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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended December 27, 2003

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 0-20242

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**CENTRAL GARDEN & PET COMPANY**

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**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

**68-0275553**  
(I.R.S. Employer  
Identification No.)

**3697 Mt. Diablo Blvd., Suite 310, Lafayette, California 94549**  
(Address of principle executive offices)

**(925) 283-4573**  
(Registrant's telephone number, including area code)

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

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

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

Common Stock Outstanding as of January 30, 2004	18,322,518
Class B Stock Outstanding as of January 30, 2004	1,654,462

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

This quarterly report contains “forward-looking” statements based on current expectations that involve risks and uncertainties. Actual results and the timing of certain events may differ significantly from those projected in these forward-looking statements due to the factors listed below, under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 27, 2003, and from time to time in our filings with the Securities and Exchange Commission. Central undertakes no obligation to publicly update these forward-looking statements to reflect new information, subsequent events or otherwise.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	September 27, 2003	December 27, 2003
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 77,604	\$ 65,265
Restricted investments	—	15,052
Accounts receivable (less allowance for doubtful accounts of \$6,575 and \$5,864)	146,075	113,839
Inventories	217,156	243,911
Prepaid expenses and other assets	15,222	17,601
Total current assets	456,057	455,668
Land, buildings, improvements and equipment—net	101,538	101,873
Goodwill	222,780	222,780
Deferred income taxes and other assets	48,723	51,481
Total	\$ 829,098	\$ 831,802
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 105,103	\$ 105,112
Accrued expenses	47,061	47,556
Current portion of long-term debt	1,028	1,028
Total current liabilities	153,192	153,696
Long-term debt	249,225	249,782
Other long-term obligations	1,585	1,570
Shareholders' equity:		
Class B stock, \$.01 par value: 1,654,462 shares outstanding at September 27, 2003 and December 27, 2003	16	16
Common stock, \$.01 par value: 31,909,919 and 32,039,368 issued and 18,167,669 and 18,297,118 outstanding at September 27, 2003 and December 27, 2003	319	320
Additional paid-in capital	545,228	547,530
Retained earnings	24,360	23,715
Treasury stock	(144,827)	(144,827)
Total shareholders' equity	425,096	426,754
Total	\$ 829,098	\$ 831,802

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
	December 28, 2002	December 27, 2003
Net sales	\$ 211,936	\$ 222,350
Cost of goods sold and occupancy	150,718	160,279
Gross profit	61,218	62,071
Selling, general and administrative expenses	59,254	58,511
Income from operations	1,964	3,560
Interest expense	(2,843)	(4,105)
Interest income	26	199
Other expense	(341)	(715)
Loss before income taxes	(1,194)	(1,061)
Income taxes	(477)	(416)
Net loss	\$ (717)	\$ (645)
Basic and diluted loss per common equivalent share	\$ (0.04)	\$ (0.03)
Basic and diluted weighted average shares used in the computation of loss per share	19,060	19,877

See notes to condensed consolidated financial statements.

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

	Three Months Ended	
	December 28, 2002	December 27, 2003
Cash flows from operating activities:		
Net loss	\$ (717)	\$ (645)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,501	4,617
Change in assets and liabilities:		
Receivables	25,141	32,236
Inventories	(31,730)	(26,755)
Prepaid expenses and other assets	7,441	(4,015)
Accounts payable	(1,020)	9
Accrued expenses	(3,350)	495
Other long-term obligations	47	(15)
	<u>313</u>	<u>5,927</u>
Net cash provided by operating activities	313	5,927
Cash flows used in investing activities:		
Additions to land, buildings, improvements and equipment	(2,467)	(4,550)
Restricted investments	—	(15,052)
	<u>(2,467)</u>	<u>(19,602)</u>
Net cash used in investing activities	(2,467)	(19,602)
Cash flows from financing activities:		
Borrowings under lines of credit, net	4,674	—
Repayments of long-term debt	(739)	(250)
Proceeds from issuance of common stock	2,125	1,586
	<u>6,060</u>	<u>1,336</u>
Net cash provided by financing activities	6,060	1,336
Net increase (decrease) in cash and cash equivalents	3,906	(12,339)
Cash and cash equivalents at beginning of period	10,884	77,604
	<u>\$ 14,790</u>	<u>\$ 65,265</u>
Cash and cash equivalents at end of period	\$ 14,790	\$ 65,265
Supplemental information:		
Cash paid for interest	\$ 1,125	\$ 653
	<u>\$ (8,319)</u>	<u>\$ (798)</u>
Cash paid (refunds received) for income taxes—net	\$ (8,319)	\$ (798)

See notes to condensed consolidated financial statements.

**CENTRAL GARDEN & PET COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Three Months Ended December 27, 2003**  
**(unaudited)**

**1. Basis of Presentation**

The condensed consolidated balance sheet of Central Garden & Pet Company and subsidiaries (the "Company" or "Central") as of December 27, 2003, the condensed consolidated statements of operations for the three months ended December 28, 2002 and December 27, 2003 and the condensed consolidated statements of cash flows for the three months ended December 28, 2002 and December 27, 2003 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary to present fairly the financial position, results of operations and cash flows of the Company for the periods mentioned above, have been made.

Due to the seasonal nature of the Company's business, the results of operations for the three months ended December 27, 2003 are not indicative of the operating results that may be expected for the fiscal year ending September 25, 2004. It is suggested that these interim financial statements be read in conjunction with the annual audited financial statements, accounting policies and financial notes thereto, included in the Company's 2003 Annual Report on Form 10-K which has previously been filed with the Securities and Exchange Commission.

**2. Stock Plan Information**

The Company has various non-qualified stock-based compensation programs, which include stock options and restricted stock awards.

The Company has various stock option plans that provide for the granting of stock options to officers, key employees and directors. The Company has elected to continue to account for stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," whereby the options are granted at market price, and therefore no compensation costs are recognized. As required by SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," the Company has provided fair value based pro-forma disclosures in its interim financial statements.

If compensation expense for the Company's various stock option plans had been determined based upon the projected fair values at the grant dates for awards under those plans in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation", the Company's pro-forma net earnings, basic and diluted earnings per common share would have been as follows:

	Three Months Ended	
	December 28, 2002	December 27, 2003
	(in thousands)	
Net loss, as reported	\$ (717)	\$ (645)
Deduct: Total stock-based employee compensation expense determined under fair value based method for awards, net of related tax effects	(458)	(323)
<b>Pro forma net loss</b>	<b>\$ (1,175)</b>	<b>\$ (968)</b>
Net loss per common equivalent share:		
Basic and diluted – as reported	\$ (0.04)	\$ (0.03)
Basic and diluted – pro forma	\$ (0.06)	\$ (0.05)

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### 3. Earnings Per Share

Options to purchase 2,418,547 and 2,348,741 shares of common stock at prices ranging from \$1.30 to \$33.94 per share were outstanding during the three-month periods ended December 27, 2003 and December 28, 2002, respectively, but were not included in the computation of diluted earnings per share because the assumed exercise would have been anti-dilutive in each period. Shares of common stock from the assumed conversion of the company's previously outstanding convertible securities totaling 4,107,143 were also not included in the computation of diluted earnings per share for the three-month period ended December 28, 2002 because the assumed conversion would have been anti-dilutive.

