

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 of 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) June 18, 1996

Central Garden & Pet Company

(Exact name of registrant as specified in its charter)

Delaware

0-20242

68-0275553

(State or other jurisdiction
of incorporation)

(Commission File
Number)

(IRS Employer
Identification No.)

3697 Mt. Diablo Boulevard, Lafayette, California

94549

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (510) 283-4573

Inapplicable

(Former name or former address if changed since last report)

Exhibit Index located on page 3

Item 2. Acquisition or Disposition of Assets

On June 18, 1996, Central Garden & Pet Company (the "Company" entered into a definitive agreement (the "Agreement") to acquire Kenlin Pet Supply, Inc. ("Kenlin"), the largest distributor of pet supply products in the eastern United States. Kenlin, which is based in Mahwah, New Jersey and China Grove, North Carolina, had annual sales of approximately \$63.0 million in fiscal 1995, operates in 17 eastern states and has approximately 290 employees. Under the terms of the stock purchase agreement, the Company will pay an aggregate of \$33 million in cash to acquire or redeem all of Kenlin's outstanding stock and eliminate all of its outstanding debt. The Company anticipates that it will use financing under its existing credit facility, to finance the acquisition.

Item 7. Financial Statements and Exhibits

- (a) (1) Financial Statements of Kenlin are attached as Exhibit 1.3 hereto.
- (a) (2) Accountants' report is attached hereto as Exhibit 1.4.
- (b) (1) Pro Forma Condensed Financial Information is attached hereto as Exhibit 1.5.
- (c) See attached Exhibit Index.

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EXHIBIT INDEX

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Number	Exhibit
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1.1	Press Release dated June 18, 1996.
1.2	Stock Purchase Agreement dated as of June 18, 1996.
1.3	Financial Statements of Kenlin.
1.4	Report of Independent Auditors.
1.5	Pro Forma Condensed Financial Information.
1.6	Consent of Independent Auditors.

</TABLE>

SIGNATURES

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

CENTRAL GARDEN & PET COMPANY

By /s/ Robert B. Jones

Robert B. Jones, Vice President
and Chief Financial Officer

Dated: June 28, 1996

Corporate Office
3696 Mt. Diablo Blvd. Suite 310
Lafayette, CA 94549
(510) 283-4573
Fax (510) 283-4984

EXHIBIT 1.1

FOR IMMEDIATE RELEASE

Contact: Gregory Reams
Central Garden & Pet
510/283-4573

Paul Verbinnen/Dan Connolly
Sard Verbinnen & Co
212/687-8080

CENTRAL GARDEN & PET COMPANY TO ACQUIRE KENLIN PET SUPPLY
CREATING NATION'S LARGEST DISTRIBUTOR OF PET SUPPLIES

LAFAYETTE, CALIFORNIA, JUNE 18, 1996 --- Central Garden & Pet Company (NASDAQ:CENT) today announced that it has entered into a definitive agreement to acquire Kenlin Pet Supply, Inc., the largest distributor of pet supply products in the eastern United States. Under the terms of the agreement, Central will pay an aggregate of \$33 million in cash to acquire or redeem all of Kenlin's outstanding stock and eliminate all of its outstanding debt.

"The acquisition of Kenlin Pet Supply is an important leap forward for Central's already successful pet supply operations, which have been focused primarily in the western U.S.," said William Brown, Chairman and Chief Executive Officer of Central Garden & Pet. "Similar to our lawn and garden business, Central's pet supply business will now span coast-to-coast."

Brown added: "A key part of Central's business strategy has been to expand its presence in the \$12 billion pet supplies industry through internal growth and strategic acquisitions. With the addition of Kenlin, we have taken a major step toward fulfilling that goal."

Based in Mahwah, New Jersey and China Grove, North Carolina, Kenlin Pet Supply has annual sales of approximately \$70 million. Kenlin operates in 17 eastern states and has approximately 290 employees.

The acquisition is expected to close in July, however, consummation of the acquisition is subject to a number of conditions, including expiration of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

Central Garden & Pet Company is the leading national distributor of lawn and garden supply products, as well a major distributor of pet and pool supplies.

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STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (this "Agreement") is dated as of the ___ day of June, 1996, by and among (i) CENTRAL GARDEN & PET COMPANY, a Delaware corporation (the "Buyer"), (ii) the shareholders of KENLIN PET SUPPLY, INC., a Delaware corporation (the "Company") listed on Schedule 1 hereto (the "Stockholders"), (iii) the optionholders of the Company listed on Schedule 1 hereto (the "Optionholders") and (iv) the warrant holder of the Company listed on Schedule 1 hereto (the "Warrantholder", and together with the Stockholders and the Optionholders, the "Sellers").

WHEREAS, the Stockholders own all of the issued and outstanding capital stock of the Company (the "Stockholder Shares") other than the issued and outstanding shares of preferred stock of the Company (the "Preferred Shares"); and

WHEREAS, the Optionholders own options (the "Options") exercisable for shares of common stock of the Company (the "Option Shares"); and

WHEREAS, the Warrantholder owns warrants (the "Warrant") exercisable for shares of the common stock of the Company (the "Warrant Shares", and together with the Stockholder Shares and the Option Shares, the "Stock")

WHEREAS, the Optionholders and the Warrantholder will exercise the Options and the Warrant in full at or prior to the Closing (as defined in Section 2.1) and receive the Option Shares and the Warrant Shares, respectively; and

WHEREAS, the Sellers desire to sell the Stock to the Buyer and the Buyer desires to purchase the Stock from the Sellers, upon the terms and subject to the conditions contained in this Agreement;

NOW, THEREFORE, in consideration of the mutual promises and agreements set forth herein, the Buyer and the Sellers agree as follows:

1. SALE AND PURCHASE OF STOCK. Subject to the terms and conditions set forth in this Agreement, each of the Sellers agrees to sell to the Buyer, and the Buyer agrees to purchase from such Seller, at the Closing, all of the outstanding shares of Stock owned by such Seller as set forth opposite such Seller's name on Schedule 1 hereto in exchange for the payment of an aggregate purchase price (the "Purchase Price") equal to \$33,000,000, less (a) the aggregate amount of all Indebtedness

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(as defined in Section 8 hereto) of the Company outstanding as of the Closing and (b) the aggregate amount required to complete the Redemption. \$250,000 of the Purchase Price shall be paid by crediting the Deposit (as such term is defined in the Option Agreement, dated as of June 7, 1996, among the Company, the Sellers and the Buyer) against the Purchase Price. At Closing, the Purchase Price shall be distributed among the Sellers pro rata in accordance with the percentages set forth on Schedule 1 hereto (with respect to each Seller, the "Pro Rata Share").

2. CLOSING.

2.1. Time and Place. The closing of the sale and purchase of the Stock (the "Closing") shall be held at the offices of Bingham, Dana & Gould, 150 Federal Street, Boston, Massachusetts, on or before the Termination Date (as defined in Section 13(a) hereof), or at such other time or place as the Buyer and the Sellers may agree. The date on which the Closing is actually held hereunder is sometimes referred to herein as the "Closing Date".

2.2. Transactions at Closing. At the Closing:

(a) The Stockholders shall deliver to the Buyer, free and clear of any lien, claim or encumbrance, certificates representing the Stockholder Shares duly endorsed in blank or with duly executed stock powers attached.

(b) The Optionholders shall exercise the Options for the Option Shares and shall deliver to the Buyer, free and clear of any lien, claim or encumbrance, certificates representing the Option Shares duly endorsed in blank or with duly executed stock powers attached.

(c) The Warrantholder shall exercise the Warrant for the Warrant Shares

and shall deliver to the Buyer, free and clear of any lien, claim or encumbrance, certificates representing the Warrant Shares duly endorsed in blank or with duly executed stock powers attached.

(d) The Sellers shall cause the Company (i) to prepare and deliver to the Buyer the Certificate of Indebtedness pursuant to Section 6.5 hereto, and (ii) to deliver to the Buyer pay-off letters, releases and lien discharges (or agreements therefor) reasonably satisfactory to the Buyer from each creditor listed on the Certificate of Indebtedness.

(e) The Buyer shall provide the Company with sufficient funds to enable the Company to redeem (the "Redemption") the Preferred Shares for the liquidation value thereof (including accrued unpaid dividends through the Closing Date) calculated in

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accordance with the Company's Certificate of Incorporation and the Sellers shall cause the Company to complete the Redemption.

(f) The Buyer shall pay and discharge all outstanding Indebtedness of the Company evidenced on the Certificate of Indebtedness.

(g) The Buyer shall deliver to each of the Sellers its Pro Rata Share of the Purchase Price by wire transfer or by certified or bank checks.

3. REPRESENTATIONS AND WARRANTIES OF THE SELLERS. Each of the Sellers severally, and not jointly, represents and warrants to the Buyer as follows:

3.1. Organization; Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Company has delivered to the Buyer complete and correct copies of its charter documents and by-laws and all amendments thereto. The Company is duly qualified and in good standing as a foreign corporation in all jurisdictions in which the character of the properties owned or leased by it or the nature of the activities conducted by it makes such qualification necessary.

3.2. Right to Sell Shares; Approvals; Binding Effect. Such Seller has all requisite power and full legal right to enter into this Agreement, to perform all of its agreements and obligations under this Agreement in accordance with its terms, and to sell to the Buyer all of the Stock owned by such Seller. This Agreement has been duly executed and delivered by such Seller and constitutes the legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms, except to the extent such enforceability is subject to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or other law affecting or relating to creditors' rights generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

3.3. Subsidiaries. The Company does not own or hold of record and/or beneficially, any shares of any class of the capital stock of any corporation or any legal and/or beneficial interests in any partnerships, business trusts or joint ventures or in any unincorporated trade or business enterprises.

3.4. Capitalization. The authorized capital of the Company, prior to giving effect to the transactions contemplated in Sections 2.2(b), (c) and (e) hereto, consists of (a) 11,000 shares of Class A Voting Common Stock, par value \$.01 per share,

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2,822.22 shares of which are issued and outstanding on the date hereof, (b) 11,000 shares of Class B Non-Voting Common Stock, par value \$.01 per share, 4,000 shares of which are issued and outstanding on the date hereof, (c) 11,000 shares of Class C Voting Common Stock, par value \$.01 per share, 2,377.78 shares of which are issued and outstanding on the date hereof and (d) 10,000 shares of Preferred Stock, par value \$1.00 per share, 3,252.42 shares of which are issued and outstanding on the date hereof. All of the shares of Stock are validly issued and outstanding, fully paid and nonassessable. As of the date hereof, other than as set forth on Schedule 3.4 hereto, the Company does not have any outstanding options, warrants or other rights to subscribe for or purchase any securities of the Company.

