to purchase 0.2 million and 0.7 million shares of common stock, respectively, were outstanding but were not included in the computation of diluted earnings per share, because the option exercise prices were greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive.

11. Segment Information

Management has determined that the Company has two operating segments, which are also reportable segments based on the level at which the Chief Operating Decision Maker reviews the results of operations to make decisions regarding performance assessment and resource allocation. These operating segments are Pet segment and Garden segment and are presented in the table below (in thousands).

	Three Months Ended		Six Months Ended	
	March 25, 2017	March 26, 2016	March 25, 2017	March 26, 2016
Net sales:				
Pet segment	$ 298,393	$ 275,328	$ 602,439	$ 523,990
Garden segment	271,531	265,921	386,983	377,071
Total net sales	$ 569,924	$ 541,249	$ 989,422	$ 901,061
Operating income:				
Pet segment	34,645	32,409	68,051	58,604
Garden segment	46,005	44,407	48,681	41,153
Corporate	(16,790)	(17,413)	(32,934)	(31,581)
Total income from operations	63,860	59,403	83,798	68,176
Interest expense - net	(6,822)	(7,087)	(13,657)	(29,210)
Other expense	(965)	(88)	(1,932)	(561)
Income tax expense	20,824	18,793	25,171	13,593
Income including noncontrolling interest	35,249	33,435	43,038	24,812
Net income attributable to noncontrolling interest	565	738	717	717
Net income attributable to Central Garden & Pet Company	$ 34,684	$ 32,697	$ 42,321	$ 24,095
Depreciation and amortization:				
Pet segment	$ 6,174	4,956	$ 12,004	$ 9,420
Garden segment	1,528	1,359	3,035	3,044
Corporate	2,633	2,854	5,305	5,738
Total depreciation and amortization	$ 10,335	$ 9,169	$ 20,344	$ 18,202

	March 25, 2017	March 26, 2016	September 24, 2016
Assets:			
Pet segment	$ 612,189	$ 538,901	$ 508,879
Garden segment	478,919	467,026	304,901
Corporate	307,820	317,172	398,413
Total assets	$ 1,398,928	$ 1,323,099	$ 1,212,193
Goodwill (included in corporate assets above):			
Pet segment	$ 224,912	$ 210,455	$ 225,912
Garden segment	5,473	3,298	5,473
Total goodwill	$ 230,385	$ 213,753	$ 231,385

12. Consolidating Condensed Financial Information of Guarantor Subsidiaries

Certain 100% wholly-owned subsidiaries of the Company (as listed below, collectively the “Guarantor Subsidiaries”) have guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest on the Company’s 2023 Notes. Certain subsidiaries and operating divisions are not guarantors of the 2023 Notes. Those subsidiaries that are guarantors and co-obligors of the 2023 Notes are as follows:

Farnam Companies, Inc.
Four Paws Products Ltd.
Gulfstream Home & Garden, Inc.
Hydro-Organics Wholesale, Inc.
IMS Trading, LLC
IMS Southern, LLC
Kaytee Products, Inc.
Matson, LLC
New England Pottery, LLC
Pennington Seed, Inc. (including Gro Tec, Inc. and All-Glass Aquarium Co., Inc.)
Pets International, Ltd.
Segrest, Inc. (including Blue Springs Hatchery, Inc., Segrest Farms, Inc., Florida Tropical Distributors International, Inc., Sun Pet, Ltd and Aquatica Tropicals, Inc.)
T.F.H. Publications, Inc.
Wellmark International (including B2E Corporation and B2E Biotech LLC)

In lieu of providing separate audited financial statements for the Guarantor Subsidiaries, the Company has included the accompanying consolidating condensed financial statements based on the Company’s understanding of the Securities and Exchange Commission’s interpretation and application of Rule 3-10 of the Securities and Exchange Commission’s Regulation S-X.

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

Three Months Ended March 25, 2017

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 190,791	$ 26,092	$ 378,673	$ (25,632)	$ 569,924
Cost of goods sold and occupancy	145,593	20,128	244,680	(24,006)	386,395
Gross profit	45,198	5,964	133,993	(1,626)	183,529
Selling, general and administrative expenses	39,347	4,874	77,074	(1,626)	119,669
Operating income	5,851	1,090	56,919	—	63,860
Interest expense	(6,759)	(65)	(6)	—	(6,830)
Interest income	7	1	—	—	8
Other income (expense)	(737)	(194)	(34)	—	(965)
Income (loss) before taxes and equity in earnings of affiliates	(1,638)	832	56,879	—	56,073
Income tax expense (benefit)	(718)	448	21,094	—	20,824
Equity in earnings of affiliates	35,604	—	384	(35,988)	—
Net income including noncontrolling interest	34,684	384	36,169	(35,988)	35,249
Net income attributable to noncontrolling interest	—	565	—	—	565
Net income (loss) attributable to Central Garden & Pet Company	$ 34,684	$ (181)	$ 36,169	$ (35,988)	$ 34,684

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

Three Months Ended March 26, 2016

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 156,790	$ 30,002	$ 381,748	$ (27,291)	$ 541,249
Cost of goods sold and occupancy	121,969	23,099	252,419	(25,577)	371,910
Gross profit	34,821	6,903	129,329	(1,714)	169,339
Selling, general and administrative expenses	33,210	5,124	73,316	(1,714)	109,936
Operating income	1,611	1,779	56,013	—	59,403
Interest expense	(6,653)	(68)	(375)	—	(7,096)
Interest income	8	1	—	—	9
Other income (expense)	657	(197)	(548)	—	(88)
Income (loss) before taxes and equity in earnings of affiliates	(4,377)	1,515	55,090	—	52,228
Income tax expense (benefit)	(775)	694	18,874	—	18,793
Equity in earnings of affiliates	36,299	—	585	(36,884)	—
Net income including noncontrolling interest	32,697	821	36,801	(36,884)	33,435
Net income attributable to noncontrolling interest	—	738	—	—	738
Net income attributable to Central Garden & Pet Company	$ 32,697	$ 83	$ 36,801	$ (36,884)	$ 32,697

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

Six Months Ended March 25, 2017

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 346,309	$ 40,116	$ 645,111	$ (42,114)	$ 989,422
Cost of goods sold and occupancy	266,729	31,806	426,120	(39,440)	685,215
Gross profit	79,580	8,310	218,991	(2,674)	304,207
Selling, general and administrative expenses	75,312	8,538	139,233	(2,674)	220,409
Operating income	4,268	(228)	79,758	—	83,798
Interest expense	(13,610)	(82)	(11)	—	(13,703)
Interest income	45	1	—	—	46
Other expense	(1,340)	(387)	(205)	—	(1,932)
Income (loss) before taxes and equity in earnings of affiliates	(10,637)	(696)	79,542	—	68,209
Income tax expense (benefit)	(3,910)	37	29,044	—	25,171
Equity in earnings (loss) of affiliates	49,048	—	(427)	(48,621)	—
Net income (loss) including noncontrolling interest	42,321	(733)	50,071	(48,621)	43,038
Net income attributable to noncontrolling interest	—	717	—	—	717
Net income (loss) attributable to Central Garden & Pet Company	$ 42,321	$ (1,450)	$ 50,071	$ (48,621)	$ 42,321

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS

Six Months Ended March 26, 2016

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$ 293,817	$ 45,272	$ 603,912	$ (41,940)	$ 901,061
Cost of goods sold and occupancy	232,228	36,045	402,908	(39,245)	631,936
Gross profit	61,589	9,227	201,004	(2,695)	269,125
Selling, general and administrative expenses	66,164	8,903	128,577	(2,695)	200,949
Operating income (loss)	(4,575)	324	72,427	—	68,176
Interest expense	(29,161)	(80)	—	—	(29,241)
Interest income	29	2	—	—	31
Other expense	(178)	(263)	(120)	—	(561)
Income (loss) before taxes and equity in earnings of affiliates	(33,885)	(17)	72,307	—	38,405
Income tax expense (benefit)	(11,920)	197	25,316	—	13,593
Equity in earnings (loss) of affiliates	46,060	—	(177)	(45,883)	—
Net income (loss) including noncontrolling interest	24,095	(214)	46,814	(45,883)	24,812
Net income attributable to noncontrolling interest	—	717	—	—	717
Net income (loss) attributable to Central Garden & Pet Company	$ 24,095	$ (931)	$ 46,814	$ (45,883)	$ 24,095

CONSOLIDATING CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Three Months Ended March 25, 2017

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Net income	$ 34,684	$ 384	$ 36,169	$ (35,988)	$ 35,249
Other comprehensive income:					
Foreign currency translation	144	95	20	(115)	144
Total comprehensive income	34,828	479	36,189	(36,103)	35,393
Comprehensive income attributable to noncontrolling interests	—	565	—	—	565
Comprehensive income (loss) attributable to Central Garden & Pet Company	$ 34,828	$ (86)	$ 36,189	$ (36,103)	$ 34,828

CONSOLIDATING CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Three Months Ended March 26, 2016

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$ 32,697	$ 821	$ 36,801	$ (36,884)	$ 33,435
Other comprehensive income (loss):					
Foreign currency translation	(459)	(398)	57	341	(459)
Total comprehensive income	32,238	423	36,858	(36,543)	32,976
Comprehensive loss attributable to noncontrolling interests	—	738	—	—	738
Comprehensive income (loss) attributable to Central Garden & Pet Company	$ 32,238	$ (315)	$ 36,858	$ (36,543)	$ 32,238