### 4. Segment Information

Management has determined that the reportable segments of the Company are Garden Products and Pet Products, based on the level at which the chief operating decision making group reviews the results of operations to make decisions regarding performance assessment and resource allocation.

	Three Months Ended	
	December 28, 2002	December 27, 2003
	(in thousands)	
Net sales		
Garden Products	\$ 93,248	\$ 92,831
Pet Products	118,688	129,519
Total net sales	\$ 211,936	\$ 222,350
Income (loss) from operations:		
Garden Products	\$ (3,221)	\$ (2,910)
Pet Products	9,873	10,865
Corporate	(4,688)	(4,395)
Total income from operations	1,964	3,560
Interest expense – net	(2,817)	(3,906)
Other expense	(341)	(715)
Income taxes	(477)	(416)
Net loss	\$ (717)	\$ (645)
Depreciation and amortization:		
Garden Products	\$ 1,331	\$ 1,389
Pet Products	3,045	3,066
Corporate	125	162
Total depreciation and amortization	\$ 4,501	\$ 4,617
	September 27, 2003	December 27, 2003
	(in thousands)	
Assets:		
Garden Products	\$ 281,679	\$ 288,833
Pet Products	208,703	205,302
Corporate	338,716	337,667
Total assets	\$ 829,098	\$ 831,802
Goodwill (included in corporate assets):		
Garden Products	\$ 105,681	\$ 105,681
Pet Products	117,099	117,099
Total goodwill	\$ 222,780	\$ 222,780

## 5. Contingencies

Central does not believe that the outcome of the following legal proceedings will have a material adverse effect on its results of operations, liquidity or financial position taken as a whole. However, because these proceedings may raise complex factual and legal issues and are subject to uncertainties, Central cannot predict with assurance the outcome of these proceedings. Accordingly, adverse settlements or resolutions may occur and negatively impact earnings in the quarter of settlement or resolution.

*TFH Litigation.* In December 1997, Central acquired all of the stock of TFH Publications, Inc. (“TFH”). In connection with the transaction, Central made a \$10 million loan to the sellers, which was evidenced by a Promissory Note. In September 1998, the prior owners of TFH brought suit against Central and certain executives of Central for damages and relief from their obligations under the Promissory Note, alleging, among other things, that Central’s failure to properly supervise the TFH management team had jeopardized their prospects of achieving certain earnouts. Central believes that these allegations are without merit. Central counterclaimed against the prior owners for enforcement of the Promissory Note, rescission and/or damages and other relief, alleging, among other things, fraud, misrepresentation and breach of fiduciary duty by the prior owners of TFH. These actions, *Herbert R. Axelrod and Evelyn Axelrod v. Central Garden & Pet Company*; *Glen S. Axelrod*; *Gary Hersch*; *William E. Brown*; *Robert B. Jones*; *Glenn Novotny*; and *Neill Hines*, Docket No. MON-L-5100-99, and *TFH Publications, Inc. v. Herbert Axelrod et al.*, Docket No. L-2127-99 (consolidated cases), are in the New Jersey Superior Court.

During the course of discovery in this action, Central has become aware of certain information which shows that prior to the acquisition of TFH by Central, certain records of TFH were prepared in an inaccurate manner which, among other things, resulted in underpayment of taxes by certain individuals. Those individuals could be liable for back taxes, interest, and penalties. In addition, even though all of the events occurred prior to the acquisition of TFH by Central, there is a possibility that TFH could be liable for penalties for events which occurred under prior management. Central believes that TFH has strong defenses available to the assertion of any penalties against TFH. Central cannot predict whether TFH will be required to pay any such penalties. In the event that TFH were required to pay penalties, Central would seek compensation from the prior owners.

*Scotts Litigation.* On June 30, 2000, The Scotts Company filed suit against Central to collect the purchase price of certain lawn and garden products previously sold to Central. See *The Scotts Company v. Central Garden & Pet Company*, Docket No. C2 00-755 (U.S. Dist Ct. N.D. Ohio). Central filed its answer and a counter complaint asserting various claims for breaches of contracts.

In April 2002, trial occurred on the claims and counterclaims of the parties (excluding one oral contract claim that was severed from the remainder of the case). The net verdict was in favor of Scotts in the amount of \$10.4 million which had previously been recorded as an obligation by the Company. Scotts and Central filed post-trial motions. In a March 20, 2003 order, the district court denied Scotts’ motion for attorneys’ fees, granted Scotts’ motion to set aside \$750,000 of the jury amount awarded to Central, denied Central’s motion for a new trial, granted Central’s motion for prejudgment interest, and granted in part and denied in part Scotts’ motion for prejudgment interest. The court directed each party to re-determine the amount of their respective interest claims in light of the Court’s ruling and to submit their respective determinations. On July 11, 2003, the Court issued an order resolving the remaining prejudgment interest issues and directing the parties to submit calculations in accordance with its decision. Pursuant to this order, the Court awarded prejudgment interest to Scotts in the net amount of \$2.8 million. On October 3, 2003, Central and Scotts settled the oral contract claim that had previously been severed from the remainder of the case. Pursuant to the settlement, Scotts reduced the judgment amount by \$300,000. Central and Scotts have each filed notices of appeal from different aspects of the prior judgment and post-judgment orders. In connection with the appeal, Central has paid approximately \$15 million into an escrow account which is reported as restricted investments on our balance sheet.

On July 7, 2000, Central filed suit against Scotts and Pharmacia Corporation (formerly know as Monsanto Company) seeking damages and injunctive relief for, among other things, violations of the antitrust laws. See *Central Garden & Pet Company, v. The Scotts Company, and Pharmacia Corporation, formerly known as Monsanto Company*, Docket No. C 00 2465, (U.S. Dist Ct. N.D. Cal.). Pursuant to a settlement reached with Pharmacia, Central and Pharmacia agreed that all antitrust claims against Pharmacia and Monsanto would be resolved, and the federal action has been dismissed as to Pharmacia and Monsanto. In May 2002, Scotts filed a motion for summary judgment in the federal action based on res judicata. The court granted the res judicata motion. Central has appealed the judgment entered pursuant to the court’s order. On January 15, 2004, the Ninth Circuit Court of Appeals affirmed the judgment.