3.5. Title to Stock, Liens, etc. Except as set forth in Schedule 3.5 hereto, such Seller has, and as of the consummation of the Closing the Buyer will have, record and beneficial ownership of such Seller's Stock as set forth on Schedule 3.5 hereto, free and clear of any mortgage, lien, pledge, charge, security interest, encumbrance, title retention agreement, option, equity or other adverse claim thereto.

3.6. Non-Contravention. Neither the execution and delivery of this

Agreement by such Seller nor the consummation by such Seller of the transactions contemplated hereby will constitute a violation of, or be in conflict with, or constitute or create a default under, or result in the creation or imposition of any lien, claim or encumbrance upon any property of the Company pursuant to, (a) the charter documents or by-laws of the Company, each as amended to date; (b) any material agreement or commitment to which the Company is a party or by which the Company or any of its properties is bound or any of such properties is subject (other than agreements or commitments evidencing, or entered into by the Company or the Sellers in connection with, Indebtedness of the Company to be paid and discharged at Closing pursuant to Section 7.4 hereto); or (c) subject to the expiration, or early termination, of the waiting period under the HSR Act (as defined in Section 8 hereto), any statute or any judgment, decree, order, regulation or rule of any court or governmental authority, except, in the case of clauses (b) or (c) above, any violations, conflicts, defaults, liens, claims or encumbrances that would not, either individually or in the aggregate, have a Material Adverse Effect.

3.7. Governmental Consents. Subject to the expiration, or early termination, of the waiting period under the HSR Act, no consent, approval or authorization of, or registration, qualification or filing with, any governmental agency or authority is required for the execution and delivery of this

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Agreement by such Seller or for the consummation by such Seller of the transactions contemplated hereby.

3.8. Financial Statements.

(a) The Sellers have delivered the following financial statements (the "Financial Statements") to the Buyer, and they are attached as Schedule 3.8 hereto: (a) the audited consolidated balance sheet of the Company as of July 31, 1995 (the "Audited Balance Sheet"), and the related audited consolidated statements of income and retained earnings for the fiscal year then ended, and (b) the unaudited consolidated balance sheet of the Company as of March 31, 1996 and the related unaudited consolidated statements of income and retained earnings for the eight-month period then ended (the "Interim Financials"). Subject to normal, recurring year-end audit adjustment and the absence of footnotes in the case of the Interim Financials, each of the Financial Statements has been prepared in accordance with generally accepted accounting principles applied on a basis consistent with prior periods; each of such balance sheets fairly presents the consolidated financial condition of the Company as of its respective date; and each of such statements of income and retained earnings fairly presents the results of consolidated operations of the Company for the period covered thereby.

(b) Until the Closing Date, the Sellers shall, as soon as reasonably practicable and in any event within 45 days after the end of each calendar month ending after March 31, 1996, deliver to the Buyer the unaudited consolidated balance sheet of the Company as of the last day of such month and the related unaudited consolidated statements of income for the period then ended (the "Subsequent Financials"). Subject to normal, recurring year-end audit adjustment and the absence of footnotes, each of the Subsequent Financials shall be prepared in accordance with generally accepted accounting principles applied on a basis consistent with prior periods; each of such balance sheets shall fairly present the consolidated financial condition of the Company as of its respective date; and each of such statements of income shall fairly present the results of consolidated operations of the Company for the period covered thereby.

3.9. Taxes. The Company has duly filed with the appropriate government agencies all of the income, sales, use, employment and other tax returns and reports required to be filed by it as of the date hereof, and will duly file all such returns and reports as are required to be filed by it on or before the Closing Date. In all material respects all such returns and reports are and will be accurate, true, correct and complete. No waiver of any statute of limitations relating to taxes has been executed or given by the Company. All taxes, assessments, fees and other

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governmental charges upon the Company or upon any of its properties, assets, revenues, income and franchises with respect to periods ending on or before the Closing Date, have been paid or fully provided for in the Audited Balance Sheet, the Interim Financials or the Subsequent Financials, other than those attributable solely to the operations of the Company since the date of the last Subsequent Financials (none of which are overdue). The Company has withheld and paid all taxes required to be withheld or paid in connection with amounts paid or owing to any employee, creditor, independent contractor or third party, foreign entity or corporation or nonresident alien individual. Except as set

forth on Schedule 3.9 hereto, no federal tax return of the Company is currently under audit by the IRS (as defined in Section 8 hereto), no other tax return of the Company is currently under audit by any other taxing authority and no elections, consents, waivers, conventions or agreements have been filed or entered into in respect of any tax or taxing authority. Neither the IRS nor any other taxing authority is now asserting or, to such Seller's knowledge, threatening to assert against the Company any deficiency or claim for additional taxes or interest thereon or penalties in connection therewith.

3.10. Absence of Certain Changes. Except as set forth on Schedule 3.10 hereto or as contemplated by this Agreement, since March 31, 1996 there has not been: (a) any material adverse change in the assets, liabilities, sales, income or business of the Company or in its relationships with suppliers, customers or lessors; (b) any acquisition or disposition by the Company of any asset or property other than in the ordinary course of business; (c) any damage, destruction or casualty loss, whether or not covered by insurance, which exceeds, either in any case or in the aggregate, \$25,000; (d) any declaration, setting aside or payment of any dividend or any other distributions in respect of the Stock; (e) any issuance of any shares of the capital stock of the Company or any direct or indirect redemption, purchase or other acquisition of any of the Stock; (f) any increase in the compensation, pension or other benefits payable or to become payable by the Company to any of its officers or employees, or any bonus payments or arrangements made to or with any of them (other than pursuant to the terms of any existing written agreement or plan or other than annual or periodic increases made in the ordinary course of business consistent with the Company's past practice); (g) any entry by the Company into any transaction other than in the ordinary course of business or as contemplated herein; (h) any incurrence by the Company of any material obligations or material liabilities, whether absolute, accrued, contingent or otherwise (including, without limitation, liabilities as guarantor or otherwise with respect to obligations of others), other than obligations and liabilities incurred in the ordinary course of business or as contemplated herein; or

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(i) any discharge or satisfaction by the Company of any lien or encumbrance or payment by the Company of any material obligation or material liability (fixed or contingent) other than in the ordinary course of business or as contemplated herein.

3.11. Litigation, etc. Except as set forth on Schedule 3.11 hereto, no action, suit, proceeding or investigation is pending or, to the knowledge of such Seller, threatened, against the Company.

3.12. Conformity to Law. The Company has complied with, and is in compliance with, all laws, statutes and governmental regulations and all judicial or administrative tribunal orders, judgments, writs, injunctions or decrees applicable to its business except where any or all failures of such compliance, either individually or in the aggregate, would not have a Material Adverse Effect. Except as set forth in Schedule 3.12 hereto, the Company has not been charged with any violation of any provision of any federal, state or local law or administrative regulation in respect of its business which, either individually or in the aggregate, would have a Material Adverse Effect.

3.13. Real Property and Environmental Matters.

(a) Schedule 3.13 hereto includes legal descriptions of all real property owned or leased by the Company (the "Real Property"). Neither such Seller nor the Company have received, since August 21, 1992, any notice that either the whole or any material portion of the Real Property is to be condemned, requisitioned or otherwise taken by any public authority. The Company has not received notice nor does such Seller have any knowledge of any public improvements that will be made that may result in special assessments against or otherwise affect any of the Real Property.

(b) Except as set forth on Schedule 3.13:

(i) the Company is not in violation of any judgment, decree, order, law, license, rule or regulation (each a "Violation") pertaining to environmental matters which arose from or originated during the Company's operation or occupation of any of the Real Property, and, to such Seller's knowledge, the Company is not in any Violation pertaining to environmental matters which arose from or originated during another Person's ownership, occupation or operation of any of the Real Property, including without limitation, those arising under the Resource Conservation and Recovery Act ("RCRA"), the Comprehensive Environmental Response, Compensation and Liability Act of 1980 as amended ("CERCLA"), the Superfund Amendments and Reauthorization

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Act of 1986 ("SARA"), the Federal Clean Water Act, the Federal Clean Air Act,

the Toxic Substances Control Act, or any state or local statute, regulation, ordinance, order or decree relating to health, safety or the environment (hereinafter "Environmental Laws"), except for Violations which, either individually or in the aggregate, would not have a Material Adverse Effect;

(ii) neither the Company nor, to such Seller's knowledge, any prior owner or operator of any of the Real Property, has used any of the Real Property for the disposal of Hazardous Waste or Hazardous Materials as those terms are defined in this paragraph (b)(ii). As used in Section 3.13 hereto, the term "Hazardous Materials" or "Hazardous Waste" shall mean any hazardous or toxic substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 CFR 172.101) or by the Environmental Protection Agency as a hazardous substance (40 CFR Part 302) and amendments thereto, or such substances, materials and wastes which are or may become regulated under any applicable local, state or federal law, including, without limitation, any material, waste or substance which is (A) petroleum, (B) asbestos, (C) polychlorinated biphenyls, (D) defined as a "hazardous waste," "extremely hazardous waste," "restricted hazardous waste" or "hazardous material" under applicable state laws and regulations, (E) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. (S) 1251, et seq. (33 U.S.C. (S) 1321) or U.S.C. (S) 1317, (F) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. (S) 6901, et seq. (42 U.S.C. (S) 6903) or (G) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. (S) 9601, et seq. (42 U.S.C. (S) 9601);

(iii) during the course of any activities conducted on any of the Real Property by the Company and, to such Seller's knowledge, by any prior owner or operator of any of the Real Property, no Hazardous Waste or Hazardous Materials have been generated or are being used on any such properties, except in accordance with applicable Environmental Laws;

(iv) the Company has not received written notice from any third party including, without limitation, any federal, state or local governmental authority, (A) that the Company has been identified by the United States Environmental Protection Agency ("EPA") as a potentially responsible party under CERCLA with respect to a site listed on the National Priorities List, 40 C.F.R. Part 300 Appendix B (1986); (B) that any Hazardous Waste or Hazardous Materials which the Company has generated, transported or disposed of has been found at any site at which a federal, state or local agency or other third party has conducted

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or has ordered that the Company conduct a remedial investigation, removal or other response action pursuant to any Environmental Law; or (C) that the Company is or shall be a named party to any claim, action, cause of action, complaint, (contingent or otherwise) legal or administrative proceeding arising out of any third party's incurrence of costs, expenses, losses or damages of any kind whatsoever in connection with the release of Hazardous Waste or Hazardous Materials; and

(v) The Company has been issued, and will maintain until the Closing Date, all required federal, state and local permits, licenses, certificates and approvals with respect to the Real Property relating to (A) air emissions, (B) discharges to surface water or groundwater (C) noise emissions, (D) solid or liquid waste disposal and (E) the use, generation, storage, transportation or disposal of Hazardous Materials or Hazardous Wastes, except where the failure to obtain or maintain any such permits, licenses, certificates and approvals would not, either individually or in the aggregate, have a Material Adverse Effect.