CONSOLIDATING CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

Six Months Ended March 25, 2017

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$ 42,321	$ (733)	$ 50,071	$ (48,621)	$ 43,038
Other comprehensive loss:					
Foreign currency translation	(364)	(260)	(30)	290	(364)
Total comprehensive income (loss)	41,957	(993)	50,041	(48,331)	42,674
Comprehensive income attributable to noncontrolling interests	—	717	—	—	717
Comprehensive income (loss) attributable to Central Garden & Pet Company	$ 41,957	$ (1,710)	$ 50,041	$ (48,331)	$ 41,957

CONSOLIDATING CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

Six Months Ended March 26, 2016

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	$ 24,095	$ (214)	$ 46,814	$ (45,883)	$ 24,812
Other comprehensive income (loss):					
Foreign currency translation	(692)	(540)	7	533	(692)
Total comprehensive income (loss)	23,403	(754)	46,821	(45,350)	24,120
Comprehensive income attributable to noncontrolling interests	—	717	—	—	717
Comprehensive income (loss) attributable to Central Garden & Pet Company	$ 23,403	$ (1,471)	$ 46,821	$ (45,350)	$ 23,403

CONSOLIDATING CONDENSED BALANCE SHEET

March 25, 2017

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 492	$ 4,764	$ 913	$ —	$ 6,169
Restricted cash	10,988	—	—	—	10,988
Accounts receivable, net	113,600	14,366	215,236	—	343,202
Inventories	138,493	16,901	270,991	—	426,385
Prepaid expenses and other	21,933	830	31,311	—	54,074
Total current assets	285,506	36,861	518,451	—	840,818
Land, buildings, improvements and equipment, net	38,932	4,045	132,963	—	175,940
Goodwill	15,058	—	215,327	—	230,385
Other long-term assets	26,472	3,364	127,924	(5,975)	151,785
Intercompany receivable	44,957	—	511,319	(556,276)	—
Investment in subsidiaries	1,287,126	—	—	(1,287,126)	—
Total	$ 1,698,051	$ 44,270	$ 1,505,984	$ (1,849,377)	$ 1,398,928
LIABILITIES AND EQUITY					
Accounts payable	$ 51,357	$ 11,199	$ 79,235	$ —	$ 141,791
Accrued expenses	53,301	2,131	45,989	—	101,421
Current portion of long-term debt	—	—	374	—	374
Total current liabilities	104,658	13,330	125,598	—	243,586
Long-term debt	495,762	—	108	—	495,870
Intercompany payable	501,993	54,283		(556,276)	—
Losses in excess of investment in subsidiaries	—	—	20,629	(20,629)	—
Other long-term obligations	2,418	—	68,538	(5,975)	64,981
Total Central Garden & Pet shareholders’ equity (deficit)	593,220	(24,614)	1,291,111	(1,266,497)	593,220
Noncontrolling interest	—	1,271	—	—	1,271
Total equity (deficit)	593,220	(23,343)	1,291,111	(1,266,497)	594,491
Total	$ 1,698,051	$ 44,270	$ 1,505,984	$ (1,849,377)	$ 1,398,928

CONSOLIDATING CONDENSED BALANCE SHEET

March 26, 2016

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 1,820	$ 5,083	$ 2,923	$ —	$ 9,826
Restricted cash	11,946	—	—	—	11,946
Accounts receivable, net	100,346	15,446	224,734	—	340,526
Inventories	115,644	17,043	258,067	—	390,754
Prepaid expenses and other	23,003	797	26,958	—	50,758
Total current assets	252,759	38,369	512,682	—	803,810
Land, buildings, improvements and equipment, net	47,310	3,829	113,655	—	164,794
Goodwill	—	—	213,753	—	213,753
Other long-term assets	54,088	3,417	84,777	(1,540)	140,742
Intercompany receivable	41,922	—	367,931	(409,853)	—
Investment in subsidiaries	1,098,281	—	—	(1,098,281)	—
Total	$ 1,494,360	$ 45,615	$ 1,292,798	$ (1,509,674)	$ 1,323,099
LIABILITIES AND EQUITY					
Accounts payable	$ 48,693	$ 10,546	$ 73,972	$ —	$ 133,211
Accrued expenses	52,837	2,029	42,816	—	97,682
Current portion of long-term debt	219	—	375	—	594
Total current liabilities	101,749	12,575	117,163	—	231,487
Long-term debt	496,001	—	395	—	496,396
Intercompany payable	359,472	50,381	—	(409,853)	—
Losses in excess of investment in subsidiaries	—	—	16,928	(16,928)	—
Other long-term obligations	5,416	—	58,398	(1,540)	62,274
Total Central Garden & Pet shareholders' equity (deficit)	531,722	(18,561)	1,099,914	(1,081,353)	531,722
Noncontrolling interest	—	1,220	—	—	1,220
Total equity (deficit)	531,722	(17,341)	1,099,914	(1,081,353)	532,942
Total	$ 1,494,360	$ 45,615	$ 1,292,798	$ (1,509,674)	$ 1,323,099

CONSOLIDATING CONDENSED BALANCE SHEET

September 24, 2016

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 82,158	$ 9,695	$ 1,129	$ —	$ 92,982
Restricted cash	10,910	—	—	—	10,910
Accounts receivable, net	59,617	5,156	136,378	—	201,151
Inventories	113,317	11,752	236,935	—	362,004
Prepaid expenses and other assets	20,978	817	25,964	—	47,759
Total current assets	286,980	27,420	400,406	—	714,806
Land, buildings, improvements and equipment, net	41,083	3,897	113,244	—	158,224
Goodwill	15,058	—	216,327	—	231,385
Other long-term assets	30,555	2,980	85,701	(11,458)	107,778
Intercompany receivable	32,778	—	567,374	(600,152)	—
Investment in subsidiaries	1,176,990	—	—	(1,176,990)	—
Total	$ 1,583,444	$ 34,297	$ 1,383,052	$ (1,788,600)	$ 1,212,193
LIABILITIES AND EQUITY					
Accounts payable	$ 34,096	$ 3,953	$ 64,364	$ —	$ 102,413
Accrued expenses and other liabilities	47,862	1,410	50,071	—	99,343
Current portion of long term debt	88	—	375	—	463
Total current liabilities	82,046	5,363	114,810	—	202,219
Long-term debt	394,364	—	442	—	394,806
Intercompany payable	553,964	46,188	—	(600,152)	—
Losses in excess of investment in subsidiaries	—	—	16,126	(16,126)	—
Other long-term obligations	56	—	71,983	(11,458)	60,581
Total Central Garden & Pet shareholders’ equity (deficit)	553,014	(18,827)	1,179,691	(1,160,864)	553,014
Noncontrolling interest	—	1,573	—	—	1,573
Total equity (deficit)	553,014	(17,254)	1,179,691	(1,160,864)	554,587
Total	$ 1,583,444	$ 34,297	$ 1,383,052	$ (1,788,600)	$ 1,212,193

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS

Six Months Ended March 25, 2017

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Net cash used by operating activities	$ (43,383)	$ (7,352)	$ (41,431)	$ (4,076)	$ (96,242)
Additions to property, plant and equipment	(4,357)	(413)	(22,024)	—	(26,794)
Payments to acquire companies, net of cash acquired	(60,042)	—	—	—	(60,042)
Proceeds from sale of business, facility and other assets	2	—	8,266	—	8,268
Change in restricted cash and cash equivalents	(78)	—	—	—	(78)
Investment in equity method investee	(2,000)	—		—	(2,000)
Other investing activities	(1,395)	—	—	—	(1,395)
Intercompany investing activities	(14,089)	—	50,108	(36,019)	—
Net cash provided (used) by investing activities	(81,959)	(413)	36,350	(36,019)	(82,041)
Repayments on revolving line of credit	(115,000)	—	—	—	(115,000)
Borrowings on revolving line of credit	216,000	—	—	—	216,000
Repayments of long-term debt	(88)	—	(361)	—	(449)
Excess tax benefits from stock-based awards	13,166	—	—	—	13,166
Repurchase of common stock	(20,172)	—	—	—	(20,172)
Distribution to parent	—	(4,076)	—	4,076	—
Distribution to noncontrolling interest	—	(1,019)	—	—	(1,019)
Payment of contingent consideration	—	—	(894)	—	(894)
Intercompany financing activities	(49,895)	7,830	6,046	36,019	—
Net cash provided by financing activities	44,011	2,735	4,791	40,095	91,632
Effect of exchange rates on cash	(335)	99	74	—	(162)
Net decrease in cash and cash equivalents	(81,666)	(4,931)	(216)	—	(86,813)
Cash and cash equivalents at beginning of period	82,158	9,695	1,129	—	92,982
Cash and cash equivalents at end of period	$ 492	$ 4,764	$ 913	$ —	$ 6,169

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS

Six Months Ended March 26, 2016

(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Net cash used by operating activities	$ (12,121)	$ (6,240)	$ (27,598)	$ (4,884)	$ (50,843)
Additions to property, plant and equipment	(2,394)	(412)	(9,989)	—	(12,795)
Payments to acquire companies, net of cash acquired	(60,916)	—	(7,985)	—	(68,901)
Change in restricted cash and cash equivalents	1,211	—	—	—	1,211
Other investing activities	(500)	—	—	—	(500)
Intercompany investing activities	(9,227)	—	47,070	(37,843)	—
Net cash provided (used) by investing activities	(71,826)	(412)	29,096	(37,843)	(80,985)
Repayments of long-term debt	(400,130)	—	(15)	—	(400,145)
Borrowings under revolving line of credit	280,000	—	—	—	280,000
Repayments on revolving line of credit	(178,000)	—	—	—	(178,000)
Issuance of long-term debt	400,000				400,000
Excess tax benefits from stock-based awards	1,181	—	—	—	1,181
Repurchase of common stock	(1,722)	—	—	—	(1,722)
Distribution to parent	—	(4,884)	—	4,884	—
Distribution to noncontrolling interest	—	(592)	—	—	(592)
Payment of financing costs	(6,362)				(6,362)
Intercompany financing activities	(44,782)	6,939	—	37,843	—
Net cash provided (used) by financing activities	50,185	1,463	(15)	42,727	94,360
Effect of exchange rates on cash	(698)	250	158	—	(290)
Net increase (decrease) in cash and cash equivalents	(34,460)	(4,939)	1,641	—	(37,758)
Cash and cash equivalents at beginning of year	36,280	10,022	1,282	—	47,584
Cash and cash equivalents at end of year	$ 1,820	$ 5,083	$ 2,923	$ —	$ 9,826

13. Contingencies

The Company may from time to time become involved in legal proceedings in the ordinary course of business. Currently, the Company is not a party to any legal proceedings that management believes would have a material effect on the Company's financial position or results of operations.