*Phoenix Fire.* On August 2, 2000, a fire destroyed Central’s leased warehouse space in Phoenix, Arizona, and an adjoining warehouse space leased by a third party. On July 31, 2001, the adjoining warehouse tenant filed a lawsuit against Central and other parties in the Superior Court of Arizona, Maricopa County, seeking to recover \$47 million for property damage from the fire. See *Cardinal Health Inc., et al. v. Central Garden & Pet Company, et al.*, Civil Case No. CV2001-013152. Local residents also filed a purported class action lawsuit alleging claims for bodily injury and property damage as a result of the fire. This lawsuit has now been settled as to all parties, subject to Court approval. As part of the settlement, Central’s liability insurers will pay \$8 million on behalf



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of Central, once the settlement becomes final in 2004. The building owner and several nearby businesses have also filed lawsuits for property damage and business interruption, which are being coordinated with the remaining tenant lawsuit. Each of these lawsuits is currently pending in the Superior Court of Arizona, Maricopa County. The Arizona Department of Environmental Quality, after monitoring the cleanup operations and asking Central, the building owner and the adjoining warehouse tenant to assess whether the fire and fire suppression efforts may have caused environmental impacts to soil, groundwater and/or surface water, has now issued a letter stating that Central need take no further action at the site with respect to environmental issues. In early 2001, the EPA requested information relating to the fire. On July 17, 2002, the EPA informed Central that it intended to file a civil administrative complaint seeking penalties of up to \$350,000 for certain alleged post-fire reporting violations. Central and the EPA have settled those allegations for \$65,000. The overall amount of the damages to all parties caused by the fire, and the overall amount of damages which Central may sustain as a result of the fire, have not been quantified. At the time of the fire, Central maintained property insurance covering losses to the leased premises, Central's inventory and equipment, and loss of business income. Central also maintained insurance providing \$51 million of coverage (with no deductible) against third party liability. Central believes that this insurance coverage will be available with respect to third party claims against Central if parties other than Central are not found responsible. The precise amount of the damages sustained in the fire, the ultimate determination of the parties responsible and the availability of insurance coverage are likely to depend on the outcome of complex litigation, involving numerous claimants, defendants and insurance companies.

### **6. Consolidating Condensed Financial Information of Guarantor Subsidiaries**

Certain wholly owned subsidiaries of the Company (as listed below, collectively the "Guarantor Subsidiaries") have guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest under the Company's \$150,000,000 9-1/8% Senior Subordinated Notes (the "Notes") issued on January 30, 2003. Certain subsidiaries and operating divisions are not guarantors of the Notes and have been included in the financial results of the Parent in the information below. Those subsidiaries that are guarantors of the Notes are as follows:

- Four Paws Products Ltd.
- Grant Laboratories, Inc.
- Kaytee Products, Incorporated
- Matthews Redwood & Nursery Supply, Inc.
- Pennington Seed, Inc. (including Phaeton Corporation (dba Unicorn Labs), Seeds West, Inc., All-Glass Aquarium Co., Inc.  
(including Oceanic Systems, Inc.))
- T.F.H. Publications, Inc.
- Wellmark International
- Norcal Pottery Products, Inc.
- Pennington Seed, Inc. of Nebraska
- Gro Tec, Inc.

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

**CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS**

	<b>Three Months Ended December 27, 2003</b> (in thousands)			
	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ 77,313	\$ 161,211	\$ (16,174)	\$ 222,350
Cost of goods sold and occupancy	57,270	119,006	(15,997)	160,279
Gross profit	20,043	42,205	(177)	62,071
Selling, general and administrative expenses	21,984	36,527	—	58,511
Income (loss) from operations	(1,941)	5,678	(177)	3,560
Interest – net	(4,024)	118	—	(3,906)
Other expense	(564)	(151)	—	(715)
Income (loss) before income taxes	(6,529)	5,645	(177)	(1,061)
Income taxes	2,561	(2,214)	69	416
Net income (loss)	(3,968)	3,431	(108)	(645)
Equity in undistributed income of guarantor subsidiaries	3,323	—	(3,323)	—
Net income (loss)	\$ (645)	\$ 3,431	\$ (3,431)	\$ (645)

	<b>Three Months Ended December 28, 2002</b> (in thousands)			
	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ 71,551	\$ 153,658	\$ (13,273)	\$ 211,936
Cost of goods sold and occupancy	52,451	111,788	(13,521)	150,718
Gross profit	19,100	41,870	248	61,218
Selling, general and administrative expenses	21,520	37,734	—	59,254
Income (loss) from operations	(2,420)	4,136	248	1,964
Interest – net	(2,425)	(392)	—	(2,817)
Other income (expense)	(638)	297	—	(341)
Income (loss) before income taxes	(5,483)	4,041	248	(1,194)
Income taxes	2,193	(1,617)	(99)	477
Net income (loss)	(3,290)	2,424	149	(717)
Equity in undistributed income of guarantor subsidiaries	2,573	—	(2,573)	—
Net income (loss)	\$ (717)	\$ 2,424	\$ (2,424)	\$ (717)

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**CONSOLIDATING CONDENSED BALANCE SHEET**

December 27, 2003  
(in thousands)

	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>				
Cash and cash equivalents	\$ 62,732	\$ 2,533	\$ —	\$ 65,265
Restricted investments	15,052	—	—	15,052
Accounts receivable	36,510	88,706	(11,377)	113,839
Inventories	69,466	174,445	—	243,911
Prepaid expenses and other assets	11,762	5,839	—	17,601
<b>Total current assets</b>	<b>195,522</b>	<b>271,523</b>	<b>(11,377)</b>	<b>455,668</b>
Land, buildings, improvements and equipment, net	10,065	91,808	—	101,873
Goodwill	222,780	—	—	222,780
Investment in Guarantors	280,632	—	(280,632)	—
Deferred income taxes and other assets	50,751	730	—	51,481
<b>Total</b>	<b>\$ 759,750</b>	<b>\$ 364,061</b>	<b>\$ (292,009)</b>	<b>\$ 831,802</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 59,517	\$ 56,972	\$ (11,377)	\$ 105,112
Accrued expenses and other current liabilities	23,705	24,879	—	48,584
<b>Total current liabilities</b>	<b>83,222</b>	<b>81,851</b>	<b>(11,377)</b>	<b>153,696</b>
Long-term debt	249,757	25	—	249,782
Other long-term obligations	17	1,553	—	1,570
Equity	426,754	280,632	(280,632)	426,754
<b>Total</b>	<b>\$ 759,750</b>	<b>\$ 364,061</b>	<b>\$ (292,009)</b>	<b>\$ 831,802</b>