3.14. Insurance. Schedule 3.14 hereto lists all policies of fire, liability, workmen's compensation, life, property and casualty and other insurance owned or held by the Company.

3.15. Contracts. Schedule 3.15 hereto sets forth a list of all contracts to which the Company is a party or by which it is bound or to which the Company is subject, except (a) any contract that does not require payment by any party thereto of more than \$50,000, (b) any contract that is terminable by the Company upon ninety (90) days' notice or less without the payment of any material penalty or material termination fee, (c) any contract entered into, after the date hereof and prior to Closing, with the Buyer or with any other Person in connection with any transaction contemplated by this Agreement, (d) any contract entered into in the ordinary course of business after the date hereof and prior to the Closing, (e) purchase orders for goods and services entered into in the ordinary course of business, and (f) any contract specifically listed in any other Schedule to this Agreement. As used in this Section 3.15, the word "contract" means and includes every written agreement of any kind which is legally enforceable by or against the Company. Each of the contracts listed on Schedule 3.15 hereto or any of the other Schedules hereto is in full force and effect and the Company has not committed any breach or default thereunder which would have a Material Adverse Effect. Each of the Employment Agreements, dated

as of August 21, 1992, as amended on November 3, 1993 and April 25, 1996, between the Company and Alexander A. Friend and Steven F. Skoler, respectively, is in full force and effect as of the date hereof, and will not lapse or terminate as a consequence of the consummation of the sale of the Stock hereunder.

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3.16. Employee Benefit Plans. Except as set forth on Schedule 3.16 hereto, the Company does not maintain or have any obligation to make contributions to, any employee benefit plan (an "ERISA Plan") within the meaning of Section 3(3) of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA"), or any other retirement, profit sharing, stock option, stock bonus or employee benefit plan (a "Non-ERISA Plan"). All such ERISA Plans and Non-ERISA Plans have been maintained and operated in all material respects in accordance with all federal, state and local laws applicable to such plans and the terms and conditions of the respective plan documents except where the failure to so maintain or operate such ERISA Plans and Non-ERISA Plans would not have a Material Adverse Effect. The Internal Revenue Service has issued a favorable determination letter with respect to each ERISA Plan that is intended to be a "qualified plan" within the meaning of Section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"). No ERISA Plan is subject to Title IV or Section 302 of ERISA or Section 412 of the Code. No ERISA Plan is a "multiemployer plan" within the meaning of Section 4001(a)(3) of ERISA (a "Multiemployer Plan") or a plan that has two or more contributing sponsors at least two of whom are not under common control, within the meaning of Section 4063 of ERISA (a "Multiple Employer Plan"), nor has the Company at any time contributed to, or been obligated to contribute to, any Multiemployer Plan or any Multiple Employer Plan. The Company has never been a member of a group described in Sections 414(b), (c), (m) or (o) of the Code. Except for continuation coverage as required by Section 4980(B) of the Code or by applicable state insurance laws, no ERISA Plan or Non-ERISA Plan provides life, health, medical or other welfare benefits to former employees or beneficiaries or dependents thereof.

3.17. Trademarks, Patents, Etc. Schedule 3.17 hereto sets forth a list of (a) all patents, trademarks, trade names and copyrights registered in the name of the Company and all applications therefor, and (b) all material written agreements relating to technology, know-how and processes which the Company is licensed or authorized to use by others or which the Company has licensed or authorized for use by others. Except to the extent set forth in Schedule 3.17, the Company owns or has permission to use all patents, trademarks, trade names and copyrights material to, and used in the ordinary course of, the operation of the Company's business as presently conducted. No claims are pending against the Company by any person regarding the use of any such trademarks, trade names, copyrights, technology, know-how or processes, or challenging or questioning the validity or effectiveness of any such license or agreement, which either individually or in the aggregate would have a Material Adverse Effect.

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3.18. Indebtedness. Except for Indebtedness reflected or reserved against in the Audited Balance Sheet or Indebtedness incurred in the ordinary course of business after the date of the Audited Balance Sheet, the Company has no Indebtedness outstanding at the date hereof. As of the Closing, the Company will have no Indebtedness outstanding other than as described on Schedule 3.18 hereto. Except as disclosed on Schedule 3.18, the Company is not in default with respect to any outstanding Indebtedness or any instrument relating thereto and no such Indebtedness or any instrument or agreement relating thereto purports to limit the issuance of any securities by the Company or the operation of the business of the Company. Complete and correct copies of all instruments (including all amendments, supplements, waivers and consents) relating to any Indebtedness of the Company listed on Schedule 3.18 have been furnished to the Buyer.

3.19. Labor Relations. The Company is in compliance in all material respects with all federal and state laws respecting employment and employment practices, terms and conditions of employment, wages and hours and nondiscrimination in employment except where any or all failures of such compliance, either individually or in the aggregate, would not have a Material Adverse Effect, and is not engaged in any unfair labor practice which would have a Material Adverse Effect. There is no charge pending or, to the knowledge of such Seller, threatened against the Company alleging unlawful discrimination in employment practices before any court or agency which would have a Material Adverse Effect, and there is no charge of or proceeding with regard to any unfair labor practice against the Company pending before the National Labor Relations Board. There is no labor strike, dispute, slow-down or work stoppage actually pending or, to the knowledge of such Seller, threatened, against or involving the Company other than disputes with individual employees or as otherwise described on Schedule 3.19 hereto. None of the employees of the Company is covered by any collective bargaining agreement, and, except as

disclosed on Schedule 3.19 hereto, no collective bargaining agreement is currently being negotiated by the Company.

3.20. Customers. Schedule 3.20 hereto contains a true and correct list of the Company's largest twenty (20) customers, as determined by sales, for each of the 1994 and 1995 calendar years. Except as disclosed on Schedule 3.20, to such Seller's knowledge, no such customer intends to cancel or substantially adversely modify its relations with the Company or materially decrease its current purchase of the Company's products beyond purchase fluctuations in such customer's ordinary course of business.

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3.21. Disclosure. No representation or warranty by such Seller in this Agreement or in any exhibit or schedule attached hereto, contains or will contain any untrue statement of material fact or omits or will omit to state a material fact required to be stated therein or necessary to make the statements contained therein not misleading.

3.22. Brokers. Except for PaineWebber Incorporated, who has been retained by the Company, neither such Seller nor the Company has retained, utilized or been represented by any broker or finder in connection with the transactions contemplated by this Agreement.

4. REPRESENTATIONS AND WARRANTIES OF THE BUYER. The Buyer represents and warrants to the Sellers as follows:

4.1. Organization and Standing of Buyer. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. The Buyer has full power and authority under its Certificate of Incorporation and by-laws and applicable laws to execute and deliver this Agreement and to consummate the transactions contemplated hereby.

4.2. Corporate Approval; Binding Effect. The Buyer has obtained all necessary authorizations and approvals required for the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by the Buyer and constitutes the legal, valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms.

4.3. Non-Contravention. Neither the execution and delivery of this Agreement by the Buyer nor the consummation by the Buyer of the transactions contemplated hereby will constitute a violation of, or be in conflict with, constitute or create a default under, or result in the creation or imposition of any liens upon any property of the Buyer pursuant to (a) the charter documents or by-laws of the Buyer, each as amended to date; (b) any agreement or commitment to which the Buyer is a party or by which the Buyer or any of its properties is bound or to which the Buyer or any of its properties is subject; or (c) subject to the expiration, or early termination, of the waiting period under the HSR Act, any statute or any judgment, decree, order, regulation or rule of any court or governmental authority relating to the Buyer.

4.4. Governmental Consents. Subject to the expiration, or early termination, of the waiting period under the HSR Act, no consent, approval or authorization of, or registration, designation, declaration or filing with, any governmental agency

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or authority is required in connection with the purchase of the Stock pursuant to this Agreement or for the consummation by the Buyer of any other transaction contemplated hereby.

4.5. Brokers. Except for Wasserstein Perella & Co. and Antares Partners, the Buyer has not retained, utilized or been represented by any broker or finder in connection with the transactions contemplated by this Agreement.

4.6. Due Diligence Review. The Buyer acknowledges that it has completed to its satisfaction its own due diligence investigation with respect to the Company. The Buyer further acknowledges and agrees that upon consummation of the transactions contemplated hereby, it will have no further recourse against any of the Sellers with respect to the Stock in the absence of fraud on the part of the Sellers except for claims for indemnification made pursuant to Section 12.1 hereto.

5. CONDUCT OF BUSINESS BY SELLERS PENDING CLOSING. The Sellers jointly and severally covenant and agree that, from and after the date of this Agreement and until the Closing, except as otherwise specifically consented to or approved by the Buyer in writing:

5.1. Access. Each of the Sellers shall cause the Company to afford to the

Buyer and its authorized representatives access during normal business hours to all properties, books, records, contracts and documents of the Company and an opportunity to make such investigations as they shall reasonably desire to make of the Company (provided that such investigations shall be conducted so as to minimize any disruption of the operations of the Company), and the Sellers shall furnish or cause to be furnished to the Buyer and its authorized representatives all such information with respect to the affairs and businesses of the Company as the Buyer may reasonably request.

5.2. Carry on in Regular Course. Each of the Sellers shall cause the Company to maintain its owned and leased properties in accordance with its historical maintenance practices and shall carry on its business substantially in the same manner as heretofore. Without limiting the generality of the foregoing, the Sellers shall cause the Company to continue to pay its trade payables consistent with its past practices.

5.3. No General Increases. Except as set forth in Schedule 5.3 hereto, the Sellers shall not permit the Company to grant any general or uniform increase in the rates of pay of employees of the Company, or to grant any general or uniform increase in the benefits under any bonus or pension plan or other contract or commitment unless such grant or increase is made in

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the ordinary course of business consistent with past practices or is required by the terms of any existing agreement; or to increase the compensation payable or to become payable to officers, key salaried employees or agents, or to increase any bonus, insurance, pension or other benefit plan, payment or arrangement made to, for or with any such officers, key salaried employees or agents unless such grant or increase is made in the ordinary course of business consistent with past practices or is required by the terms of any existing agreement.