14. Subsequent Event

K&H Manufacturing

On April 28, 2017, the Company purchased K&H Manufacturing, a producer of premium pet supplies and the largest marketer of heated pet products in the country. K&H sells branded pet products under the K&H and K&H Pet brands. The acquisition is expected to complement the Company's existing dog and cat business.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Our Company

The Company is a leading innovator, marketer and producer, of quality branded products and distributor of third party products in the pet and lawn and garden supplies industries in the United States. The total pet food, treats and supplies industry in 2015 was estimated by Packaged Facts to have been approximately $50.8 billion in annual retail sales. We estimate the annual retail sales of the pet supplies and consumables and natural pet food markets in the categories in which we participate to be approximately $30.1 billion. The total lawn and garden consumables and decorative products industry in the United States is estimated to be approximately $25.0 billion in annual retail sales, including fertilizer, pesticides, growing media, seeds, mulch, other consumables and decorative products. We estimate the annual retail sales of the lawn and garden consumables and decorative products markets in the categories in which we participate to be approximately $17.6 billion.

Our pet supplies products include products for dogs and cats, including edible bones, premium healthy edible and non-edible chews, super premium dog and cat food and treats, toys, pet carriers, grooming supplies and other accessories; products for birds, small animals and specialty pets, including food, cages and habitats, toys, chews and related accessories; animal and household health and insect control products; live fish and products for fish, reptiles and other aquarium-based pets, including aquariums, furniture and lighting fixtures, pumps, filters, water conditioners, food and supplements, and information and knowledge resources; and products for horses and livestock. These products are sold under the brands including Adams™, Aqueon®, Avoderm®, Bio Spot Active Care™, Cadet®, Farnam®, Four Paws®, Kaytee®, Nylabone®, Pinnacle®, TFH™, Zilla® as well as a number of other brands including Altosid, Comfort Zone®, Coralife®, Interpet, Kent Marine®, Pet Select®, Super Pet®, and Zodiac®.

Our lawn and garden supplies products include proprietary and non-proprietary grass seed; wild bird feed, bird feeders, bird houses and other birding accessories; weed, grass, ant and other herbicide, insecticide and pesticide products; and decorative outdoor lifestyle products including pottery, trellises and other wood products. These products are sold under the brands AMDRO®, Ironite®, Pennington®, and Sevin®, as well as a number of other brand names including Lilly Miller®, Over-N-Out®, Smart Seed® and The Rebels®.

In fiscal 2016, our consolidated net sales were $1,829 million, of which our Pet segment, or Pet, accounted for approximately $1,082 million and our Garden segment, or Garden, accounted for approximately $747 million. In fiscal 2016, our operating income was $129 million consisting of income from our Pet segment of $120 million, income from our Garden segment of $70 million and corporate expenses of $61 million.

We were incorporated in Delaware in May 1992 as the successor to a California corporation that was formed in 1955. Our executive offices are located at 1340 Treat Boulevard, Suite 600, Walnut Creek, California 94597, and our telephone number is (925) 948-4000. Our website is www.central.com. The information on our website is not incorporated by reference in this annual report.

Recent Developments

Fiscal 2017 Second Quarter Financial Performance:

- Net sales increased $28.7 million, or 5.3%, to $569.9 million from the prior year quarter. Pet segment sales increased $23.1 million, and Garden segment sales increased $5.6 million.
- Gross margin increased 90 basis points to 32.2% and gross profit increased $14.2 million, with both segments contributing to the increases.
- Selling, general & administrative expense increased $9.8 million to $119.7 million, and increased as a percentage of net sales as compared to the prior year quarter.
- Operating income improved $4.5 million from the prior year quarter, to $63.9 million in the second quarter of fiscal 2017.
- Our net income in the second quarter of fiscal 2017 was $34.7 million, or $0.67 per diluted share, compared to $32.7 million, or $0.65 per diluted share, in the second quarter of fiscal 2016.

Subsequent Event

K&H Manufacturing

On April 28, 2017, we purchased K&H Manufacturing, a producer of premium pet supplies and the largest marketer of heated pet products in the country. K&H sells branded pet products under the K&H and K&H Pet brands. The acquisition is expected to complement our existing dog and cat business.

Use of Non-GAAP Financial Measures

We report our financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, to supplement the financial results prepared in accordance with GAAP, we use non-GAAP financial measures including non-GAAP operating income on a consolidated and segment basis and non-GAAP net income and diluted net income per share. Management believes these non-GAAP financial measures that exclude the impact of specific items (described below) may be useful to investors in their assessment of our ongoing operating performance and provide additional meaningful comparisons between current results and results in prior operating periods.

The reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are shown in the tables below. We believe that the non-GAAP financial measures provide useful information to investors and other users of our financial statements, by allowing for greater transparency in the review of our financial and operating performance. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating our performance, and we believe these measures similarly may be useful to investors in evaluating our financial and operating performance and the trends in our business from management's point of view. While our management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace our GAAP financial results and should be read in conjunction with those GAAP results. We have not provided a reconciliation of non-GAAP guidance measures to the corresponding GAAP measures on a forward-looking basis, because such reconciliation cannot be done without unreasonable efforts due to the potential significant variability and limited visibility of the excluded items discussed below.

Non-GAAP financial measures reflect adjustments based on the following items:

- Gains or losses on disposals of significant plant assets: we have excluded the impact of gains or losses on the disposal of facilities as these represent infrequent transactions that impact comparability between operating periods. We believe the adjustment of these gains or losses supplements the GAAP information with a measure that may be used to help assess the sustainability of our continuing operating performance.
- Loss on early extinguishment of debt: we have excluded the charges associated with the refinancing of our 2018 Notes as the amount and frequency of such charges are not consistent and are significantly impacted by the timing and size of debt financing transactions.
- Tax impact: the adjustment represents the impact of the tax effect of the pre-tax non-GAAP adjustments excluded from non-GAAP net income. The tax impact of the non-GAAP adjustments is calculated based on the consolidated effective tax rate on a GAAP basis, applied to the non-GAAP adjustments, unless the underlying item has a materially different tax treatment.
- We have also provided organic net sales, a non-GAAP measure that excludes the impact of businesses purchased or exited in the prior 12 months, because we believe it permits investors to better understand the performance of our historical business without the impact of recent acquisitions or dispositions.

From time to time in the future, there may be other items that we may exclude if we believe that doing so is consistent with the goal of providing useful information to investors and management.

The non-GAAP adjustments reflect the following:

(1) During the first quarter of fiscal 2017, we recorded a $2.0 million gain in our Garden segment from the sale of a distribution facility resulting from rationalizing our facilities to reduce excess capacity. This adjustment was recorded as part of selling, general and administrative costs in the condensed consolidated statements of operations.

(2) During the first quarter of fiscal 2016, we redeemed our 2018 Notes and issued senior notes due November 2023. As a result of the redemption, we incurred incremental expenses of $14.3 million, comprised of a call premium payment of $8.3 million, a $2.7 million payment of overlapping interest expense for 30 days and a $3.3 million non-cash charge for the write off of unamortized deferred financing costs and discount related to the 2018 Notes. These amounts are included in Interest expense in the condensed consolidated statements of operations.

Operating Income Reconciliation		**GAAP to Non-GAAP Reconciliation (in thousands) For the Six Months Ended**	
		March 25, 2017	**March 26, 2016**
GAAP operating income		$ 83,798	$ 68,176
Sale of distribution facility	(1)	(2,050)	—
Non-GAAP operating income		$ 81,748	$ 68,176
GAAP operating margin		8.5%	7.6%
Non-GAAP operating margin		8.3%	7.6%

Net Income and Diluted Net Income Per Share Reconciliation		**GAAP to Non-GAAP Reconciliation (in thousands, except per share amounts) For the Six Months Ended**	
		March 25, 2017	**March 26, 2016**
GAAP net income (loss) attributable to Central Garden & Pet		$ 42,321	$ 24,095
Sale of distribution facility	(1)	(2,050)	—
2018 notes redemption	(2)	—	14,339
Tax effects of non-GAAP adjustments		757	(5,075)
Total net income (loss) impact from non-GAAP adjustments		(1,293)	9,264
Non-GAAP net income attributable to Central Garden & Pet		$ 41,028	$ 33,359
GAAP diluted net income per share		$ 0.82	$ 0.48
Non-GAAP diluted net income per share		$ 0.79	$ 0.66
Shares used in GAAP diluted net earnings per share calculation		51,911	50,558
Shares used in non-GAAP diluted net earnings per share calculation		51,911	50,558

Organic Net Sales Reconciliation

We have provided organic net sales, a non-GAAP measure that excludes the impact of recent acquisitions and dispositions, because we believe it permits investors to better understand the performance of our historical business. We define organic net sales as net sales from our historical business derived by excluding the net sales from businesses acquired or exited in the preceding 12 months. After an acquired business has been part of our consolidated results for 12 months, the change in net sales thereafter is considered part of the increase or decrease in organic net sales.