**CONSOLIDATING CONDENSED BALANCE SHEET**

September 27, 2003  
(in thousands)

	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>				
Cash and cash equivalents	\$ 76,354	\$ 1,250	\$ —	\$ 77,604
Accounts receivable	43,209	113,415	(10,549)	146,075
Inventories	55,718	161,438	—	217,156
Prepaid expenses and other assets	10,198	5,024	—	15,222
<b>Total current assets</b>	<b>185,479</b>	<b>281,127</b>	<b>(10,549)</b>	<b>456,057</b>
Land, buildings, improvements and equipment, net	10,092	91,446	—	101,538
Goodwill	222,780	—	—	222,780
Investment in Guarantors	281,522	—	(281,522)	—
Deferred income taxes and other assets	47,607	1,116	—	48,723
<b>Total</b>	<b>\$ 747,480</b>	<b>\$ 373,689</b>	<b>\$ (292,071)</b>	<b>\$ 829,098</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 53,024	\$ 62,628	\$ (10,549)	\$ 105,103
Accrued expenses and other current liabilities	20,131	27,958	—	48,089
<b>Total current liabilities</b>	<b>73,155</b>	<b>90,586</b>	<b>(10,549)</b>	<b>153,192</b>
Long-term debt	249,200	25	—	249,225
Other long-term obligations	29	1,556	—	1,585
Equity	425,096	281,522	(281,522)	425,096
<b>Total</b>	<b>\$ 747,480</b>	<b>\$ 373,689</b>	<b>\$ (292,071)</b>	<b>\$ 829,098</b>

**CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS**

	Three Months Ended December 27, 2003 (in thousands)			
	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided (used) by operating activities	\$ 162	\$ 9,196	\$ (3,431)	\$ 5,927
Expenditures for land, buildings, improvements and equipment	(958)	(3,592)	—	(4,550)
Investments	(15,052)	—	—	(15,052)
Investment in guarantor subsidiaries	890	(4,321)	3,431	—
Net cash provided (used) by investing activities	(15,120)	(7,913)	3,431	(19,602)
Payments on long-term debt	(250)	—	—	(250)
Proceeds from issuance of stock	1,586	—	—	1,586
Net cash provided by financing activities	1,336	—	—	1,336
Net increase (decrease) in cash and cash equivalents	(13,622)	1,283	—	(12,339)
Cash and cash equivalents at beginning of period	76,354	1,250	—	77,604
Cash and cash equivalents at end of period	\$ 62,732	\$ 2,533	\$ —	\$ 65,265
	Three Months Ended December 28, 2002 (in thousands)			
	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided (used) by operating activities	\$ 3,471	\$ (3,158)	\$ —	\$ 313
Expenditures for land, buildings, improvements and equipment	(218)	(2,249)	—	(2,467)
Investment in guarantor subsidiaries	1,813	(1,813)	—	—
Net cash provided (used) by investing activities	1,595	(4,062)	—	(2,467)
Borrowings (repayments) under lines of credit, net	(4,193)	8,867	—	4,674
Payments on long-term debt	—	(739)	—	(739)
Proceeds from issuance of stock	2,125	—	—	2,125
Net cash provided (used) by financing activities	(2,068)	8,128	—	6,060
Net increase in cash and cash equivalents	2,998	908	—	3,906
Cash and cash equivalents at beginning of period	10,080	804	—	10,884
Cash and cash equivalents at end of period	\$ 13,078	\$ 1,712	\$ —	\$ 14,790

**7. Subsequent Events**

In January 2004, the Company acquired substantially all of the assets of Kent Marine, Inc. Kent Marine markets and sells premium aquarium supplies domestically and internationally primarily under the brand name "Kent Marine." Kent Marine is a leading supplier of saltwater aquarium supplements and conditioners with annual sales of approximately \$7 million.

In January 2004, the Company announced it has agreed to acquire substantially all of the assets of New England Pottery, Inc. The purchase price is approximately \$69 million. New England Pottery, Inc. markets and sells decorative pottery and seasonal Christmas products. Its proprietary brand names include "New England Pottery" and "GKI/Bethlehem Lighting." Annual sales are approximately \$75 million. Consummation of the acquisition is expected to occur in February 2004. We anticipate drawing down on our \$100 million credit facility in the second quarter of fiscal year 2004 to partly fund our acquisition of New England Pottery, Inc.

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

#### **Overview**

Central Garden & Pet Company is a leading innovator, marketer and producer of quality branded products for the pet and lawn and garden supplies markets. We are one of the largest companies in the fragmented, \$7.5 billion U.S. pet supplies industry and in the \$51.9 billion U.S. lawn and garden supplies industry. Our pet products include pet bird, small animal and wild bird food, aquarium products, flea, tick, mosquito and other insect control products, edible bones, cages, carriers, pet books, and other dog, cat, reptile and small animal products. These products are sold under a number of brand names, including Kaytee, All-Glass Aquarium, Oceanic, Zodiac, Pre-Strike, Altosid, Nylabone, TFH and Four Paws. Our lawn and garden products include grass seed, wild bird food, weed and insect control products, decorative outdoor patio products and ant control products. These products are sold under a number of brand names, including Pennington, Norcal Pottery, Lilly Miller, Matthews Four Seasons, AMDRO and Grant's. In fiscal 2003, our consolidated net sales were \$1.15 billion, of which our pet products segment, or Pet Products, accounted for \$501.7 million and our lawn and garden products segment, or Garden Products, accounted for \$643.3 million. In fiscal 2003, our income from operations was \$72.3 million, of which Pet Products accounted for \$52.7 million and Garden Products accounted for \$39.3 million, before corporate expenses and eliminations of \$19.7 million.

Central was incorporated in Delaware in June 1992 and is the successor to a California corporation which was incorporated in 1955. References to "we," "us," "our," or "Central" mean Central Garden & Pet Company and its subsidiaries and divisions, and their predecessor companies and subsidiaries.

#### **Background**

During the past several years, we have transitioned our company to a leading marketer and producer of branded products from a traditional pet and lawn and garden supplies distributor. We initiated this transition because we recognized the opportunity to build a portfolio of leading brands and improve profitability by capitalizing on our knowledge of the pet and lawn and garden supplies sectors, our strong relationships with retailers, and our nationwide sales and logistics network. Our goal was to diversify our business and improve operating margins by establishing a portfolio of leading brands. Since 1997, we have acquired numerous branded products companies and product lines, including Wellmark and Four Paws in fiscal 1997; Kaytee Products, TFH and Pennington Seed in fiscal 1998; Norcal Pottery in fiscal 1999; AMDRO and All-Glass Aquarium in fiscal 2000; Lilly Miller in fiscal 2001; and Alaska Fish Fertilizer in fiscal 2002.