5.4. Contracts and Commitments. The Sellers shall not permit the Company to enter into any contract or commitment or engage in any transaction not contemplated by this Agreement or not in the usual and ordinary course of business and consistent with its normal business practices.

5.5. Sale of Capital Assets. The Sellers shall not permit the Company to sell or otherwise dispose of any capital asset other than capital assets with a fair market value not in excess of \$25,000 or sales or dispositions in the ordinary course of business.

5.6. Preservation of Organization. Each of the Sellers shall, and shall cause the Company to, use reasonable efforts to preserve the Company's business organization intact and to preserve for the Buyer the present relationships of the Company with its suppliers and customers and others having business relations with the Company.

6. CONDITIONS PRECEDENT TO BUYER'S OBLIGATIONS. The obligation of the Buyer to consummate the Closing shall be subject to the satisfaction at or prior to the Closing of each of the following conditions (to the extent noncompliance is not waived in writing by the Buyer):

6.1. Representations and Warranties True at Closing. The representations and warranties made by the Sellers in or pursuant to this Agreement shall be true and correct at and as of the Closing Date with the same effect as though such representations and warranties had been made or given at and as of the Closing Date.

6.2. Compliance With Agreement. The Sellers shall have performed and complied with all of their obligations under this Agreement to be performed or complied with by them on or prior to the Closing Date.

6.3. Officer's Certificate. The Sellers shall have delivered to the Buyer in writing, at and as of the Closing, a certificate, in form and substance satisfactory to the Buyer,

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certifying that the conditions in each of Sections 6.1 and 6.2 hereof have been satisfied.

6.4. No Material Adverse Change. There shall have been no change as of the Closing Date, since the date hereof, in the business or the assets of the Company which either individually or in the aggregate would have a Material Adverse Effect.

6.5. Certificate of Indebtedness. The Sellers shall have caused the Company to prepare and deliver to the Buyer a certificate (the "Certificate of Indebtedness") certifying as to the amount of Indebtedness of the Company outstanding on the Closing Date and specifying the amount owed to each creditor

listed thereon.

6.6. No Restraining Order. No restraining order or injunction shall prohibit the transactions contemplated by this Agreement.

6.7. Resignations of Directors and Officers. Except as set forth on Schedule 6.7 hereto, all of the directors and officers of the Company shall have resigned their positions with the Company on or prior to the Closing Date.

6.8. Opinion of Counsel. Bingham, Dana & Gould LLP, special counsel to the Sellers, shall have delivered to the Buyer a written opinion, addressed to the Buyer and dated the Closing Date, substantially in the form of Exhibit A hereto.

6.9. HSR Act. Any applicable waiting period under the HSR Act, including any extension thereof, shall have expired, or shall have been earlier terminated.

7. CONDITIONS PRECEDENT TO SELLERS' OBLIGATIONS. The obligation of the Sellers to consummate the Closing shall be subject to the satisfaction, at or prior to the Closing, of each of the following conditions (to the extent noncompliance is not waived in writing by the Sellers):

7.1. Representations and Warranties True at Closing. The representations and warranties made by the Buyer in this Agreement shall be true at and as of the Closing Date with the same effect as though made or given at and as of the Closing Date.

7.2. Compliance with Agreement. The Buyer shall have performed and complied with all of its obligations under this Agreement that are to be performed or complied with by it at or prior to the Closing.

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7.3. Officer's Certificate. The Buyer shall have delivered to the Sellers in writing, at and as of the Closing, a certificate, in form and substance satisfactory to the Sellers, to the effect that the conditions in each of Sections 7.1 and 7.2 hereto have been satisfied.

7.4. Discharge of Indebtedness. The Buyer shall have paid in full and terminated all liabilities of the Company for all Indebtedness evidenced on the Certificate of Indebtedness.

7.5. Redemption of Preferred Shares. The Buyer shall have provided funds in an amount sufficient to complete the Redemption and the Redemption shall have been completed.

7.6. Opinion of Counsel. Orrick, Herrington & Sutcliffe, counsel to the Buyer, shall have delivered to the Sellers a written opinion, addressed to the Sellers and dated the Closing Date, substantially in the form of Exhibit B hereto.

7.7. HSR Act. Any applicable waiting period under the HSR Act, including any extension thereof, shall have expired, or shall have been earlier terminated.

8. CERTAIN DEFINITIONS. As used herein the following terms not otherwise defined have the following respective meanings:

"HSR Act": The Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"Indebtedness": As applied to any Person (as defined in this Section 8), (a) all indebtedness of such Person for borrowed money, whether current or funded, or secured or unsecured, (b) all indebtedness of such Person for the deferred purchase price of property or services represented by a note, (c) all indebtedness of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (d) all indebtedness of such Person secured by a purchase money mortgage or other lien to secure all or part of the purchase price of property subject to such mortgage or lien, (e) all obligations under leases which shall have been or must be, in accordance with generally accepted accounting principles, recorded as capital leases in respect of which such Person is liable as lessee, (f) any liability of such Person in respect of banker's acceptances or letters of credit, and (g) all indebtedness referred to in clause (a), (b), (c), (d), (e) or (f) above which is directly or indirectly guaranteed by such Person

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or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which it has otherwise assured a creditor against loss.

"IRS": The United States Internal Revenue Service.

"Material Adverse Effect": A material adverse effect on the business, operations or financial condition of the Company.

"Person": A corporation, an association, a partnership, an organization, a trust, a business or an individual.

9. CERTAIN COVENANTS.

9.1. Confidential Information. Each of the Sellers and the Buyer agrees that any and all information disclosed by the Buyer to the Sellers or by the Sellers to the Buyer as a result of the negotiations leading to the execution of this Agreement, or in furtherance thereof, or disclosed by either party in connection with any of the transactions contemplated hereby, which information is of a proprietary nature, or was not already known, to the Sellers or to the Buyer, as the case may be ("Confidential Information"), shall remain confidential by the Sellers and the Buyer and their respective employees, directors, officers, agents and representatives (collectively, "Related Parties") pursuant to the terms of that certain Confidentiality Agreement, dated as of April 9, 1996. The Sellers and Buyer further agree that each such Person will not, and will cause each of their respective Related Parties to not, (a) use, or permit the use of, any Confidential Information for any purpose other than to evaluate the transactions contemplated hereby, or (b) disclose, or permit the disclosure of, any Confidential Information (including the fact that discussions and negotiations relating to the transactions contemplated hereby have been, or are in the process of being, completed) to any Person, unless (i) in the opinion of the Sellers or the Buyer, as the case may be, disclosure is required to be made under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, and (ii) the nondisclosing party has been consulted and been provided with prior written notice thereof. If the Closing does not take place for any reason, each of the Sellers and the Buyer agrees not to further divulge or disclose or use for its benefit or purposes any Confidential Information at any time in the future unless such information has otherwise become public. The information intended to be protected hereby shall include, but not be limited to, financial information, customers, sales representatives, and anything else having an economic or pecuniary benefit to the Buyer, the Sellers or the Company, respectively.

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9.2. Hart-Scott-Rodino. The Buyer hereby agrees, and each of the Sellers hereby agrees to cause the Company, to prepare and, on or before the date hereof, file with the United States Department of Justice and the United States Federal Trade Commission all notifications, reports or other documents required to be filed by them under the HSR Act concerning the transactions contemplated hereby and promptly comply with any request by the Department of Justice or the Federal Trade Commission for additional documents or information so that the waiting period specified in the HSR Act shall expire as soon as practicable after the execution and delivery of this Agreement. Each of the Sellers and the Buyer further agree to act in good faith in providing all information and other assistance reasonably requested by the other party hereto in connection with the preparation and filing of such notifications, reports and documents.

10. STANDSTILL. The Buyer hereby acknowledges that certain Confidential Information contains competitively sensitive information concerning the Company's operations in the Eastern Territory (as defined below) and, as a condition to the disclosure thereof to the Buyer, the Buyer hereby agrees that it will not, either directly or through a Related Party or an affiliate, during the Standstill Period (as defined below), (a) acquire, make an equity investment in, make a loan to or guarantee any obligation of any Person more than 5% of whose gross revenues are derived from distributing pet supplies (a "Pet Supply Distributor") in the Eastern Territory, or (b) make an additional equity investment in, make an additional loan to or extend an existing guarantee of any obligation of any Pet Supply Distributor (or any Person which will use the same in order to become a Pet Supply Distributor) in the Eastern Territory in which the Buyer or such Related Party or affiliate has a minority equity interest other than Rumford Aquarium. The "Standstill Period" shall be the period commencing on the date hereof and concluding on the earlier of October 15, 1996 or the Closing Date. For purposes of this paragraph, the term "Eastern Territory" shall mean all states of the United States east of the Mississippi River. During the Standstill Period, the Buyer further agrees to (a) suspend all of its acquisition activity with respect to Pet Supply Distributors in the Eastern Territory, (b) not pursue, solicit, encourage or entertain proposals from or enter into negotiations with or furnish any nonpublic information to any other Person regarding the acquisition of any assets or stock of any Pet Supply Distributor in the Eastern Territory or (c) not continue or begin any negotiations for the acquisition of any Pet Supply Distributor in the Eastern Territory.

11. EXCLUSIVE DEALING. The Sellers hereby agree that during the Exclusivity Period (as defined below), neither the Sellers, the Company nor any of their Related Parties or affiliates shall engage

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in negotiations with any Person, other than the Buyer, concerning the purchase of all or any substantial portion of the stock or assets of the Company. The "Exclusivity Period" shall be the period commencing on the date hereof and ending on the earlier of the Closing Date or the date on which this Agreement is terminated in accordance with the provisions hereof.

12. INDEMNIFICATION.

12.1. Indemnity. Subject to the overall limitations, the minimum amounts and the time limitations set forth in Section 12.3 hereto, each of the Sellers agree severally, and not jointly, to indemnify and hold the Buyer harmless from and with respect to any and all claims, liabilities, losses, damages, costs and expenses, including without limitation the fees and disbursements of counsel (collectively, "Damages"), related to or arising directly or indirectly out of any inaccuracies in any representation or warranty or breach of any covenant made by the Sellers in this Agreement. For purposes of indemnification pursuant to this Section 12, (a) the term "Buyer" shall mean the Buyer and its permitted successors and assigns, and (b) the existence and extent of any inaccuracy in or breach of any representation or warranty contained in Section 3 hereto which is qualified by reference to the defined term "Material Adverse Effect" shall be determined by reading such representation or warranty as if the "Material Adverse Effect" qualifier contained therein had been deleted in its entirety.