	GAAP to Non-GAAP Reconciliation (in millions) For the Three Months Ended March 25, 2017			
	Consolidated		Pet Segment	
		Percentage change		Percentage change
Reported net sales - Q2 FY17 (GAAP)	$ 569.9		$ 298.4	
Reported net sales - Q2 FY16 (GAAP)	541.2		275.3	
Increase in net sales	28.7	5.3%	23.1	8.4%
Effect of acquisition and divestitures on increase in net sales	19.4	3.6%	19.4	7.1%
Increase in organic net sales - Q2 2017	$ 9.3	1.7%	3.7	1.3%

	GAAP to Non-GAAP Reconciliation (in millions) For the Six Months Ended March 25, 2017			
	Consolidated		Pet Segment	
		Percent change		Percent change
Reported net sales - Q2 FY17 (GAAP)	$ 989.4		$ 602.4	
Reported net sales - Q2 FY16 (GAAP)	901.1		524.0	
Increase in net sales	88.3	9.8%	78.4	15.0%
Effect of acquisition and divestitures on increase in net sales	54.4	6.0%	59.6	11.4%
Increase in organic net sales	$ 33.9	3.8%	$ 18.8	3.6%

Results of Operations

Three Months Ended March 25, 2017
Compared with Three Months Ended March 26, 2016

Net Sales

Net sales for the three months ended March 25, 2017 increased $28.7 million, or 5.3%, to $569.9 million from $541.2 million for the three months ended March 26, 2016. Our branded product sales increased $24.8 million, and sales of other manufacturers’ products increased $3.9 million. Organic net sales, which excludes the impact of acquisitions and divestitures in the last 12 months, increased $9.3 million, or 1.7%, as compared to the fiscal 2016 quarter.

Pet net sales increased $23.1 million, or 8.4%, to $298.4 million for the three months ended March 25, 2017 from $275.3 million for the three months ended March 26, 2016. The increase in net sales was due primarily to the sales from our acquisition in the aquatics space in the first quarter of 2017 and, secondarily, to increased sales in our dog & cat category. Pet organic net sales increased 1.3%. Pet branded product sales increased $23.9 million, due primarily to the recent acquisition and, to a lesser extent, to the organic net sales growth noted above, partially offset by a $0.8 million decrease in sales of other manufacturers’ products.

Garden net sales increased $5.6 million, or 2.1%, to $271.5 million for the three months ended March 25, 2017 from $265.9 million for the three months ended March 26, 2016. Garden branded product sales increased $0.9 million, and sales of other manufacturers’ products increased $4.7 million. The sales increase in branded products was due primarily to a $10.6 million increase in our controls and fertilizer products, partially offset by a decrease in our wild bird feed and grass seed businesses. These changes were volume based. The increase in sales of other manufacturer's products was due primarily to increased distribution.

Gross Profit

Gross profit for the three months ended March 25, 2017 increased $14.2 million, or 8.4%, to $183.5 million from $169.3 million for the three months ended March 26, 2016. Gross margin increased 90 basis points to 32.2% for the three months ended March 25, 2017 from 31.3% for the three months ended March 26, 2016. Both operating segments contributed to the increase in gross profit and gross margin. The increase in the Pet segment was due primarily to the acquisition made earlier in fiscal 2017. The increase in the Garden segment was due primarily to our controls and fertilizer category which was impacted by a favorable product mix and manufacturing efficiencies aided by the increased sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $9.8 million, or 8.9%, to $119.7 million for the three months ended March 25, 2017 from $109.9 million for the three months ended March 26, 2016. As a percentage of net sales, selling, general and administrative expenses increased to 21.0% for the three months ended March 25, 2017, compared to 20.3% in the comparable prior year quarter. Increased expense in both the Pet and Garden segments in the quarter was partially offset by a minor decrease at Corporate.

Selling and delivery expense increased $6.7 million, or 11.7%, to $64.2 million for the three months ended March 25, 2017 from $57.5 million for the three months ended March 26, 2016. Both segments contributed to the increase in selling and delivery expenses. The increase in the Pet segment was due primarily to the acquisition made in the first quarter of fiscal 2017. The increase in the Garden segment was due primarily to advertising expenditures earlier in the season than in the prior year quarter.

Warehouse and administrative expense increased $3.1 million, or 5.9%, to $55.5 million for the quarter ended March 25, 2017 from $52.4 million for the quarter ended March 26, 2016. Increased expense in the Pet segment, due primarily to the acquisition made in the first quarter of fiscal 2017, was partially offset by a slight decrease in the Garden segment and at Corporate. Corporate expenses are included within administrative expense and relate to the costs of unallocated executive, administrative, finance, legal, human resources, and information technology functions.

Operating Income

Operating income increased $4.5 million to $63.9 million for the three months ended March 25, 2017 from $59.4 million for the three months ended March 26, 2016. Increased sales of $28.7 million and an improved gross margin were partially offset by a $9.8 million increase in selling, general and administrative costs. Operating margin improved to 11.2% for the three months ended March 25, 2017 from 11.0% for the three months ended March 26, 2016 due to an improvement in gross margin only partially offset by an increase in selling, general and administrative expenses as a percentage of net sales.

Pet operating income increased $2.2 million, or 6.9%, to $34.6 million for the three months ended March 25, 2017 from $32.4 million for the three months ended March 26, 2016. The increase was due primarily to increased sales and an improved gross margin partially offset by increased selling, general and administrative expenses. Pet operating margin decreased to 11.6% for the three months ended March 25, 2017 from 11.8% for the three months ended March 26, 2016 due to higher selling, general and administrative costs as a percentage of net sales, partially offset by an improved gross margin.

Garden operating income increased $1.6 million to $46.0 million for the three months ended March 25, 2017 from $44.4 million for the three months ended March 26, 2016. Garden operating margin increased to 16.9% for the three months ended March 25, 2017 from 16.7% for the three months ended March 26, 2016. The increases in operating income and operating margin were due to increased sales and an improved gross margin partially offset by increased selling, general and administrative expenses.

Corporate operating expense decreased $0.6 million to $16.8 million in the current year quarter from $17.4 million in the fiscal 2016 quarter due primarily to lower legal and insurance related expenses.

Net Interest Expense

Net interest expense for the three months ended March 25, 2017 decreased $0.3 million, or 3.7%, to $6.8 million from $7.1 million for the three months ended March 26, 2016. Lower average borrowings under our asset-based loan facility contributed to the lower interest expense.

Debt outstanding on March 25, 2017 was $496.2 million compared to $497.0 million as of March 26, 2016.

Other Expense

Other expense is comprised of income or losses from investments accounted for under the equity method of accounting and foreign currency exchange gains and losses. Other expense increased $0.9 million to $1.0 million for the quarter ended March 25, 2017, from $0.1 million for the quarter ended March 26, 2016 due to equity method losses, primarily from an investment in a start-up made earlier in fiscal 2017.

Income Taxes

Our effective income tax rate was 37.1% for the quarter ended March 25, 2017 and 36.0% for the quarter ended March 26, 2016. The increase in the income tax rate was due primarily to reduced projected tax incentives in the current year.

Six Months Ended March 25, 2017
Compared with Six Months Ended March 26, 2016

Net Sales

Net sales for the six months ended March 25, 2017 increased $88.3 million, or 9.8%, to $989.4 million from $901.1 million for the six months ended March 26, 2016. Our branded product sales increased $81.1 million, and sales of other manufacturers' products increased $7.2 million. Organic net sales increased $33.9 million, or 3.8%, as compared to the prior year six month period.

Pet net sales increased $78.4 million, or 15.0%, to $602.4 million for the six months ended March 25, 2017 from $524.0 million for the six months ended March 26, 2016. The impact of acquisitions and divestitures completed in the last 12 months was 59.6 million and organic sales growth was $18.8 million. Pet organic net sales increased 3.6%, primarily in our dog & cat category. Pet branded product sales increased $81.7 million, due primarily to the two acquisitions made in the prior 12 months, and, to a lesser extent, to the organic net sales growth which was primarily in our dog & cat category. Sales of other manufacturer's products decreased $3.3 million due primarily to lost dog food distribution.

Garden net sales increased $9.9 million, or 2.6%, to $387.0 million for the six months ended March 25, 2017 from $377.1 million for the six months ended March 26, 2016. Garden branded product sales decreased $0.6 million, and sales of other manufacturers' products increased $10.5 million. The sales decrease in branded products was due primarily to a $5.2 million decrease from our exit of the seasonal decor business in January 2016 and a $4.6 million decrease in wild bird feed partially offset by increased sales in controls and fertilizers. The increase in sales of other manufacturer's products was due primarily to increased distribution.

Gross Profit

Gross profit for the six months ended March 25, 2017 increased $35.1 million, or 13.0%, to $304.2 million from $269.1 million for the six months ended March 26, 2016. Both segments contributed to the increased gross profit with the Pet segment the primary contributor. Gross margin increased 90 basis points to 30.8% for the six months ended March 25, 2017 from 29.9% for the six months ended March 26, 2016. Both segments contributed to the increased gross margin.