While expanding our branded products business, we experienced adverse events in our distribution business. From 1995 to 1999, we were the master distributor of Round Up and Ortho. In January 1999, The Scotts Company, one of our largest distribution suppliers at the time, acquired Ortho and became the marketing agent for Round Up. In July 2000, Scotts terminated its relationship with us. Subsequently, we downsized our distribution operations and integrated these sales and logistics networks into our pet and lawn and garden products businesses to allow us to focus resources and provide strategic sales support for our brands.

Virtually all of our sales before fiscal 1997 were from distributing other manufacturers' products. Since then, our branded product sales have grown to approximately \$863 million, or approximately 75% of total sales, in fiscal 2003. During this same period, our sales of other manufacturers' products have declined to approximately \$282 million, or approximately 25% of total sales, and our gross profit margins have improved from 13.6% in fiscal 1996 to 29.1% in fiscal 2003.

#### **Recent Developments**

In January 2004, the Company acquired substantially all of the assets of Kent Marine, Inc. Kent Marine markets and sells premium aquarium supplies domestically and internationally primarily under the brand name "Kent Marine." Kent Marine is a leading supplier of saltwater aquarium supplements and conditioners with annual sales of approximately \$7 million.

In January 2004, the Company announced it has agreed to acquire substantially all of the assets of New England Pottery, Inc. The purchase price is approximately \$69 million. New England Pottery, Inc. markets and sells decorative pottery and seasonal Christmas products. Its proprietary brand names include "New England Pottery" and "GKI/Bethlehem Lighting." Annual sales are approximately \$75 million. Consummation of the acquisition is expected to occur in February. We anticipate drawing down on our \$100 million credit facility in the second quarter of fiscal year 2004 to partly fund our acquisition of New England Pottery, Inc.

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### **Three Months Ended December 27, 2003 Compared with Three Months Ended December 28, 2002**

Net sales for the three months ended December 27, 2003 increased \$10.4 million, or 4.9%, to \$222.3 million from \$211.9 million for the three months ended December 28, 2002 as both branded product sales and sales of other manufacturers' products increased. Net sales increased \$10.8 million, or 9.1%, in Pet Products and decreased \$0.4 million, or 0.4%, in Garden Products. Our branded product sales increased \$6.0 million in Pet Products, due primarily to increased sales of aquariums, while Garden branded product sales remained relatively flat.

Gross profit for the quarter ended December 27, 2003 increased \$0.9 million, or 1.5%, to \$62.1 million from \$61.2 million for the quarter ended December 28, 2002. Pet Product's gross profit dollars increased as a result increased sales in the quarter, while Garden Products remained flat. Gross profit as a percentage of net sales decreased from 28.9% for the quarter ended December 28, 2002 to 27.9% for the quarter ended December 27, 2003. Pet branded product margins were negatively impacted due primarily to product mix shifts in the quarter led by stronger than anticipated sales of aquarium kits with introductory pricing and competitive pricing on some of our wild bird feed products. A delay in higher-margin grass seed shipments to key retailers as they continue to move more of their purchases from December to January and February also contributed to the margin decline.

Selling, general and administrative expenses decreased \$0.7 million, or 1.2%, from \$59.2 million for the quarter ended December 28, 2002 to \$58.5 million in the current quarter. As a percentage of net sales, selling, general and administrative expenses decreased from 27.9% for the quarter ended December 28, 2002 to 26.3% for the quarter ended December 27, 2003. The decrease in selling, general and administrative expenses as a percentage of net sales was due to decreased warehouse and administrative expenses partially offset by increased selling and delivery expenses.

Selling and delivery expenses increased \$0.4 million, or 1.4%, from \$28.0 million for the quarter ended December 28, 2002 to \$28.4 million for the current quarter. Increased selling and delivery expenses resulted from increased sales, partially offset by decreased marketing costs.

Facilities expense remained flat at \$2.5 million for the quarters ended December 27, 2003 and December 28, 2002.

Warehouse and administrative expenses decreased \$1.1 million, or 3.8%, from \$28.7 million for the quarter ended December 28, 2002 to \$27.6 million for the quarter ended December 27, 2003. The decrease was due primarily to increased purchasing, merchandise handling and storage costs included as inventory costs as a result of the increase in both sales and inventory levels.

Net interest expense for the quarter ended December 27, 2003 increased by \$1.1 million, or 39.3%, to \$3.9 million from \$2.8 million for the quarter ended December 28, 2002. The increase was due to both a higher average interest rate associated with the placement in January 2003 of our \$150 million 9<sup>1</sup>/<sub>8</sub>% Senior Subordinated Notes and a higher average debt balance in the current year quarter. The average interest rate for the quarters ended December 27, 2003 and December 28, 2002 was approximately 6.6% and 5.4%, respectively. The average debt balance for the quarters ended December 27, 2003 and December 28, 2002 was approximately \$250 million and \$208 million, respectively.

Other expense increased \$0.4 million to \$0.7 million for the quarter ended December 27, 2003 from \$0.3 million for the quarter ended December 28, 2002. Other expense represents losses from equity method investments. The losses booked in the first quarter of the fiscal year are principally due to the seasonality of the invested businesses. The increased loss in the current fiscal year is attributed to a new equity method investment made in the fourth quarter of fiscal year 2003.

The Company's effective income tax rate for the quarter ended December 27, 2003 was 39.2% compared with 40.0% for the quarter ended December 28, 2002.

#### **Liquidity and Capital Resources**

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

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

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their lowest, and accounts receivable and payables are substantially reduced through conversion of receivables to cash. As a result of the reduction in sales of garden products manufactured by other parties as a percentage of overall sales, this seasonal pattern has become somewhat less significant.

We service two broad markets: pet supplies and lawn and garden supplies. Our pet supplies businesses involve products that have a year round selling cycle with very little change quarter to quarter. As a result, it is not necessary to carry large quantities of inventory to meet peak demands. Additionally, this level sales cycle eliminates the need for manufacturers to give extended credit terms to either distributors or retailers. On the other hand, our lawn and garden businesses are highly seasonal with approximately 65% of Garden Products' aggregate sales occurring during the second and third fiscal quarters. For many manufacturers of garden products, this seasonality requires them to move large quantities of their product well ahead of the peak selling periods. To encourage distributors to carry large amounts of inventory, industry practice has been for manufacturers to give extended credit terms and/or promotional discounts.