12.2. Third Party Claims. In the event that the Buyer desires to make a claim against the Sellers under Section 12.1 above in connection with any action, suit, proceeding or demand at any time instituted against or made upon the Buyer by any third party for which the Buyer may seek indemnification hereunder (a "Third Party Claim"), the Buyer shall promptly notify the Sellers of such Third Party Claim and of the Buyer's claim of indemnification with respect thereto. The Sellers shall have thirty (30) days after receipt of such notice to notify the Buyer if they have elected to assume the defense of such Third Party Claim, provided, that the Buyer shall in any event be entitled to take such actions as are reasonably necessary to avoid prejudicing the Buyer's rights with respect to such Third Party Claim during such 30-day period while it awaits notice from the Seller. Once the Sellers elect to assume the defense of such Third Party Claim, the Sellers shall be entitled at their own expense to conduct and control the defense and settlement of such Third Party Claim through counsel of their own choosing; provided that the Buyer may participate in the defense of such Third Party Claim with its own counsel at its own expense. If the Sellers fail to notify the Buyer within thirty (30) days after receipt of the Buyer's notice of a Third Party Claim, the Buyer shall be entitled to assume the

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defense of such Third Party Claim at the expense of the Sellers, provided, that the Buyer may not settle any Third Party Claim without the Sellers' consent (such consent not to be unreasonably withheld).

12.3. Limitations of Liability. (a) The Sellers shall not be required to indemnify the Buyer hereunder (ii) for any Damages arising from any particular breach by the Sellers of any representation or warranty contained in Section 3 hereof or any covenant contained herein or any particular Third Party Claim if the aggregate amount of the Damages arising from such particular breach or Third Party Claim do not exceed \$10,000 (each, a "De Minimis Claim"), and (ii) subject to paragraph (c) below, except to the extent that the aggregate amount of Damages (excluding De Minimis Claims) for which the Buyer is entitled to indemnification pursuant to Section 12.1 hereto exceeds \$250,000 (it being understood and agreed that the \$250,000 amount is intended as a deductible, and the Sellers shall not be liable for the first \$250,000 of Damages for which the Buyer is entitled to indemnification).

(b) Subject to paragraph (c) below, the aggregate Damages payable by the Sellers pursuant to Section 12.1 above with respect to all claims for indemnification shall not exceed \$2,000,000.

(c) The maximum liability of any Seller with respect to any claim for Damages shall be an amount equal to the aggregate liability of all of the Sellers with respect to such claim multiplied by the percentage set forth opposite such Seller's name on Schedule 1 hereto; provided, however, that the representations and warranties contained in Section 3.5 hereof are made severally by each Seller as to himself or itself only and any Seller who has breached such representation or warranty as to himself or itself (but only such Seller) shall be liable with respect to Damages arising from the breach thereof

up to the full amount of the Purchase Price received by such Seller and no other Seller shall be liable therefor.

(d) No action or claim for Damages pursuant to this Section 12 shall be brought or asserted after the date eighteen (18) months from the Closing, except for Damages arising from a breach of the representations and warranties contained in (i) Section 3.9 hereto for which the Sellers shall not be liable unless the Buyer has asserted a claim for such Damages prior to the expiration of the applicable statute of limitations, and (ii) Section 3.5 hereto for which claims for Damages may be asserted at any time after the Closing Date.

12.4. Expiration of Representations and Warranties; Scope of Sellers' Liability. Each of the representations and warranties

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of the Sellers contained in this Agreement shall irrevocably expire on the last day on which any action or claim for breach of such representation or warranty may be brought or asserted pursuant to Section 12.3(d) hereto (the "Expiration Date"). The Buyer acknowledges and agrees that its sole remedy against the Sellers for any matter arising out of the transactions contemplated by this Agreement is set forth in Section 12.1 hereto and that, except to the extent the Buyer has asserted a claim for indemnification prior to the applicable Expiration Date, the Buyer shall have no remedy against the Sellers for any breach of a representation, warranty or covenant made by them in this Agreement. Notwithstanding anything in this Section 12.4 to the contrary, nothing herein shall be construed so as to waive any of the Buyer's rights or remedies under the antifraud provisions of applicable federal and state securities laws or with respect to any fraud on the part of the Sellers.

13. RIGHT TO TERMINATE.

(a) Subject to paragraph (b) below, in the event that the Closing does not occur on or before July 21, 1996 (the "Termination Date"), either party may terminate this Agreement at any time after the close of business on the Termination Date by delivering written notice to the other party hereto so long as such failure to close is not a result of a breach by the terminating party of any of its obligations hereunder.

(b) Notwithstanding anything to the contrary in this Agreement, if the conditions set forth in Sections 6.9 and 7.7 hereto have not been satisfied by July 21, 1996, the Termination Date shall automatically be extended to the earlier of (i) five (5) days after the expiration, or early termination, of the applicable waiting period under the HSR Act, or (ii) September 21, 1996. If this Agreement is terminated prior to Closing after the Termination Date has been so extended, the Standstill Period under Section 10 hereto shall automatically be extended by the same number of days that the Termination Date is extended beyond July 21, 1996.

(c) Pursuant to paragraph (a) above, in the event that the Buyer terminates this Agreement because either (i) the condition precedent to the Buyer's obligation to consummate the Closing contained in Section 6.4 hereof has not been satisfied, or (ii) the Buyer shall have satisfied all of the conditions precedent to the Sellers' obligation to consummate the Closing and the Sellers shall have failed to satisfy any of the conditions precedent contained in Section 6 hereof, then the Buyer shall be entitled to a refund of the entire amount of the Deposit. In the event that this Agreement is terminated for any reason other than as contemplated by the preceding sentence, the Sellers shall be entitled to retain the

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entire amount of the Deposit and the Deposit shall be distributed to the Sellers based on each Seller's Pro Rata Share.

14. GENERAL.

14.1. Expenses. All expenses of the preparation, execution and consummation of this Agreement and of the transactions contemplated hereby, including, without limitation, attorneys', accountants' and outside advisers' fees and disbursements, shall be borne by (a) the Buyer if incurred for the Buyer's account, including, without limitation, all fees and expenses of Wasserstein Perella & Co. and Antares Partners or (b) the Sellers if incurred for the account of the Company or the Sellers, including without limitation, all fees and expenses of PaineWebber Incorporated.

14.2. Notices. All notices, demands and other communications hereunder shall be in writing or by written telecommunication, and shall be deemed to have been duly given if delivered personally or by overnight courier or if mailed by certified mail, return receipt requested, postage prepaid, or sent by written telecommunication, as follows:

If to the Sellers, to:

c/o BancBoston Ventures Inc.
100 Federal Street
Boston, MA 02110

Attention: Mark H. DeBlois

with a copy sent contemporaneously to:

Robert M. Wolf, Esq.
Bingham, Dana & Gould
150 Federal Street
Boston, Massachusetts 02110

If to the Buyer, to:

c/o Central Garden & Pet Company
3697 Mt. Diablo Boulevard
Lafayette, California

Attention: William E. Brown

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with a copy sent contemporaneously to:

John F. Seegal, Esq.
Orrick, Herrington & Sutcliffe
400 Sansome Street
San Francisco, California 94111

14.3. Entire Agreement. This Agreement contains the entire understanding of the parties, supersedes all prior agreements and understandings relating to the subject matter hereof and shall not be amended except by a written instrument hereafter signed by all of the parties hereto.

14.4. Governing Law. The validity and construction of this Agreement shall be governed by the internal laws (and not the choice-of-law rules) of the Commonwealth of Massachusetts.

14.5. Sections and Section Headings. All enumerated subdivisions of this Agreement are herein referred to as "Section" or "subsection." The headings of Sections and subsections are for reference only and shall not limit or control the meaning thereof.

14.6. Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and permitted assigns. Neither this Agreement nor the obligations of any party hereunder shall be assignable or transferable by such party without the prior written consent of the other parties hereto, except, upon the prior written notice thereof to the Sellers, by the Buyer to one of its subsidiaries. Notwithstanding the prior sentence, no such assignment or transfer by the Buyer shall release the Buyer of its obligations hereunder.

14.7. Further Assurances. The Sellers and the Buyer shall execute and deliver to all appropriate other parties such other instruments as may be reasonably required in connection with the performance of this Agreement and each shall take all such further actions as may be reasonably required to carry out the transactions contemplated by this Agreement.

14.8. No Implied Rights or Remedies. Except as otherwise expressly provided herein, nothing herein expressed or implied is intended or shall be construed to confer upon or to give any person, firm or corporation, other than the Sellers and the Buyer and their respective shareholders, any rights or remedies under or by reason of this Agreement.

14.9. Knowledge. Whenever the phrase "to the knowledge of such Seller" or another similar qualification is used herein, the relevant knowledge is limited solely to the actual knowledge of such Seller, together with the knowledge of Alexander A. Friend,

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Steven F. Skoler and BancBoston Ventures, Inc., without imputing to such Seller any knowledge of any other Person, including the Company and any other Seller.

14.10. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

14.11. Satisfaction of Conditions Precedent. The Sellers and the Buyer will each use their best efforts to cause the satisfaction of the conditions precedent contained in this Agreement; provided, however, that nothing contained in this Section 14.11 shall obligate any party hereto to waive any right or condition under this Agreement.

14.12. Public Statements or Releases. Except as otherwise required by applicable law, the parties hereto each agree that no party to this Agreement will make, issue or release any public announcement, statement or acknowledgment of the existence of, or reveal the status of, this Agreement, the transactions contemplated hereby or any negotiations or discussions related thereto or hereto, without first obtaining the prior consent of the other parties hereto. Each of the parties hereto further agrees to provide written notice to the other parties to this Agreement, immediately upon the knowledge thereof, of any obligation under applicable law to make, issue or release any such public announcement, statement or acknowledgment. IN WITNESS WHEREOF, and intending to be legally bound hereby, the parties hereto have caused this Agreement to be duly executed and delivered by their respective duly authorized officers as of the date and year first above written.

STOCKHOLDERS:

BANCBOSTON VENTURES INC.

By: _____
Title:

CORAL REEF PARTNERS, L.P.

By: _____
Title:

Alexander A. Friend

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Steven F. Skoler

OPTIONHOLDERS:

Alexander A. Friend

Steven F. Skoler

Thomas Maddux

Greg Sullivan

Fred DeTomasso

Steve Misovic

WARRANTHOLDER:

GREYROCK CAPITAL GROUP, INC.