The Pet segment gross profit and gross margin improvements were due primarily to the two most recent acquisitions and growth in the dog & cat category. The Segrest acquisition generally has higher gross margins than our segment average. DMC, which has lower margins than our segment average, had an improved gross margin.

The Garden segment gross profit and gross margin improvements were due primarily to our controls and fertilizer category which was favorably impacted by a change in product mix and manufacturing efficiencies aided by increased sales.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $19.5 million, or 9.7%, to $220.4 million for the six months ended March 25, 2017 from $200.9 million for the six months ended March 26, 2016. As a percentage of net sales, selling, general and administrative expenses remained flat at 22.3% for the six months ended March 25, 2017, and the comparable prior year six month period. Excluding a $2.0 million gain from the sale of a distribution facility, which is included within warehouse and administrative expenses, the increase in selling, general and administrative expense would have been $20.5 million and as a percentage of net sales, selling, general and administrative expense would have been 22.5%. Increased expense in the Pet segment and, to a much lesser extent, at Corporate were partially offset by a minor decrease in the Garden segment.

Selling and delivery expense increased $10.2 million, or 9.7%, to $114.6 million for the six months ended March 25, 2017 from $104.5 million for the six months ended March 26, 2016. The increase was primarily in our Pet segment, but also in our Garden segment. The increase was due to increased sales, the addition of the two recent acquisitions and our investment in marketing activities.

Warehouse and administrative expense increased $9.3 million, or 9.7%, to $105.8 million for the six months ended March 25, 2017 from $96.4 million for the six months ended March 26, 2016. Excluding a $2.0 million gain from the sale of a distribution facility, warehouse and administrative expense increased $11.3 million. Increased expense in the Pet segment and, secondly at Corporate, were partially offset by a decrease in the Garden segment. The increase in Pet was drive primarily by the two newly acquired businesses and increased facility and administrative spending to support growth and facility transition costs. Corporate expenses are included within administrative expense and relate to the costs of unallocated executive, administrative, finance, legal, human resource, and information technology functions.

Operating Income

Operating income increased $15.6 million to $83.8 million for the six months ended March 25, 2017 from $68.2 million for the six months ended March 26, 2016. Our operating margin improved to 8.5% for the six months ended March 25, 2017 from 7.6% for the six months ended March 26, 2016. Increased sales of $88.3 million, a 90 basis point gross margin improvement and a flat selling, general and administrative expense as a percent of net sales all contributed to our improved operating income and operating margin.

Pet operating income increased $9.4 million, or 16.1%, to $68.0 million for the six months ended March 25, 2017 from $58.6 million for the six months ended March 26, 2016. The increase was due primarily to increased sales and an improved gross margin partially offset by increased selling, general and administrative expenses. Our Pet operating margin slightly increased to 11.3% for the six months ended March 25, 2017 from 11.2% for the six months ended March 26, 2016 as an improved gross margin was partially offset by increased selling general and administrative expense as a percent of net sales. These changes were due primarily to two acquisitions made in fiscal 2017 and 2016.

Garden operating income increased $7.5 million, or 18.3%, to $48.7 million for the six months ended March 25, 2017 from $41.2 million in the six months ended March 26, 2016. Increased sales, an improved gross margin and lower selling, general and administrative expenses, aided by a $2.0 million gain from the sale of a distribution facility, all contributed to the improved operating margin.

Corporate operating expenses increased $1.3 million to $32.9 million in the current six month period from $31.6 million in the comparable fiscal 2016 period.

Net Interest Expense

Net interest expense for the six months ended March 25, 2017 decreased $15.5 million, or 53.2%, to $13.7 million from $29.2 million for the six months ended March 26, 2016. In November 2015, we issued $400 million aggregate principal amount of 2023 Notes and replaced our outstanding 2018 Notes. As a result of our redemption of the 2018 Notes, we recognized incremental interest expense of approximately $14.3 million. Excluding the $14.3 million of incremental expense related to the issuance and redemption of our fixed rate debt in the fiscal 2016 quarter, interest expense decreased $1.2 million to $13.7 million from $14.9 million in the comparable prior year period. The decrease was due principally to the lower interest rate on our 2023 Notes.

Debt outstanding on March 25, 2017 was $496.2 million compared to $497.0 million as of March 26, 2016. Our average borrowing rate for the current six month period decreased to 6.1% from 6.5% for the prior year six month period.

Other Expense

Other expense increased $1.4 million to $1.9 million for the six months ended March 25, 2017, from $0.5 million for the six months ended March 26, 2016. Other expense is comprised of income or losses from investments accounted for under the equity method of accounting and foreign currency exchange gains and losses. Other expense increased due primarily to an investment in a start-up made earlier in fiscal 2017.

Income Taxes

Our effective income tax rate was 36.9% for the six months ended March 25, 2017 and 35.4% for the six months ended March 26, 2016. The increase in the tax rate is due primarily to reduced projected tax incentives available in the current year compared to the previous year.

Inflation

Our revenues and margins are dependent on various economic factors, including rates of inflation, energy costs, consumer attitudes toward discretionary spending, currency fluctuations, and other macro-economic factors which may impact levels of consumer spending. In certain fiscal periods, we have been adversely impacted by rising input costs related to inflation, particularly relating to grain and seed prices, fuel prices and the ingredients used in our garden controls and fertilizer.

Rising costs in those periods have made it difficult for us to increase prices to our retail customers at a pace sufficient to enable us to maintain margins.

During fiscal years 2015 and 2016, commodity costs generally declined, but in past years we have been impacted by volatility in a number of commodities, including grass seed and wild bird feed grains. We continue to monitor commodity prices in order to be in a position to take action to mitigate the impact of increasing raw material costs.

Weather and Seasonality

Our sales of lawn and garden products are influenced by weather and climate conditions in the different markets we serve. Additionally, our Garden segment's business is highly seasonal. In fiscal 2016, approximately 66% of our Garden segment's net sales and 58% of our total net sales occurred during our second and third fiscal quarters. Substantially all of the Garden segment's operating income is typically generated in this period, which has historically offset the operating loss incurred during the first fiscal quarter of the year.

Liquidity and Capital Resources

We have financed our growth through a combination of internally generated funds, bank borrowings, supplier credit, and sales of equity and debt securities to the public.

Our business is seasonal and our working capital requirements and capital resources track closely to this seasonal pattern. Generally, during the first fiscal quarter, accounts receivable reach their lowest level while inventory, accounts payable and short-term borrowings begin to increase. During the second fiscal quarter, receivables, accounts payable and short-term borrowings increase, reflecting the build-up of inventory and related payables in anticipation of the peak lawn and garden selling season. During the third fiscal quarter, inventory levels remain relatively constant while accounts receivable peak and short-term borrowings start to decline as cash collections are received during the peak selling season. During the fourth fiscal quarter, inventory levels are at their lowest, and accounts receivable and payables are substantially reduced through conversion of receivables to cash.

We service two broad markets: pet supplies and lawn and garden supplies. Our pet supplies businesses primarily involve products that have a year round selling cycle with a slight degree of seasonality. As a result, it is not necessary to maintain large quantities of inventory to meet peak demands. Our lawn and garden businesses are highly seasonal with approximately 66% of our Garden segment's net sales occurring during the second and third fiscal quarters. This seasonality requires the shipment of large quantities of product well ahead of the peak consumer buying periods. To encourage retailers and distributors to stock large quantities of inventory, industry practice has been for manufacturers to give extended credit terms and/or promotional discounts.

Operating Activities

Net cash used by operating activities increased by $45.4 million, from $50.8 million for the six months ended March 26, 2016, to $96.2 million for the six months ended March 25, 2017. The increase in cash used was due primarily to an increase in our working capital accounts for the period ended March 25, 2017, mainly receivables and inventory, as compared to the prior year period, to support growth. We remain focused on maintaining high fill rates and service levels to our customers.

Investing Activities

Net cash used in investing activities decreased $1.0 million, from $81.0 million for the six months ended March 26, 2016 to $82.0 million during the six months ended March 25, 2017. The decrease in cash used in investing activities was due primarily to decreased acquisition activity in the current year compared to the prior year, as well as an increase in proceeds from the sale of a small veterinary division and a distribution facility in our Garden segment during the first fiscal quarter of 2017. In October 2016, we acquired Segrest Inc., a wholesaler of aquarium fish, for a purchase price of $60 million, of which $6 million is in an escrow account managed by an independent trustee and is payable in the future contingent upon certain events. We made two acquisitions during the first fiscal quarter of 2016. On September 30, 2015, we acquired Hydro-Organics Wholesale Inc., an organic fertilizer company, for approximately $7.8 million cash and approximately $2.6 million of estimated contingent future performance-based payments. In December 2015, we purchased the pet bedding business and certain other assets of DMC for approximately $61 million. The decreased acquisition activity in the current year period was partially offset by an increase in capital expenditures of approximately $14.0 million in the current year period compared to the prior year period.

Financing Activities

Net cash provided by financing activities decreased $2.8 million, from $94.4 million of cash provided by financing activities for the six months ended March 26, 2016, to $91.6 million of cash provided for the six months ended March 25, 2017. The decrease in cash provided by financing activities was due primarily to an increase in taxes paid for shares withheld in connection with the net share settlement of vested restricted stock and exercised options, partially offset by an increase in cash flows from the excess tax benefits associated with the increase in stock option exercise activity during the current year period, as well as the payment of financing costs associated with the issuance of our 2023 Notes and amendment of our asset backed loan facility during the prior year period.