Cash provided by operating activities increased \$5.6 million from \$0.3 million for the three months ended December 28, 2002 to \$5.9 million for the three months ended December 27, 2003. This increase was primarily attributable to increased receivable collections and a decreased inventory build-up during the quarter as compared to the prior year quarter, partially offset by large tax refund amounts received in the prior year quarter and not in the current year quarter. Net cash used in investing activities increased \$17.1 million primarily as a result of \$15.1 million paid into an escrow account in connection with an appeal in the Scotts litigation. This amount is classified as restricted investments on the balance sheet. Net cash provided by financing activities decreased \$4.7 million due to amounts drawn down on the company's line of credit in the prior year.

At December 27, 2003, our total debt was \$250.8 million versus \$216.8 million at December 28, 2002. Net debt, total debt less cash and cash equivalents, was \$185.5 million at December 27, 2003 versus \$202.0 million at December 28, 2002.

	Quarter Ended	
	December 28, 2002	December 27, 2003
	(in thousands)	
Notes payable	\$ 64,649	\$ —
Current portion of long-term debt	122,593	1,028
Long-term debt	29,592	249,782
Total debt	216,834	250,810
Less cash and cash equivalents	(14,790)	(65,265)
Net debt	\$ 202,044	\$ 185,545

In January 2003, we issued \$150 million of 9<sup>1</sup>/<sub>8</sub>% senior subordinated notes due 2013. The net proceeds of approximately \$144 million were used to redeem \$115 million of 6% subordinated convertible notes due November 2003. We used the balance of the net proceeds, combined with additional borrowings under our prior line of credit with Congress Financial Corporation (Western), to repay the outstanding borrowings under our Pennington credit facility and two senior secured term loans of All-Glass. In conjunction with these repayments, we terminated the Pennington and All-Glass credit facilities.

In May 2003, we closed a \$200 million senior secured credit facility consisting of a five-year \$100 million revolving credit facility and a six-year \$100 million term loan. Interest on the term loan initially was based on a rate equal to LIBOR plus 2.75% or the prime rate plus 1.25%, at our option. In October 2003, the facility was amended to reduce the pricing on the term loan by 0.50% to LIBOR + 2.25% or the prime rate plus 0.75%, at our option. Interest on the revolving credit facility is based on a rate equal to prime plus a margin which fluctuates from 0.25% to 1.25% or LIBOR plus a margin which fluctuates from 1.75% to 2.75%, determined quarterly based on consolidated total debt to consolidated EBITDA for the most recent trailing 12-month period. This facility is secured by essentially all of our assets, contains certain financial covenants requiring maintenance of minimum levels of interest coverage and tangible net worth and maximum levels of senior debt to EBITDA and total debt to EBITDA, and restricts our ability to make treasury stock purchases and pay dividends. We were in compliance with all financial covenants as of December 27, 2003. This facility also requires the lenders' prior written consent to any material investments in or acquisitions of a business. The \$200 million senior secured credit facility replaced our \$175 million asset-based revolving credit facility. A portion of the net proceeds from the \$100 million term loan were used to retire the outstanding debt under the asset-based revolving credit facility. The remaining net proceeds were used to retire other existing debt and, along with the amounts available under the \$100 million revolving credit facility, will provide capital for general corporate purposes, acquisitions and investments. No balances were outstanding at December 27, 2003 under the \$100 million revolving credit facility and the remaining available borrowing capacity at December 27, 2003 was \$94.8 million. The \$5.2 million difference represents outstanding letters of credit. We anticipate drawing down on the \$100 million credit facility in the second quarter of fiscal year 2004 to partly fund our acquisition of New England Pottery, Inc.

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In October 2003, we entered into a \$75 million pay-floating interest rate swap effectively converting half of our \$150 million fixed rate 9/8 percent senior subordinated notes to a floating rate of LIBOR + 4.04%.

As a result of these refinancings, we have increased our financial flexibility by replacing our long-term debt, putting in place a layer of medium-term capital and increased our access to additional lenders. We believe that this increased financial flexibility will allow us to more effectively pursue growth opportunities and potential acquisitions on a prudent basis.

In November 2003, we deposited approximately \$15 million into an escrow account in connection with an appeal in the Scotts litigation. The use of this cash is restricted from general corporate purposes and is reflected as a Restricted Investment on our balance sheet at December 27, 2003. See Note 5 – “Contingencies” to the unaudited financial statements in Part I - Item 1 of this report.

We believe that cash flows from operating activities, funds available under our credit facility, and arrangements with suppliers will be adequate to fund our presently anticipated working capital requirements for the foreseeable future. We anticipate that our capital expenditures will not exceed \$15 million for the next 12 months.

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

### **Weather and Seasonality**

Historically, the Company’s sales of lawn and garden products have been influenced by weather and climate conditions in the markets it serves. Additionally, Garden Products’ business has been highly seasonal. In fiscal 2003, 65% of Garden Products net sales and 59% of our total net sales occurred in the Company’s second and third fiscal quarters. Substantially all of Garden Products’ operating income is typically generated in this period, which has historically offset the operating loss incurred during the first fiscal quarter of the year.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company believes there has been no material change in its exposure to market risk from that discussed in the Company’s fiscal 2003 Annual Report filed on Form 10-K.

### **Item 4. Controls and Procedures**

(a) Our Chief Executive Officer and Chief Financial Officer have reviewed, as of the end of the period covered by this report, the “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) that ensure that information relating to the company required to be disclosed by us in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported in a timely and proper manner. Based upon this review, we believe that there are adequate controls and procedures in place to ensure that information relating to the company that is required to be disclosed by us in the reports that we file or submit under the Exchange Act is properly disclosed as required by the Exchange Act and related regulations.

(b) *Changes in internal controls.* There were no significant changes in our internal controls during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

For information on our material legal proceedings, you should read note 5 “Contingencies” to the unaudited financial statements in Part I – Item 1 of this report.

### **Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

Not applicable

### **Item 3. Defaults Upon Senior Securities**

Not applicable



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**Item 4. Submission of Matters to a Vote of Security Holders**

Not applicable

**Item 5. Other Information**

Not applicable

**Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits

- 10.2.1 First Amendment to Credit Agreement dated October 27, 2003, between Central Garden & Pet Company and Canadian Imperial Bank of Commerce et al.
- 31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.
- 32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.

(b) There were no reports on Form 8-K filed during the quarter ended December 27, 2003.

The following current report on Form 8-K was furnished during the quarter ended December 27, 2003:

- a. Form 8-K filed November 20, 2003 relating to our press release announcing our financial results for the quarter and full year ended September 27, 2003.