By: _____
Title:

BUYER:
CENTRAL GARDEN & PET COMPANY

By: _____
William E. Brown
Chairman and Chief Executive
Officer

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COMPANY:
KENLIN PET SUPPLY, INC.

By: _____
Title:

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Schedule 1
OWNERSHIP

- I. Stockholders
1. BancBoston Ventures Inc.
 2. Alexander A. Friend
 3. Steven F. Skoler
 4. Coral Reef Partners, Inc.

II. Optionholders

- 1.

II. Warrantholders

1. Greylock Capital Group, Inc.

PRO RATA SHARE OF PURCHASE PRICE

Sellers

Number of
Shares

Percentage of
Ownership

Portion of
Purchase Price

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BancBoston Ventures Inc.
Alexander A. Friend
Steven F. Skoler
Coral Reef Partners, L.P.

[optionholders]
[Greylock Capital Group, Inc.]

100%

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Kenlin Pet Supply, Inc.

Financial Statements

July 31, 1995

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Report of Independent Auditors

Board of Directors
Kenlin Pet Supply, Inc.

We have audited the accompanying balance sheets of Kenlin Pet Supply, Inc. as of July 31, 1995 and 1994 and the related statements of operations and retained earnings (deficit) and cash flows for each of the two years in the period ended July 31, 1995 and the period August 21, 1992 (commencement date of operations) through July 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kenlin Pet Supply, Inc. at July 31, 1995 and 1994 and the results of its operations and its cash flows for each of the two years in the period ended July 31, 1995 and the period August 21, 1992 (commencement date of operations) through July 31, 1993 in conformity with generally accepted accounting principles.

Ernst & Young LLP

Hackensack, New Jersey
September 22, 1995

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Kenlin Pet Supply, Inc.

Balance Sheets

<TABLE>
<CAPTION>

	JULY 31 1994	MARCH 30 1995	MARCH 30 1996
	-----	-----	-----
	<C>	<C>	(Unaudited) <C>
<S>			
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 539,718	\$ 41,681	\$ 98,539
Accounts receivable, less allowances of \$133,044 in 1994 and \$212,728 in 1995	3,247,337	3,952,587	5,069,213
Merchandise inventories	7,701,598	8,190,580	9,987,463
Miscellaneous receivables and other current assets	501,649	529,718	544,185
Prepaid income taxes		92,300	
Deferred taxes (Note 4)	163,100	203,900	203,900
	-----	-----	-----
Total current assets	12,153,402	13,010,766	15,903,300

Other assets	66,508	80,131	83,630
Equipment, furniture, fixtures and leasehold improvements, net of accumulated depreciation of \$454,926 in 1994 and \$764,454 in 1995	926,607	1,172,592	1,595,647
Intangibles and deferred financing costs, net	1,206,044	775,847	1,032,789
Organization and start-up costs, net	430,793	289,905	242,286
Goodwill, net	2,860,195	2,785,041	2,967,003
	-----	-----	-----
	\$17,643,549	\$18,114,282	\$21,824,655
	=====	=====	=====
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY			
Current liabilities:			
Current portion of notes payable and long-term debt (Note 2)	\$ 1,721,812	\$ 462,638	
Accounts payable	1,175,488	2,053,728	\$ 2,402,652
Accrued expenses and other current liabilities	759,188	960,574	1,129,376
Income taxes payable	472,027	61,547	230,509
	-----	-----	-----
Total current liabilities	4,128,515	3,538,487	3,762,537
Other liabilities:			
Deferred taxes (Note 4)	24,600	400	400
Notes payable and long-term debt (Note 2)	9,205,430	8,950,265	11,080,507
Redeemable preferred stock (Note 3):			
Cumulative, redeemable preferred stock, par value \$1.00 per share, authorized 10,000 shares, issued and outstanding 2,867 shares for 1994 and 3,107 shares for 1995	2,866,849	3,106,849	3,227,505
Common stockholders' equity (Notes 3 and 5):			
Class A voting common stock, par value \$.01 per share, authorized 11,000 shares, issued and outstanding 2,822 shares	28	28	28
Class B non-voting common stock, par value \$.01 per share, authorized 11,000 shares, issued and outstanding 4,000 shares	40	40	40
Class C voting common stock, par value \$.01 per share, authorized 11,000 shares, issued and outstanding 2,378 shares	24	24	24
Additional paid-in capital	873,059	873,059	873,059
Retained earnings	545,004	1,645,130	2,880,555
	-----	-----	-----
Total common stockholders' equity	1,418,155	2,518,281	3,753,706
	-----	-----	-----
	\$17,643,549	\$18,114,282	\$21,824,655
	=====	=====	=====

</TABLE>

See accompanying notes.

2

Kenlin Pet Supply, Inc.

Statements of Operations and Retained Earnings (Deficit)

<TABLE>

<CAPTION>

	PERIOD	YEAR ENDED JULY 31		EIGHT MONTHS ENDED	
	ENDED JULY 31 1993	1994	1995	MARCH 30 1995	1996
		-----	-----	-----	-----
				(Unaudited)	
<S>	<C>	<C>	<C>	<C>	<C>
Net sales	\$44,716,387	\$53,253,525	\$62,979,341	\$42,888,323	\$48,748,181
Cost of goods sold	33,394,092	38,603,547	45,783,989	31,250,001	35,338,857
	-----	-----	-----	-----	-----
Gross profit	11,322,295	14,649,978	17,195,352	11,638,322	13,409,324
Selling, general and administrative expenses	9,163,816	11,214,833	13,133,341	8,845,294	9,973,112
	-----	-----	-----	-----	-----
Income from operations	2,158,479	3,435,145	4,062,011	2,793,028	3,436,212
Amortization expense	965,474	907,902	646,239	441,759	396,640
Interest expense	1,225,230	1,130,709	1,134,921	771,561	726,486

Other income-net	41,095	31,026	19,275	(7,271)	(15,643)
Income before income taxes	8,870	1,427,560	2,300,126	1,572,437	2,297,443
Provision for income taxes (Note 4)	28,200	623,226	960,000	649,016	941,362
Net income (loss)	(19,330)	804,334	1,340,126	923,421	1,356,081
Dividends on redeemable preferred stock		(240,000)	(240,000)	120,985	120,656
Retained earnings (deficit) at beginning of year	-	(19,330)	545,004	545,004	1,645,130
Retained earnings (deficit) at end of year	\$ (19,330)	\$ 545,004	\$1,645,130	\$1,347,440	\$2,880,555

</TABLE>

See accompanying notes.

3

Kenlin Pet Supply, Inc.

Statements of Cash Flows

<TABLE>
<CAPTION>

ENDED	PERIOD		EIGHT MONTHS		
	ENDED JULY 31	YEAR ENDED JULY 31		MARCH 30	
-----	1993	1994	1995	1995	--
1996	-----	-----	-----	-----	--
(Unaudited)	<C>	<C>	<C>	<C>	<C>
<S>					
OPERATING ACTIVITIES					
Net income	\$ (19,330)	\$ 804,334	\$ 1,340,126	\$ 923,421	\$
1,356,081					
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	1,166,384	1,177,364	999,933	683,092	
725,675					
Loss on disposal of assets	9,575	17,134			
Provision for doubtful accounts	143,582	167,820	182,084	30,517	
99,971					
Deferred tax benefit	(121,500)	(17,000)	(65,000)		
Changes in operating assets and liabilities:					
Accounts receivable	(279,076)	(174,498)	(887,334)	(1,053,016)	
(1,125,784)					
Inventories	2,100,224	63,557	(488,982)	(646,513)	
(1,179,433)					
Miscellaneous receivables and other current assets	29,322	(117,126)	(120,369)	135,180	
77,833					
Other assets	(59,358)	(7,150)	(13,623)		
(3,499)					
Accounts payable	(378,538)	213,565	878,240	828,576	
220,507					
Organization and start-up costs	(38,020)				
Accrued expenses and other current liabilities	260,650	354,909	(209,094)	(17,257)	
296,337	-----	-----	-----	-----	--
Net cash provided by operating activities	2,813,915	2,482,909	1,615,981	884,000	
467,688					
INVESTING ACTIVITIES					
Cash paid for acquired business					
(877,012)					
Purchase of equipment, furniture, fixtures and leasehold improvements	(282,020)	(365,767)	(599,679)	(460,633)	
(563,740)	-----	-----	-----	-----	--
Net cash used in investing activities	(282,020)	(365,767)	(599,679)	(460,633)	

(1,440,752)

FINANCING ACTIVITIES

Proceeds from (principal payments on) notes payable and long-term debt	(225,000)	(1,590,550)	(1,687,289)	(1,480,777)	
1,492,560					
Net proceeds (repayments) on revolving credit note payable	(1,950,000)	(646,950)	172,950	570,157	
(462,638)					
-----					--
Net cash (used in) provided by financing activities	(2,175,000)	(2,237,500)	(1,514,339)	(910,620)	
1,029,922					
-----					--
Net (decrease) increase in cash and cash equivalents	356,895	(120,358)	(498,037)	(487,253)	
56,858					
Cash and cash equivalents at beginning of year	303,181	660,076	539,718	539,718	
41,681					
-----					--
Cash and cash equivalents at end of year	\$ 660,076	\$ 539,718	\$ 41,681	\$ 52,465	\$
98,539					
=====					

SUPPLEMENTAL CASH FLOW DISCLOSURE

Cash paid during the year for:					
Interest	\$ 1,194,831	\$ 1,130,710	\$ 1,134,921	\$ 771,561	\$
726,486					
Federal and state income taxes	197,500	118,756	1,527,780	1,035,692	
843,753					

Non-cash investing and financing activities:

Issuance of note payable for acquired business
650,000

Liabilities assumed from acquired business
128,417

</TABLE>

See accompanying notes.

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Kenlin Pet Supply, Inc.

Notes to Financial Statements

July 31, 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

On August 21, 1992 (commencement of operations), Kenlin Acquisition Corporation ("Kenlin") purchased certain assets and assumed certain liabilities of Kenlin Pet Supply, Inc. (the "Seller"). Prior to this transaction, Kenlin was inactive. Also on this date, Kenlin changed its name to Kenlin Pet Supply, Inc. (the "Company"). The transaction was accounted for as a purchase.

CONCENTRATION OF CREDIT RISK

The Company is engaged in the distribution of a broad line of pet supply products, principally to retail outlets, in the Northeastern and Midatlantic United States. No individual customer represents a significant percentage of sales. The Company performs periodic credit evaluations of its customers and requires certain customers to personally guarantee amounts due.