We expect that our principal sources of funds will be cash generated from our operations and, if necessary, borrowings under our $400 million asset backed loan facility. Based on our anticipated cash needs, availability under our asset backed loan facility and the scheduled maturity of our debt, we believe that our sources of liquidity should be adequate to meet our working capital, capital spending and other cash needs for at least the next 12 months. However, we cannot assure you that these sources will continue to provide us with sufficient liquidity and, should we require it, that we will be able to obtain financing on terms satisfactory to us, or at all.

We believe that cash flows from operating activities, funds available under our asset backed loan facility, and arrangements with suppliers will be adequate to fund our presently anticipated working capital and capital expenditure requirements for the foreseeable future. We anticipate that our capital expenditures, which are related primarily to replacements and expansion of and upgrades to plant and equipment and also investment in our continued implementation of a scalable enterprise-wide information technology platform, will be approximately $40 million to $45 million in fiscal 2017.

As part of our growth strategy, we have acquired a number of companies in the past, and we anticipate that we will continue to evaluate potential acquisition candidates in the future. If one or more potential acquisition opportunities, including those that would be material, become available in the near future, we may require additional external capital. In addition, such acquisitions would subject us to the general risks associated with acquiring companies, particularly if the acquisitions are relatively large.

At March 25, 2017, our total debt outstanding was $496.2 million, as compared with $497.0 million at March 26, 2016.

Senior Notes and Redemption of Senior Subordinated Notes

In November 2015, we issued $400 million aggregate principal amount of 6.125% senior notes due November 2023. In December 2015, we used the net proceeds from the offering, together with available cash, to redeem our $400 million aggregate principal amount of 8.25% senior subordinated notes due March 1, 2018 at a price of 102.063% of the principal amount and to pay fees and expenses related to the offering.

We incurred approximately $6.3 million of debt issuance costs in conjunction with these transactions, which included underwriter fees and legal, accounting and rating agency expenses. The debt issuance costs will be amortized over the term of the 2023 Notes.

As a result of our redemption of the 2018 Notes, we incurred a call premium payment of $8.3 million, overlapping interest expense for 30 days of approximately $2.7 million and a $3.3 million non-cash charge for the write off of unamortized deferred financing costs and discount related to the 2018 Notes. These amounts are included in interest expense in the consolidated statements of operations.

The 2023 Notes require semiannual interest payments on May 15 and November 15. The 2023 Notes are unconditionally guaranteed on a senior basis by each of our existing and future domestic restricted subsidiaries which are borrowers under or guarantors of our senior secured revolving credit facility. The 2023 Notes are unsecured senior obligations and are subordinated to all of our existing and future secured debt, including our Credit Facility, to the extent of the value of the collateral securing such indebtedness.

We may redeem some or all of the 2023 Notes at any time, at our option, prior to November 15, 2018 at the principal amount plus a “make whole” premium. At any time prior to November 15, 2018, we may also redeem, at our option, up to 35% of the original aggregate principal amount of the notes with the proceeds of certain equity offerings at a redemption price of 106.125% of the principal amount of the notes. We may redeem some or all of the 2023 Notes, at our option, at any time on or after November 15, 2018 for 104.594%, on or after November 15, 2019 for 103.063%, on or after November 15, 2020 for 101.531% and on or after November 15, 2021 for 100%, plus accrued and unpaid interest.

The holders of the 2023 Notes have the right to require us to repurchase all or a portion of the 2023 Notes at a purchase price equal to 101% of the principal amount of the notes repurchased, plus accrued and unpaid interest upon the occurrence of a change of control.

The 2023 Notes contain customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions. We were in compliance with all covenants as of March 25, 2017.

Asset-Based Loan Facility Amendment

In April 2016, we entered into an amended and restated credit agreement which provides up to a $400 million principal amount senior secured asset-based revolving credit facility, with up to an additional $200 million principal amount available with the consent of the Lenders if we exercise the accordion feature set forth therein (collectively, the “Amended Credit Facility”). The Amended Credit Facility matures on April 22, 2021. We may borrow, repay and reborrow amounts under the Amended Credit Facility until its maturity date, at which time all amounts outstanding under the Amended Credit Facility must be repaid in full. As of March 25, 2017, there were borrowings outstanding of $101.0 million and no letters of credit outstanding under the Amended Credit Facility. There were other letters of credit of $2.6 million outstanding as of March 25, 2017.

The Amended Credit Facility is subject to a borrowing base, calculated using a formula based upon eligible receivables and inventory, minus certain reserves and subject to restrictions. As of March 25, 2017, the borrowing base and remaining borrowing availability was $238.9 million. Borrowings under the Amended Credit Facility bear interest at an index based on LIBOR or, at the option of the Company, the Base Rate (defined as the highest of (a) the SunTrust prime rate, (b) the Federal Funds Rate plus 0.5% and (c) one-month LIBOR plus 1.00%), plus, in either case, an applicable margin based on our consolidated senior leverage ratio. Such applicable margin for LIBOR-based borrowings fluctuates between 1.25% - 1.5% and was 1.25% as of March 25, 2017, and such applicable margin for Base Rate borrowings fluctuates between 0.25% - 0.5% and was 0.25% as of March 25, 2017. As of March 25, 2017, the applicable interest rate related to Base Rate borrowings was 4.0%, and the applicable interest rate related to LIBOR-based borrowings was 2.1%.

We incurred approximately $1.2 million of debt issuance costs in conjunction with this transaction, which included underwriter fees, legal and accounting expenses. The debt issuance costs will be amortized over the term of the Amended Credit Facility.

The Amended Credit Facility contains customary covenants, including financial covenants which require us to maintain a minimum fixed charge coverage ratio of 1.00:1.00 upon reaching certain borrowing levels. The Amended Credit Facility is secured by substantially all of our assets. We were in compliance with all financial covenants under the Amended Credit Facility during the period ended March 25, 2017.

Off-Balance Sheet Arrangements

There have been no material changes to the information provided in our Annual Report on Form 10-K for the fiscal year ended September 24, 2016 regarding off-balance sheet arrangements.

Contractual Obligations

There have been no material changes outside the ordinary course of business in our contractual obligations set forth in the Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources in our Annual Report on Form 10-K for the fiscal year ended September 24, 2016.

New Accounting Pronouncements

Refer to Footnote 1 in the notes to the condensed consolidated financial statements for new accounting pronouncements.

Critical Accounting Policies, Estimates and Judgments

There have been no material changes to our critical accounting policies, estimates and assumptions or the judgments affecting the application of those accounting policies since our Annual Report on Form 10-K for the fiscal year ended September 24, 2016.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in our exposure to market risk from that discussed in our Annual Report on Form 10-K for the fiscal year ended September 24, 2016.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*. Our Chief Executive Officer and principal financial officer have reviewed, as of the end of the period covered by this report, the "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15 (e) and 15d-15(e)) that ensure that information relating to the Company required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported in a timely and proper manner and that such information is accumulated and communicated to our management, including our Chief Executive Officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based upon this review, such officers concluded that our disclosure controls and procedures were effective as of March 25, 2017.

(b) *Changes in Internal Control Over Financial Reporting*. Our management, with the participation of our Chief Executive Officer and our principal financial officer have evaluated whether any change in our internal control over financial reporting occurred during the second quarter of fiscal 2017. Based on that evaluation, management concluded that there has been no change in our internal control over financial reporting during the second quarter of fiscal 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are involved in certain legal proceedings in the ordinary course of business. Currently, we are not a party to any legal proceedings that management believes would have a material effect on our financial position or results of operations.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Item 1A to Part I of our Form 10-K for the fiscal year ended September 24, 2016.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth the repurchases of any equity securities during the fiscal quarter ended March 25, 2017 and the dollar amount of authorized share repurchases remaining under our stock repurchase program.

Period	Total Number of Shares (or Units) Purchased		Average Price Paid per Share (or Units)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)
December 25, 2016 - January 28, 2017	1,513	(2)	$ 31.42	—	$ 34,968,000
January 29, 2017 - February 25, 2017	54,521	(2)	$ 32.16	—	$ 34,968,000
February 26, 2017 - March 25, 2017	11,343	(2)	$ 34.18	—	$ 34,968,000
Total	67,377		$ 32.48	—	$ 34,968,000

(1) During the third quarter of fiscal 2011, our Board of Directors authorized a $100 million share repurchase program. The program has no expiration date and expires when the amount authorized has been used or the Board withdraws its

authorization. The repurchase of shares may be limited by certain financial covenants in our credit facility and indenture that restrict our ability to repurchase our stock.

(2) Shares purchased during the period indicated represent withholding of a portion of shares to cover taxes in connection with the vesting of restricted stock.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits

10.1*	Nonemployee Director Equity Incentive Plan, as amended effective December 7, 2016.
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Acting Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Acting Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of the Securities Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunder duly authorized.