**SIGNATURES**

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

CENTRAL GARDEN & PET COMPANY

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Registrant

Dated: February 10, 2004

/s/ GLENN W. NOVOTNY

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Glenn W. Novotny  
President and Chief Executive Officer

/s/ STUART W. BOOTH

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Stuart W. Booth  
Vice President and Chief Financial Officer

**CENTRAL GARDEN & PET COMPANY**  
**FIRST AMENDMENT**  
**TO CREDIT AGREEMENT**

This **FIRST AMENDMENT TO CREDIT AGREEMENT** (this “**Amendment**”) is dated as of October 27, 2003 between **CENTRAL GARDEN & PET COMPANY**, a Delaware corporation (“**Borrower**”) and **CANADIAN IMPERIAL BANK OF COMMERCE**, as administrative agent for Lenders (“**Administrative Agent**”), and is made with reference to that certain Credit Agreement dated as of May 14, 2003 (the “**Credit Agreement**”), by and among Borrower, the financial institutions listed therein as Lenders, the Co-Syndication Agents named therein, and the Administrative Agent. Capitalized terms used herein without definition shall have the same meanings herein as set forth in the Credit Agreement.

**RECITALS**

WHEREAS, Borrower, Agents and Lenders desire to amend the Credit Agreement to reduce the Applicable LIBOR Margin for Tranche B Term Loans;

**NOW, THEREFORE**, in consideration of the premises and the agreements, provisions and covenants herein contained, the parties hereto agree as follows:

**Section 1. AMENDMENTS TO THE CREDIT AGREEMENT**

**1.1 Amendments to Section 1: Definitions**

Subsection 1.1 of the Credit Agreement is hereby amended by deleting clause (a) in the definition of the term “Applicable LIBOR Margin” and inserting in lieu thereof the following:

“(a) with respect to Tranche B Term Loans that are LIBOR Loans, 2.25% per annum”

**Section 2. CONDITIONS TO EFFECTIVENESS**

Section 1 of this Amendment shall become effective only upon the satisfaction of all of the following conditions precedent (the date of satisfaction of such conditions being referred to herein as the “**First Amendment Effective Date**”):

**A.** On or before the First Amendment Effective Date, Borrower shall deliver to Lenders (or to Administrative Agent for Lenders with sufficient originally executed copies, where appropriate, for each Lender and its counsel) copies of this Amendment, executed by Borrower and each Credit Support Party.

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**B.** On or before the First Amendment Effective Date, Administrative Agent shall have executed copies of this Amendment on behalf of itself and consenting Lenders.

**C.** On or before the First Amendment Effective Date, all corporate and other proceedings taken or to be taken in connection with the transactions contemplated hereby and all documents incidental thereto not previously found acceptable by Administrative Agent, acting on behalf of Lenders, and its counsel shall be satisfactory in form and substance to Administrative Agent and such counsel, and Administrative Agent and such counsel shall have received all such counterpart originals or certified copies of such documents as Administrative Agent may reasonably request.

### **Section 3. BORROWER'S REPRESENTATIONS AND WARRANTIES**

In order to induce Lenders to enter into this Amendment and to amend the Credit Agreement in the manner provided herein, Borrower represents and warrants to each Lender that the following statements are true, correct and complete:

**A. Corporate Power and Authority.** Borrower and each Credit Support Party has all requisite corporate power and authority to enter into this Amendment and to carry out the transactions contemplated by, and perform its obligations under, the Credit Agreement as amended by this Amendment (the "**Amended Agreement**").

**B. Authorization of Agreements.** The execution and delivery of this Amendment and the performance of the Amended Agreement have been duly authorized by all necessary corporate action on the part of Borrower and each Credit Support Party.

**C. No Conflict.** The execution and delivery by Borrower and each Credit Support Party of this Amendment and the performance by Borrower of the Amended Agreement do not and will not (i) violate any provision of any law or any governmental rule or regulation applicable to Borrower or any of its Subsidiaries, the Certificate or Articles of Incorporation or Bylaws of Borrower or any of its Subsidiaries or any order, judgment or decree of any court or other agency of government binding on Borrower or any of its Subsidiaries, (ii) conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of Borrower or any of its Subsidiaries, (iii) result in or require the creation or imposition of any Lien upon any of the properties or assets of Borrower or any of its Subsidiaries, except pursuant to the Loan Documents, or (iv) require any approval of stockholders or any approval or consent of any Person under any Contractual Obligation of Borrower or any of its Subsidiaries.

**D. Governmental Consents.** The execution and delivery by Borrower and each Credit Support Party of this Amendment and the performance by Borrower of the Amended Agreement do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any federal, state or other governmental authority or regulatory body.

**E. Binding Obligation.** This Amendment has been duly executed and delivered by Borrower and each Credit Support Party and this Amendment and the Amended Agreement are the legally valid and binding obligations of Borrower and each Credit Support Party,

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enforceable against Borrower and each Credit Support Party in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or limiting creditors' rights generally or by equitable principles relating to enforceability.

**F. Incorporation of Representations and Warranties From Credit Agreement** The representations and warranties contained in Section 4 of the Credit Agreement are and will be true, correct and complete in all material respects on and as of the First Amendment Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date.

**G. Absence of Default.** No event has occurred and is continuing or will result from the consummation of the transactions contemplated by this Amendment that would constitute an Event of Default or a Potential Event of Default.

#### **Section 4. ACKNOWLEDGEMENT AND CONSENT**

Borrower is a party to certain Collateral Documents pursuant to which Borrower has created Liens in favor of Administrative Agent on certain Collateral to secure the Obligations. Each Subsidiary is a party to a Subsidiary Guaranty and certain Collateral Documents pursuant to which such Subsidiary has (i) guarantied the Obligations and (ii) created Liens in favor of Administrative Agent on certain Collateral to secure the obligations of such Subsidiary under the Subsidiary Guaranty. Borrower and each Subsidiary are collectively referred to herein as the "**Credit Support Parties**", and the Subsidiary Guaranties and Collateral Documents referred to above are collectively referred to herein as the "**Credit Support Documents**".

Each Credit Support Party hereby acknowledges that it has reviewed the terms and provisions of the Credit Agreement and this Amendment and consents to the amendment of the Credit Agreement effected pursuant to this Amendment. Each Credit Support Party hereby confirms that each Credit Support Document to which it is a party or otherwise bound and all Collateral encumbered thereby will continue to guaranty or secure, as the case may be, to the fullest extent possible the payment and performance of all "Obligations," "Guarantied Obligations" and "Secured Obligations," or other similar terms, as the case may be (in each case as such terms are defined in the applicable Credit Support Document), including, without limitation, the payment and performance of all such "Obligations," "Guarantied Obligations" or "Secured Obligations," or similar terms, as the case may be, in respect of the Obligations of Borrower now or hereafter existing under or in respect of the Amended Agreement and the Notes.