CASH EQUIVALENTS

Cash equivalents consist of highly-liquid investments with a maturity of three months or less when purchased.

MERCHANDISE INVENTORIES

Inventories are stated at the lower of cost (average cost) or market.

INCOME TAXES

Deferred tax assets and liabilities are determined based on differences between financial reporting and tax basis of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

EQUIPMENT, FURNITURE, FIXTURES AND LEASEHOLD IMPROVEMENTS

Equipment, furniture, fixtures and leasehold improvements are stated at cost. Depreciation is provided on the straight-line basis over estimated useful lives of the related assets or the remaining term of the lease, which range from 3 to 10 years.

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Kenlin Pet Supply, Inc.

Notes to Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INTANGIBLES AND DEFERRED FINANCING COSTS

Intangible assets include values assigned to a non-compete agreement (\$1,500,000) and consulting services agreement (\$750,000) with the controlling shareholder of the Seller. The non-compete agreement is being amortized over a period of five years and the consulting services agreement was amortized over a 2 year period. Accumulated amortization of the non-compete and consulting services agreements at July 31, 1995 and 1994 was \$1,632,740 and \$1,315,480, respectively. Goodwill, all of which resulted from the purchase transaction described above is being amortized over 40 years. Accumulated amortization of goodwill at July 31, 1995 and 1994 was \$221,126 and \$145,972, respectively.

Costs incurred in connection with long-term debt have been deferred and are being amortized over the lives of the related debt issues using the interest method. Accumulated amortization of deferred financing costs at July 31, 1995 and 1994 was \$251,213 and \$138,276, respectively.

ORGANIZATION AND START-UP COSTS

Costs associated with the organization of the corporation and other costs incurred to complete the acquisition and start the business operations described above are being amortized over 60 months. Accumulated amortization of these costs at July 31, 1995 and 1994 was \$414,536 and \$273,648, respectively.

INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements as of March 30, 1996 and for each of the eight month periods ended March 30, 1996 and 1995 include all adjustments which, in the opinion of management, are necessary for a fair presentation of the Company's financial position and results of operations and cash flows for the periods presented. All adjustments are of a normal recurring nature. The results of the Company's operations for the eight months ended March 30, 1996 are not necessarily indicative of the results of operations for a full fiscal year.

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Kenlin Pet Supply, Inc.

Notes to Financial Statements (continued)

2. NOTES PAYABLE AND LONG-TERM DEBT

Notes payable and long-term debt consists of the following:

<TABLE>
<CAPTION>

	JULY 31	
	1994	1995
	-----	-----
<S>	<C>	<C>
Revolving credit note payable	\$ 1,827,050	\$2,000,000

Term note payable to bank, payable in quarterly installments in increasing amounts, including interest which has accrued from the last monthly payment of interest, through August 1998 (Tranche A Note)

	2,184,450	462,638
--	-----------	---------

Term note payable to bank, payable in quarterly installments of \$250,000 commencing November 30, 1997 through August 31, 1998 and \$375,000 through August 31, 1999, including interest

which has accrued from the last monthly payment of interest, through August 1999 (Tranche B Note)	2,500,000	2,500,000
Subordinated note payable to Seller, payable on August 31, 2002, with interest payable in quarterly installments commencing November 30, 1992 at 10%, through August 2002	4,415,742	4,415,742
Capital lease obligation		34,523
	-----	-----
	10,927,242	9,412,903
Less current portion	1,721,812	462,638
	-----	-----
Total long-term debt	\$ 9,205,430	\$8,950,265
	=====	=====

</TABLE>

The revolving credit note payable represents the amount outstanding under a \$6 million revolving credit note with a bank due the earlier of August 21, 1999 or the date on which the two term loans are paid in full. Any unused portion of the revolving credit facility is subject to a .5% commitment fee. Borrowings under the revolving credit note are based on a specific borrowing formula based on eligible assets. The outstanding balance under the revolving credit note has been excluded from current liabilities because the Company intends that at least that amount would remain outstanding under this agreement for an uninterrupted period extending beyond one year from the balance sheet date. The revolving credit note payable and two term loans ("senior loans") bear interest, payable monthly, based upon a rate option selected by the Company and adjusted based upon the

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Kenlin Pet Supply, Inc.

Notes to Financial Statements (continued)

2. NOTES PAYABLE AND LONG-TERM DEBT (CONTINUED)

terms of each note. The rates in effect at July 31, 1995 are 10.38%, 10.63%, and 13.13%, respectively (8.78%, 9.04% and 11.54%, respectively, at July 31, 1994). The senior loans are collateralized by substantially all assets of the Company. Among other things, the senior loans restrict the Company's ability to incur additional indebtedness and require the Company to maintain certain financial ratios. In addition, the repayment terms of the senior loans call for accelerated payments based upon "excess cash flow" (as defined). At July 31, 1995, \$217,970 has been classified as a current liability based on 1995 excess cash flows.

In accordance with the terms of the senior loans, the Company had an interest rate cap agreement for a notional principal amount of \$5 million, which provided for a maximum increase of 2.72% over the rate in effect at the date of the agreement for a period of thirty months. This agreement expired in April 1995

The subordinated note payable is subject to a mandatory prepayment schedule at such time that all senior loans have been paid in full ("senior loan payment date"). The prepayment schedule provides that 20% of the principal be paid on the first through fifth anniversary date of such payment date.

As of July 31, 1995, maturities of bank loans and notes payable over the next five fiscal years are as follows:

<TABLE>

<S>	<C>
1996	\$ 462,638
1997	--
1998	750,000
1999	1,375,000
2000	2,375,000
Thereafter	4,450,265

</TABLE>

3. CUMULATIVE REDEEMABLE PREFERRED STOCK

The cumulative, redeemable preferred stock is non-voting and has a minimum liquidating preference of \$1,000 per share and is subject to redemption by the Company on the earlier of August 21, 1999 or the date of a redemption event, as defined in the Certificate of Incorporation. Dividends are fixed at \$240,000 per year and are on a paid-in-kind basis.

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Kenlin Pet Supply, Inc.

Notes to Financial Statements (continued)

4. INCOME TAXES

The provision for income taxes is comprised of the following:

	PERIOD	YEAR ENDED JULY 31	
	ENDED JULY 31 1993	1994	1995
<S>	<C>	<C>	<C>
Current:			
Federal	\$ 112,800	\$480,000	\$ 787,000
State	36,900	160,226	238,000
	-----	-----	-----
	149,700	640,226	1,025,000
Deferred:			
Federal	(94,300)	(13,000)	(52,000)
State	(27,200)	(4,000)	(13,000)
	-----	-----	-----
	(121,500)	(17,000)	(65,000)
	-----	-----	-----
	\$ 28,200	\$623,226	\$ 960,000
	=====	=====	=====

</TABLE>

The Company's income tax provisions differ from the statutory rate principally due to state income taxes and the nondeductibility of goodwill amortization for tax purposes.

The components of the Company's current and long-term deferred tax accounts consisted of the following:

	CURRENT	LONG-TERM	TOTAL
<S>	<C>	<C>	<C>
JULY 31, 1994			
Deferred tax assets:			
Bonus accrual	\$ 19,100		\$ 19,100
Accounts receivable allowance	58,000		58,000
Capitalized inventory costs	112,000		112,000
	-----	-----	-----
Total deferred tax assets	189,100		189,100
Deferred tax liabilities:			
Tax over book depreciation		\$ 24,600	24,600
Prepaid expenses	15,400		15,400
State taxes	10,600		10,600
	-----	-----	-----
Total deferred tax liabilities	26,000	24,600	50,600
	-----	-----	-----
Net deferred tax assets	\$163,100	\$(24,600)	\$138,500
	=====	=====	=====

</TABLE>

Kenlin Pet Supply, Inc.

Notes to Financial Statements (continued)

4. INCOME TAXES (CONTINUED)

	CURRENT	LONG-TERM	TOTAL
<S>	<C>	<C>	<C>
JULY 31, 1995			
Deferred tax assets:			
Book over tax amortization		\$33,700	\$ 33,700
Bonus accrual	\$ 27,100		27,100
Accounts receivable allowance	94,200		94,200
Capitalized inventory costs	124,800		124,800
	-----	-----	-----
Total deferred tax assets	246,100	33,700	279,800
Deferred tax liabilities:			
Tax over book depreciation		34,100	34,100
Prepaid expenses	27,200		27,200
State taxes	15,000		15,000

Total deferred tax liabilities	----- 42,200	----- 34,100	----- 76,300
Net deferred tax assets (liabilities)	----- \$203,900	----- \$ (400)	----- \$203,500
	=====	=====	=====

</TABLE>

No valuation allowance on deferred tax assets was considered necessary at either July 31, 1995 or 1994.

5. COMMON STOCKHOLDERS' EQUITY

The Class A and Class C common stock are convertible into an equal number of shares of Class B common stock, and Class B common stock is convertible into an equal number of shares of Class A common stock. All shares of Class C common stock are subject to automatic conversion into an equal number of Class A common stock upon closing of the first underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933 in an amount not less than \$20 million in gross proceeds.

In consideration for making the Tranche B Note, the Company has issued to the bank Warrants to purchase up to 800 additional shares (plus additional "anti-dilution" shares) of the Company's Class A common stock. The Warrants are exercisable at \$.01 per share, subject to adjustment under the terms of the Warrant. The Warrants are subject to mandatory redemption at the option of the holder at the earliest of August 21, 1997 or the occurrence of certain events which effectively repay the senior loans and revolving loan. Redemption at the option of the Company can also occur during certain periods as specified in the Warrant. The mandatory and optional redemptions will be at per share values defined in the Warrant and are based upon fair market value. The Warrant expires on August 21, 2002.

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Kenlin Pet Supply, Inc.

Notes to Financial Statements (continued)

5. COMMON STOCKHOLDERS' EQUITY (CONTINUED)

The Company has entered into option agreements with two key employee stockholders which entitle them each to purchase Class A common stock in an amount up to 2% (plus additional "anti-dilution" shares) of total common stock on a fully diluted basis. These options become exercisable based upon a financial calculation at a price equal to \$.10 per share. The options terminate at the earlier of August 21, 2012 or a terminating event, as defined.

At July 31, 1995, 7,779 shares of unissued Class A common stock of the Company were reserved for issuance in accordance with the terms of the convertible securities, the stock option agreements, and the Warrants and 7,000 shares of the Class B common stock were reserved for issuance under the terms of the convertible securities.