CENTRAL GARDEN & PET COMPANY
Registrant

Dated: May 4, 2017

/s/ GEORGE C. ROETH

George C. Roeth
President and Chief Executive Officer
(Principal Executive Officer)

/s/ HOWARD MACHEK

Howard Machek
Senior Vice President and Chief Accounting Officer
(Principal Financial Officer)

(Back To Top)

Section 2: EX-10.1 (EXHIBIT 10.1)

EXHIBIT 10.1

CENTRAL GARDEN & PET COMPANY

NONEMPLOYEE DIRECTOR EQUITY INCENTIVE PLAN

(As amended effective December 7, 2016)

TABLE OF CONTENTS

Page

SECTION 1 ESTABLISHMENT, PURPOSE AND DURATION 1
1.1 Establishment 1
1.2 Purpose of the Plan 1
1.3 Effective Date 1
1.4 Duration of the Plan 1
SECTION 2 DEFINITIONS 1
2.1 “Affiliate” 1
2.2 “Board” 2
2.3 “Code” 2
2.4 “Company” 2
2.5 “Director” 2
2.6 “Disability” 2
2.7 “Exchange Act” 2
2.8 “Exercise Price” 2
2.9 “Fair Market Value” 2
2.10 “Nonemployee Director” 2
2.11 “Option” 2
2.12 “Optionee” 2

TABLE OF CONTENTS
(continued)

Page

2.13 “Plan” 2

2.14 “Restricted Shares” 2

2.15 “Shares” 2

SECTION 3 ADMINISTRATION OF THE PLAN 3

3.1 The Board 3

3.2 Authority of the Board 3

3.3 Decisions Binding 3

3.4 Administrative Expenses 3

3.5 Indemnification 3

SECTION 4 SHARES SUBJECT TO THE PLAN 4

4.1 Number of Shares 4

4.2 Effect of Lapsed Options 4

4.3 Adjustments in Authorized Shares 4

SECTION 5 ELIGIBILITY 4

5.1 Eligibility 4

5.2 Consideration for Grant of Option or Restricted Shares 4

SECTION 6 OPTIONS 4

6.1 Grant of Options 4

TABLE OF CONTENTS
(continued)

Page

6.2	Terms of Options	5
SECTION 7	RESTRICTED SHARES	5
7.1	Grant of Restricted Shares	5
7.2	Terms of Restricted Shares	6
SECTION 8	MISCELLANEOUS	6
8.1	Amendment or Termination of the Plan	6
8.2	Beneficiary Designation	6
8.3	Captions	7
8.4	Applicable Law; Severability	7
8.5	No Effect Upon Other Compensation Plans	7
8.6	No Effect on Service	7
8.7	Requirements of Law	7
8.8	Rule 16b-3 Compliance	7

CENTRAL GARDEN & PET COMPANY
NONEMPLOYEE DIRECTOR EQUITY INCENTIVE PLAN
(As amended effective December 7, 2016)

SECTION 1
ESTABLISHMENT, PURPOSE AND DURATION

1.1 Establishment. Central Garden & Pet Company, a Delaware corporation (the "Company"), hereby amends the "Central Garden & Pet Company Nonemployee Director Equity Incentive Plan" (formerly known as the Central Garden & Pet Company Nonemployee Director Stock Option Plan, the "Plan"), for the benefit of nonemployee members of the Board of Directors of the Company ("Nonemployee Directors"), in order to compensate such Nonemployee Directors for their services by awarding them stock options ("Options") and restricted shares of Company common stock ("Restricted Shares") under the Plan.

1.2 Purpose of the Plan. The purpose of the Plan is to promote the success, and enhance the value, of the Company, by attracting, retaining and motivating Nonemployee Directors of outstanding competence. The Plan also is designed to align the interests of Nonemployee Directors with the interests of the stockholders of the Company.

1.3 Effective Date. This amendment of the Plan is effective as of December 7, 2016, subject to the approval of the amendment by an affirmative vote, at the next meeting of the stockholders of the Company, or any adjournment thereof, of the holders of a majority of the outstanding shares of the common stock and Class B stock, voting together as a class, of the Company, present in person or by proxy and entitled to vote at such meeting. Prior to such affirmative vote, the Plan shall operate pursuant to the terms in effect prior to such amendment.

1.4 Duration of the Plan. The Plan shall be effective as specified in Section 1.3, and subject to the right of the Board of Directors of the Company to terminate the Plan at any time and for any reason pursuant to Section 8, shall remain in effect thereafter. In the event that on any date of grant the number of Shares (to be subject to Options or otherwise) granted to all Nonemployee Directors exceeds the number of Shares then available for grant under the Plan, each Nonemployee Director shall share pro rata in the number of Shares that remain available for grant on such date (with Restricted Shares to be provided first).

SECTION 2
DEFINITIONS

For purposes of this Plan, the following terms shall have the meanings indicated unless a different meaning is plainly required by the context:

2.1 "Affiliate" means any corporation or any other entity (including, but not limited to, partnerships and joint ventures) controlling, controlled by, or under common control with the Company.

2.2 "Board" means the Board of Directors of the Company.

2.3 "Code" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

2.4 "Company" means Central Garden & Pet Company, a Delaware corporation, or any successor thereto.

2.5 "Director" means an individual who is a member of the Board.

2.6 "Disability" means a permanent and total disability within the meaning of section 22(e)(3) of the Code.

2.7 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor Act thereto. Reference to a specific section of the Exchange Act shall include such section, any valid regulation promulgated thereunder, and any comparable provision of any future legislation amending, supplementing or superseding such section.

2.8 "Exercise Price" means the price at which a Share may be purchased pursuant to an Option.

2.9 "Fair Market Value" means the average of the highest and lowest quoted selling prices for Shares on the relevant date or the closing sale price for the applicable Shares on the relevant date, or if there were no sales on such date, the arithmetic mean of the highest and lowest quoted selling prices on the nearest day before and the nearest day after the relevant date, as determined on a consistent basis by the Board.

2.10 "Nonemployee Director" means a Director who is an employee of neither the Company nor of any Affiliate.

2.11 "Option" means an option to purchase Shares which has been granted under the provisions of the Plan. Options are not intended to be an incentive stock option under section 422 of the Code.

2.12 "Optionee" means a Nonemployee Director to whom an Option has been granted under the provisions of the Plan.

2.13 "Plan" means the Central Garden & Pet Company Nonemployee Director Equity Incentive Plan, as set forth in this instrument and as hereafter amended from time to time.

2.14 "Restricted Shares" means Shares granted pursuant to Section 7 of the Plan.

2.15 "Shares" means the shares of common stock, $0.01 par value, of the Company ("Common Stock") or the shares of Class A Common Stock, $0.01 par value, of the Company ("Class A Common Stock").

SECTION 3
ADMINISTRATION OF THE PLAN

3.1 The Board. The Plan shall be administered by the Board. It shall be the duty of the Board to conduct the general administration of the Plan in accordance with its provisions.

3.2 Authority of the Board. The Board shall have all powers and discretion necessary or appropriate to administer the Plan and to control its operation in accordance with its terms, including, but not by way of limitation, the following powers:

(a) To interpret the provisions of the Plan and to determine, in its sole discretion, any question arising under, or in connection with the administration or operation of, the Plan;

(b) To employ such counsel, agents and advisers, and to obtain such legal, clerical and other services, as it may deem necessary or appropriate in carrying out the provisions of the Plan; and

(c) To prescribe, amend and rescind rules and regulations relating to the Plan, and to make all other determinations which may be necessary or advisable for the administration of the Plan.

3.3 Decisions Binding. All actions, interpretations and decisions of the Board shall be final, conclusive and binding on all persons, and shall be given the maximum deference permitted by law.

3.4 Administrative Expenses. All expenses incurred in the administration of the Plan by the Board, or otherwise, including legal fees and expenses, shall be paid and borne by the Company.

3.5 Indemnification. Each person who is or shall have been a member of the Board shall be indemnified and held harmless by the Company against and from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, notion, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan and against and from any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such action, suit, or proceeding against him or her, provided he or she shall give the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled under the Company's Certificate of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

SECTION 4
SHARES SUBJECT TO THE PLAN

4.1 Number of Shares. Subject to adjustment as provided in Section 4.3, the maximum number of Shares available for grant under the Plan may not exceed 200,000 shares of Common Stock and 1,287,056 shares of Class A Common Stock. Such shares may be either authorized but unissued Shares or treasury Shares.

4.2 Effect of Lapsed Options. If an Option is cancelled, terminates, expires or lapses for any reason, any Shares subject to such Option again shall be made available for grant under the Plan (to the same Optionee or to a different person).

4.3 Adjustments in Authorized Shares. In the event of any merger, reorganization, consolidation, recapitalization, separation, liquidation, stock dividend, split-up, Share combination, or other change in the corporate structure of the Company affecting the Shares, such adjustment shall be made in the number and class of Shares which may be delivered under the Plan, and in the number and class of and/or the Exercise Price of Shares subject to outstanding Options, as the Board, in its sole discretion, shall determine to be appropriate to prevent the dilution or diminishment of Options. Notwithstanding the preceding sentence, the number of Shares subject to any Option always shall be a whole number.

SECTION 5
ELIGIBILITY

5.1 Eligibility. All Nonemployee Directors shall be eligible to participate in the Plan.

5.2 Consideration for Grant of Option or Restricted Shares. Any Option or Restricted Shares under the Plan shall be granted in consideration of the past services of the Nonemployee Director.

SECTION 6
OPTIONS

6.1 Grant of Options.

6.1.1 Each Nonemployee Director who is a Nonemployee Director on February 20, 1996 automatically will receive on such date an Option to purchase 10,000 Shares.

6.1.2 Each Optionee who received an Option to purchase 10,000 Shares pursuant to Section 6.1.1, and each Nonemployee Director who becomes a Nonemployee Director after February 20, 1996, automatically will receive, on the date of each subsequent annual meeting of the stockholders of the Company on which the Nonemployee Director is such, an Option to purchase such number of Shares (whose class shall be determined by the Board) as determined by A divided by B, where “A” is $200,000 and “B” is the Fair Market Value of an applicable Share on the date on which the Option is granted. Any fractional Share shall be rounded up to the next full Share. Accordingly, for example, if the Fair Market Value of a Share on the date of grant is $9.00, then the Optionee or Nonemployee Director (as applicable) would receive an Option to purchase 22,223 Shares (i.e., $200,000 divided by $9.00, rounded up to the next full Share).