Each Credit Support Party acknowledges and agrees that any of the Credit Support Documents to which it is a party or otherwise bound shall continue in full force and effect and that all of its obligations thereunder shall be valid and enforceable and shall not be impaired or limited by the execution or effectiveness of this Amendment. Each Credit Support Party represents and warrants that all representations and warranties contained in the Amended Agreement and the Credit Support Documents to which it is a party or otherwise bound are true,

correct and complete in all material respects on and as of the First Amendment Effective Date to the same extent as though made on and as of that date, except to the extent such representations and warranties specifically relate to an earlier date, in which case they were true, correct and complete in all material respects on and as of such earlier date.

Each Credit Support Party (other than Borrower) acknowledges and agrees that (i) notwithstanding the conditions to effectiveness set forth in this Amendment, such Credit Support Party is not required by the terms of the Credit Agreement or any other Loan Document to consent to the amendments to the Credit Agreement effected pursuant to this Amendment and (ii) nothing in the Credit Agreement, this Amendment or any other Loan Document shall be deemed to require the consent of such Credit Support Party to any future amendments to the Credit Agreement.

## **Section 5. MISCELLANEOUS**

### **A. Reference to and Effect on the Credit Agreement and the Other Loan Documents.**

(i) On and after the First Amendment Effective Date, each reference in the Credit Agreement to “this Agreement”, “hereunder”, “hereof”, “herein” or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to the “Credit Agreement”, “thereunder”, “thereof” or words of like import referring to the Credit Agreement shall mean and be a reference to the Amended Agreement.

(ii) Except as specifically amended by this Amendment, the Credit Agreement and the other Loan Documents shall remain in full force and effect and are hereby ratified and confirmed.

(iii) The execution, delivery and performance of this Amendment shall not, except as expressly provided herein, constitute a waiver of any provision of, or operate as a waiver of any right, power or remedy of Agent or any Lender under, the Credit Agreement or any of the other Loan Documents.

**B. Fees and Expenses.** Borrower acknowledges that all costs, fees and expenses as described in subsection 10.2 of the Credit Agreement incurred by the Administrative Agent and its counsel with respect to this Amendment and the documents and transactions contemplated hereby shall be for the account of Borrower.

**C. Headings.** Section and subsection headings in this Amendment are included herein for convenience of reference only and shall not constitute a part of this Amendment for any other purpose or be given any substantive effect.

**D. Applicable Law.** THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE

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STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

**E. Counterparts; Effectiveness.** This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. This Amendment (other than the provisions of Section 1 hereof, the effectiveness of which is governed by Section 2 hereof) shall become effective upon the execution of a counterpart hereof by Borrower, each Credit Support Party and Administrative Agent and the execution of a Lender Consent by consenting Lenders and receipt by Borrower and Administrative Agent of written or telephonic notification of such execution and authorization of delivery thereof.

[Remainder of page intentionally left blank]

**IN WITNESS WHEREOF**, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

**CENTRAL GARDEN & PET COMPANY**

By: /s/ Stuart W. Booth

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Name: Stuart W. Booth  
Title: Vice President & Chief Financial Officer

**ALL-GLASS AQUARIUM CO., INC.**  
**FOUR PAWS PRODUCTS LTD.**  
**GRANT LABORATORIES, INC.**  
**GRO TEC, INC.**  
**KAYTEE PRODUCTS, INC.**  
**MATTHEWS REDWOOD & NURSERY SUPPLY, INC.**  
**NORCAL POTTERY PRODUCTS, INC.**  
**OCEANIC SYSTEMS, INC.**  
**PENNINGTON SEED INC. OF NEBRASKA**  
**PENNINGTON SEED, INC.**  
**PHAETON CORPORATION**  
**SEEDS WEST, INC.**  
**T.F.H. PUBLICATIONS, INC.**  
**WELLMARK INTERNATIONAL**  
(for purposes of Section 4 only)  
as a Credit Support Party

By: /s/ Stuart W. Booth

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Name: Stuart W. Booth  
Title: Vice President & Chief Financial Officer



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**CANADIAN IMPERIAL BANK OF COMMERCE**, as  
Administrative Agent

By: /s/ Dean J. Decker

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Dean J. Decker  
Managing Director  
CIBC World Markets Corp., AS AGENT

**CONSENT OF LENDER**

Reference is hereby made to the First Amendment to Credit Agreement (the "**Amendment**") dated as of October \_\_\_\_, 2003 by and between Central Garden & Pet Company, a Delaware corporation ("**Borrower**"), and Canadian Imperial Bank of Commerce, as administrative agent for the Lenders ("**Administrative Agent**"), which is made with reference to that certain Credit Agreement dated as of May 14, 2003 (the "**Credit Agreement**"), by and among Borrower, the financial institutions listed therein as Lenders, the Co-Syndication Agents listed therein, and the Administrative Agent.

The undersigned Lender hereby consents to the execution and delivery of the Amendment by Administrative Agent on its behalf, substantially in the form of the draft presented to the undersigned Lender on October \_\_, 2003.

Dated: October \_\_, 2003

\_\_\_\_\_  
[Name of Institution]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

I, Glenn W. Novotny, certify that:

1. I have reviewed this report on Form 10-Q of Central Garden & Pet Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2004

/s/ GLENN W. NOVOTNY

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Glenn W. Novotny  
President and Chief Executive Officer  
*(Principal Executive Officer)*

I, Stuart W. Booth, certify that:

1. I have reviewed this report on Form 10-Q of Central Garden & Pet Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 10, 2004

/s/ STUART W. BOOTH

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Stuart W. Booth  
Chief Financial Officer  
*(Principal Financial Officer)*

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

In connection with the accompanying quarterly report on Form 10-Q of Central Garden & Pet Company for the quarter ended December 27, 2003 (the "Report"), I, Glenn W. Novotny, President and Chief Executive Officer of Central Garden & Pet Company, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) such Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Report presents, in all material respects, the financial condition and results of operations of Central Garden & Pet Company.

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10-Q.

February 10, 2004

/s/ GLENN W. NOVOTNY

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Glenn W. Novotny  
Chief Executive Officer

A signed original of this written statement required by § 906 has been provided to Central Garden & Pet Company and will be retained by Central Garden & Pet Company and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the accompanying quarterly report on Form 10-Q of Central Garden & Pet Company for the quarter ended December 27, 2003 (the "Report"), I, Stuart W. Booth, Chief Financial Officer of Central Garden & Pet Company, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) such Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Report presents, in all material respects, the financial condition and results of operations of Central Garden & Pet Company.

This written statement is being furnished to the Securities and Exchange Commission as an exhibit to such Form 10-Q.

February 10, 2004

/s/ STUART W. BOOTH

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Stuart W. Booth  
Chief Financial Officer

A signed original of this written statement required by § 906 has been provided to Central Garden & Pet Company and will be retained by Central Garden & Pet Company and furnished to the Securities and Exchange Commission or its staff upon request.