The Class B and Class C common stock are subject to put by the stockholder on or after August 22, 1997 and call by the Company on or after August 22, 1998, each at a price per share equal to the greater of the fair market value at the date of put or call or an amount calculated based upon certain financial information as defined in the Securities Purchase Agreement. The Agreement terminates on the date there are no longer any preferred or common shares outstanding.

Under certain circumstances, Class C common stock has special voting rights as compared to Class A common stock. In addition, the Company is party to a Registration Rights Agreement which provides certain shares with rights to request registration of their shares under the Securities Act of 1933 at any time after August 21, 1997.

6. STOCK COMPENSATION PLAN

In August 1992, the Company established a Stock Compensation Plan under which shares of common stock may be issued and options may be granted at the discretion of the Board of Directors to employees, directors, officers, consultants and advisors. In November 1993 an option to purchase up to 101 shares of the Company's Class A common stock for \$.10 per share was granted to an employee. The option vests in November 1995. The compensation element related to this grant was not material.

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Kenlin Pet Supply, Inc.

Notes to Financial Statements (continued)

7. EMPLOYEE BENEFIT PLAN

During 1993, the Company established an employee profit sharing plan covering substantially all employees. The Company at its discretion contributes to the

plan an amount determined by the Board of Directors. The Company has accrued \$62,500, \$52,500 and \$50,500 for the years ended July 31, 1995 and 1994 and the period ended July 31, 1993, respectively.

8. COMMITMENTS

The Company leases its principal warehouse and administrative facility under a five year non-cancellable operating lease with a 5 year renewal option. Rental expense under this operating lease was approximately \$795,000, \$714,000 and \$714,000 for the years ended July 31, 1995 and 1994 and the period ended July 31, 1993, respectively.

Approximate minimum future lease payments for noncancellable operating leases with terms in excess of one year for each fiscal year are as follows:

1996	\$924,000
1997	972,000
1998	51,000

The Company has entered into 5 year employment agreements with two key employee stockholders. Each agreement provides for an annual base salary plus an annual incentive bonus. The agreements expire on July 31, 1997.

9. EVENTS SUBSEQUENT TO AUDITED FINANCIAL STATEMENTS

On November 9, 1995, the Company acquired certain assets and assumed certain liabilities of Specter Wholesale Supply, Inc., a company engaged in the distribution of pet supplies. The aggregate purchase price was approximately \$1,200,000. The transaction was accounted for under the purchase method of accounting. In addition, the Company entered into a ten year non-competition agreement with the former owners for \$500,000.

On June 18, 1996 the shareholders of the Company entered into an agreement with Central Garden and Pet Company to sell all of the outstanding common stock of the Company to Central Garden and Pet Company.

PRO FORMA CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

The Company's acquisition of Kenlin ("Acquisition") will be accounted for under the "purchase" method of accounting which requires the purchase price to be allocated to the acquired assets and liabilities of Kenlin on the basis of their estimated fair values as of the date of acquisition. The following pro forma combined condensed balance sheet gives effect to the Acquisition of Kenlin as if it occurred on March 30, 1996 and the pro forma combined condensed statements of income give effect to the Acquisition as if it occurred on December 26, 1994 and include adjustments directly attributable to the Acquisition and expected to have a continuing impact on the combined company (collectively, the "Pro Forma Financial Information"). As the Pro Forma Financial Information has been prepared based on preliminary estimates of fair values, amounts actually recorded may change upon determination of the total purchase price and additional analysis of individual assets and liabilities assumed.

The Pro Forma Financial Information and related notes are provided for informational purposes only and are not necessarily indicative of the consolidated financial position or results of operations of the Company as they may be in the future or as they might have been had the Acquisition been effected on the assumed dates. The Pro Forma Financial Information should be read in conjunction with the historical consolidated financial statements of the Company, and the related notes thereto, which are included in the Company's Annual Report on Form 10-K for the nine-month period ended September 30, 1995, and the historical financial statements of Kenlin, and the related notes thereto, presented elsewhere in this Current Report on Form 8-K. See Exhibit 1.3 attached hereto.

PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 1995
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

<TABLE>
<CAPTION>

	HISTORICAL		PRO FORMA	
	Central Garden	Kenlin	Adjustments	Combined
<S>	<C>	<C>	<C>	<C>
Net sales.....	\$373,734	\$46,957		\$420,691
Costs of goods sold and occupancy.....	316,832	34,075	\$1,976 (a)	352,883
Gross profit.....	56,902	12,882	(1,976)	67,808
Selling, general and administrative expenses....	48,075	10,426	(2,088) (a), (b)	56,413
Income from operations.....	8,827	2,456	112	11,395
Interest and other expenses..	6,844	817	1,637 (c)	9,298
Income before income taxes...	1,983	1,639	(1,525)	2,097
Income taxes.....	904	688	(561) (d)	1,031
Net income.....	\$1,079	\$951	(\$964)	\$1,066
Net income per share.....	\$0.18			\$0.18
Weighted average common and common equivalent shares outstanding.....	5,943			5,943

</TABLE>

Notes to Unaudited Pro Form Combined Condensed Statement of Income

The following adjustments represent those necessary to show how the purchase might have affected the historical consolidated financial statements had it been consummated at December 26, 1994.

- a. Represents the reclassification of certain costs to conform with Central Garden's policy.

- b. Reflects an adjustment to goodwill amortization totaling \$56,000 for the excess of amortization recognized by Kenlin on a historical basis over the goodwill resulting from the Kenlin acquisition. Goodwill is amortized on a straight-line basis over forty years.
- c. Represents interest expense on borrowings under the Company's line of credit incurred in conjunction with the Acquisition and on estimated average borrowings during the nine months. Interest expense was computed at 9.61% (based on the prime rate plus 3/4% per annum).
- d. Adjusts the historical provision for income taxes to give effect to the pro forma adjustments discussed in a., b. and c. above.

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PRO FORMA COMBINED CONDENSED STATEMENT OF INCOME
FOR THE SIX MONTH PERIOD ENDED MARCH 30, 1996
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

<TABLE>
<CAPTION>

	HISTORICAL		PRO FORMA	
	Central Garden	Kenlin	Adjustments	Combined
<S>	<C>	<C>	<C>	<C>
Net sales.....	\$260,132	\$37,826		\$297,958
Costs of goods sold and occupancy.....	227,006	27,398	\$1,575 (a)	255,979
Gross profit.....	33,126	10,428	(1,575)	41,979
Selling, general and administrative expenses....	29,783	7,938	(1,617) (a), (b)	36,104
Income from operations.....	3,343	2,490	42	5,875
Interest and other expenses..	2,591	589	994 (c)	4,174
Income before income taxes...	752	1,901	(952)	1,701
Income taxes.....	324	778	(296) (d)	806
Net income.....	\$428	\$1,123	(\$656)	\$895
Net income per share.....	\$0.04			\$0.09
Weighted average common and common equivalent shares outstanding.....	10,381			10,381

Notes to Unaudited Pro Form Combined Condensed Statement of Income

The following adjustments represent those necessary to show how the purchase might have affected the historical consolidated financial statements had it been consummated at December 26, 1994.

- a. Represents the reclassification of certain costs to conform with Central Garden's policy.
- b. Reflects an adjustment to goodwill amortization totaling \$53,000 for the excess of amortization recognized by Kenlin on a historical basis over the goodwill resulting from the Kenlin acquisition. Goodwill is amortized on a straight-line basis over forty years.
- c. Represents interest expense on borrowings under the Company's line of credit incurred in conjunction with the Acquisition and on estimated average borrowings during the six months. Interest expense was computed at 9.15% (based on the prime rate plus 3/4% per annum).
- d. Adjusts the historical provision for income taxes to give effect to the pro forma adjustments discussed in a., b. and c. above.

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PRO FORMA COMBINED CONDENSED BALANCE SHEET
March 30, 1996
(IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

	HISTORICAL		PRO FORMA	
	Central Garden	Kenlin	Adjustments	Combined
<S>	<C>	<C>	<C>	<C>
ASSETS:				
Cash.....	\$139	\$99		\$238
Inventories.....	110,151	9,987	\$(63) (a)	120,075
Other current assets...	95,978	5,817	1,011 (b)	102,806
Land, buildings, improvements and equipment-net.....	9,833	1,596		11,429
Other assets.....	13,675	4,325	15,180 (c), (d)	33,180
Total	\$229,776	\$21,824	\$16,128	\$267,728
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Current liabilities....	\$144,730	\$ 3,763	\$34,189 (e), (f)	\$182,682
Long-term debt.....	8,635	11,080	(11,080) (g)	8,635
Deferred items.....	1,836	0		1,836
Shareholders' equity...	74,575	6,981	(6,981) (h)	74,575
Total.....	\$229,776	\$21,824	\$16,128	\$267,728

</TABLE>

Notes to Unaudited Pro Form Combined Condensed Balance Sheet

The following adjustments represent those necessary to allocate the purchase price paid to acquire Kenlin, had the acquisition been consummated at March 30, 1996.

- a. Includes adjustments of (i) \$375,000 to reduce inventories to approximate fair value as determined by the Company based on its analysis of the individual inventory items, and (ii) \$312,000 to capitalize additional costs into inventory to conform with the Company's capitalization policy.
- b. Represents the deferred tax impact of (i) certain pro forma adjustments for reserves and accruals which are not deductible for tax purposes until future periods, and (ii) tax basis in excess of the Company's book basis of acquired intangibles.
- c. Represents the \$19,421,000 excess of purchase price over the fair value of net assets acquired.
- d. Eliminates Kenlin's previously recorded intangible assets of \$4,241,000.
- e. Consists of an accrual of \$1,189,000 for estimated expenses incurred which are directly related to the Acquisition.
- f. Includes borrowings of \$33,000,000 incurred in connection with the Acquisition of Kenlin.
- g. Reflects the repayment of Kenlin's long-term debt.
- h. Reflects the elimination of Kenlin's shareholders' equity due to the Acquisition.

CONSENT OF INDEPENDENT AUDITORS

We consent to the use of our report dated September 22, 1995, with respect to the financial statements of Kenlin Pet Supply, Inc. incorporated by reference into the Registration Statement (Form S-4 dated June 5, 1996) and related Prospectus of Central Garden & Pet Supply Company for the registration of 750,000 shares of its common stock and included in its Current Report on Form 8-K dated June 18, 1996, both filed with the Securities and Exchange Commission.

Ernst & Young LLP

Hackensack, New Jersey
June 27, 1996