6.2 Terms of Options.

6.2.1 Option Agreement. Each Option shall be evidenced by a written stock option agreement which shall be executed by the Optionee and the Company.

6.2.2 Exercise Price. The Exercise Price for the Shares subject to each Option shall be one hundred percent (100%) of the Fair Market Value of such Shares on the date of grant.

6.2.3 Exercisability. Each Option shall become exercisable with respect to one-third (1/3) of the Shares subject to the Option on each of the dates that is (a) six (6) months, (b) eighteen (18) months, and (c) thirty (30) months after the date of grant of the Option. Notwithstanding the preceding sentence, if prior to the date when an Option would become exercisable, the Optionee terminates service on the Board on account of death or Disability, the Option shall become exercisable in full on the date of such termination of service.

6.2.4 Expiration of Options. Each Option shall terminate upon the expiration of forty-two (42) months from the date of grant of the Option.

6.2.5 Payment. Options shall be exercised by the Optionee's delivery of a written notice of exercise to the Secretary of the Company, setting forth the number of Shares with respect to which the Option is to be exercised, accompanied by full payment for the Shares.

The Exercise Price upon exercise of any Option shall be payable to the Company in full in cash. The Board, in its sole discretion and pursuant to such procedures as it may specify from time to time, also may permit (a) an Optionee to elect to have the Company withhold Shares having a value equal to the amount required to be withheld or by delivering to the Company already-owned Shares to satisfy the Exercise Price, or (b) by any other means which the Board, in its sole discretion, determines to both provide legal consideration for the Shares, and to be consistent with the purposes of the Plan. The value of the Shares to be withheld or delivered will be based on their Fair Market Value on the date of exercise.

As soon as practicable after receipt of a written notification of exercise and full payment for the Shares purchased, the Company shall deliver to the Optionee Share certificates (in the Optionee's name) representing such Shares.

If any shares subject to an Option are not delivered to an Optionee because the Option is exercised through a reduction of shares subject to the Option (i.e., "net exercised"), the number of shares that are not delivered to the Optionee shall remain available for issuance under the Plan. If the Exercise Price of any Option is satisfied by tendering shares of Common Stock or Class A Common Stock held by the Optionee (either by actual delivery or attestation), then the number of shares so tendered shall remain available for issuance under the Plan.

6.2.6 Restrictions on Share Transferability. The Board may impose such restrictions on any Shares acquired pursuant to the exercise of an Option, as it may deem advisable, including, but not limited to, restrictions related to applicable Federal securities laws, the requirements of any national securities exchange or system upon which Shares are then listed and/or traded, and/or under any blue sky or state securities laws.

6.2.7 Nontransferability of Options. No Option granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will, the laws of descent and distribution, or as permitted in Section 8.2. All Options granted to an Optionee under the Plan shall be exercisable during his or her lifetime only by such Optionee.

SECTION 7
RESTRICTED SHARES

7.1 Grant of Restricted Shares. Each Nonemployee Director automatically will receive, on the date of each annual meeting of the stockholders of the Company on which the Nonemployee Director is such, such number of Restricted Shares (whose class shall be determined by the Board) as determined by A divided by B, where "A" is $20,000 and "B" is the Fair Market Value of an applicable Share on the date on which the Restricted Shares are granted. Any fractional Share shall be rounded up to the next full Share. Accordingly, for example, if the Fair Market Value of a Share on the date of grant is $9.00, then the Nonemployee Director would receive 2,223 Restricted Shares (i.e., $20,000 divided by $9.00, rounded up to the next full Share).

7.2 Terms of Restricted Shares.

7.2.1 Restricted Share Agreement. Each restricted Share grant shall be evidenced by a written Restricted Share agreement which shall be executed by the Nonemployee Director and the Company.

7.2.2 Vesting. Each grant of Restricted Shares shall vest in full six (6) months after the date of grant. Notwithstanding the preceding sentence, if prior to the date when the Restricted Shares would vest, the Director terminates service on the Board on account of death or Disability, the Restricted Shares shall become vested in full on the date of such termination of service.

7.2.3 Restrictions on Share Transferability. The Board may impose such restrictions on any Restricted Shares, as it may deem advisable, including, but not limited to, restrictions related to applicable Federal securities laws, the requirements of any national securities exchange or system upon which Shares are then listed and/or traded, and/or under any blue sky or state securities laws.

7.2.4 Nontransferability of Unvested Restricted Shares. No restricted shares granted under the Plan may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated prior to their vesting pursuant to Section 7.2.2, other than by will, the laws of descent and distribution, or as permitted in Section 8.2.

SECTION 8
MISCELLANEOUS

8.1 Amendment or Termination of the Plan. The Board, in its sole discretion, may amend, alter, modify or terminate the Plan, in whole or in part, at any time and for any reason. However, only if and to the extent required to maintain the Plan's qualification under Rule 16b-3 promulgated under the Exchange Act, any such amendment shall be subject to stockholder approval. Neither the amendment, suspension, termination, nor scheduled expiration of the Plan shall, without the consent of the Nonemployee Director, alter or impair any rights or obligations under any Option or Restricted Shares theretofore granted. No Option or Restricted Shares may be granted during any period of suspension nor after termination of the Plan.

8.2 Beneficiary Designation. If permitted by the Board, a Nonemployee Director may name a beneficiary or beneficiaries to whom any benefit under the Plan is to be paid in case of the Nonemployee Director's death before he or she receives any or all of such benefit. Each such designation shall revoke all prior designations by the same Nonemployee Director and must be in a form and manner acceptable to the Board. In the absence of any such designation, or if no beneficiary survives the Nonemployee Director, benefits remaining unpaid at the Nonemployee Director's death shall be paid to the person or persons entitled to such benefits under the Nonemployee Director's will or, if the Nonemployee Director shall fail to make testamentary disposition of such benefits, his or her legal representative. Any transferee must furnish the Company with (a) written notice of his or her status as a transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

8.3 Captions. The captions contained herein and in the table of contents are provided as a matter of convenience only, and in no way define, limit, enlarge or describe the scope or intent of the Plan. Such captions shall not affect in any way the construction of any provision of the Plan.

8.4 Applicable Law; Severability. The Plan hereby created shall be construed, administered and governed in all respects in accordance with the laws of the State of California (with the exception of its conflict of laws provisions). If any provision of this instrument shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall continue to be fully effective.

8.5 No Effect Upon Other Compensation Plans. The adoption of this Plan shall not affect any other stock option, compensation or incentive plans in effect for the Company or any Affiliate, and this Plan shall not preclude the Board from establishing any other forms of incentive or compensation for Nonemployee Directors.

8.6 No Effect on Service. Nothing in the Plan shall interfere with or limit in any way the right of the Company to terminate any Nonemployee Director's service on the Board at any time, with or without cause.

8.7 Requirements of Law. The granting of Options and the issuance of Shares (including Restricted Shares) under the Plan shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

8.8 Rule 16b-3 Compliance. Transactions under this Plan are intended to comply with all applicable conditions of Rule 16b-3 or its successors under the Exchange Act. To the extent any provision of the Plan, an Option or any action by the Board fails to so comply, it shall be deemed null and void, to the extent permitted by law and deemed advisable by the Board. Notwithstanding any contrary provision of the Plan, if the Board specifically determines that compliance with Rule 16b-3 no longer is required, all references in the Plan to Rule 16b-3 shall be of no force or effect.

(Back To Top)

Section 3: EX-31.1 (EXHIBIT 31.1)

EXHIBIT 31.1

I, George C. Roeth, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended March 25, 2017 of Central Garden & Pet Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 4, 2017

/s/ GEORGE C. ROETH

George C. Roeth
President and Chief Executive Officer
(Principal Executive Officer)

(Back To Top)

Section 4: EX-31.2 (EXHIBIT 31.2)

EXHIBIT 31.2

I, Howard A. Machek, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended March 25, 2017 of Central Garden & Pet Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2017

/s/ HOWARD A. MACHEK

Howard A. Machek
Senior Vice President and Chief Accounting Officer
(Principal Financial Officer)

(Back To Top)

Section 5: EX-32.1 (EXHIBIT 32.1)

EXHIBIT 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying quarterly report on Form 10-Q of Central Garden & Pet Company for the quarter ended March 25, 2017 (the “Report”), I, George C. Roeth, President and Chief Executive Officer of Central Garden & Pet Company, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) such Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in such Report presents, in all material respects, the financial condition and results of operations of Central Garden & Pet Company.

May 4, 2017

/s/ GEORGE C. ROETH
George C. Roeth
President and Chief Executive Officer
(Principal Executive Officer)

(Back To Top)

Section 6: EX-32.2 (EXHIBIT 32.2)

EXHIBIT 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the accompanying quarterly report on Form 10-Q of Central Garden & Pet Company for the quarter ended March 25, 2017 (the “Report”), I, Howard A. Machek, Principal Financial Officer of Central Garden & Pet Company, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) such Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in such Report presents, in all material respects, the financial condition and results of operations of Central Garden & Pet Company.

May 4, 2017

/s/ HOWARD A. MACHEK
Howard A. Machek
Senior Vice President and Chief Accounting Officer
(Principal Financial Officer)

(Back To Top)