

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

FORM 10-K

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

For the fiscal year ended September 26, 2015

Commission File Number 1-33268

CENTRAL GARDEN & PET COMPANY

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

68-0275553

(IRS Employer Identification Number)

1340 Treat Boulevard, Suite 600, Walnut Creek, California 94597

(Address of principal executive offices) (Zip Code)

Telephone Number: (925) 948-4000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock	Nasdaq
Class A Common Stock	Nasdaq

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company)

Smaller Reporting Company

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

At March 28, 2015, the aggregate market value of the registrant's Common Stock, Class A Common Stock and Class B Stock held by non-affiliates of the registrant was approximately \$100.4 million, \$346.6 million and \$63,000, respectively.

At November 30, 2015, the number of shares outstanding of the registrant's Common Stock was 11,908,317 and the number of shares of Class A Common Stock was 36,489,570. In addition, on such date, the registrant had outstanding 1,652,262 shares of its Class B Stock, which are convertible into Common Stock on a share-for-share basis.

DOCUMENTS INCORPORATED BY REFERENCE

Definitive Proxy Statement for the Company's 2016 Annual Meeting of Stockholders – Part III of this Form 10-K.

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Central Garden & Pet Company
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For the fiscal year ended September 26, 2015

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FORWARD-LOOKING STATEMENTS

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

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

- seasonality and fluctuations in our operating results and cash flow;
- fluctuations in market prices for seeds and grains and other raw materials;
- our inability to pass through cost increases in a timely manner;
- the impending retirement of our CEO, dependence upon him and our other key executives and the ability to execute on our succession plan;
- risks associated with new product introductions, including the risk that our new products will not produce sufficient sales to recoup our investment;
- declines in consumer spending during economic downturns;
- inflation, deflation and other adverse macro-economic conditions;
- supply shortages in small animals and pet birds;
- adverse weather conditions;
- risks associated with our acquisition strategy;
- fluctuations in energy prices, fuel and related petrochemical costs;
- access to and cost of additional capital;
- dependence on a small number of customers for a significant portion of our business;
- consolidation trends in the retail industry;
- competition in our industries;
- potential goodwill or intangible asset impairment;
- continuing implementation of an enterprise resource planning information technology system;
- our ability to protect our intellectual property rights;
- potential environmental liabilities;

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- risk associated with international sourcing;
- litigation and product liability claims;
- regulatory issues;
- the impact of product recalls;
- potential costs and risks associated with actual or anticipated cyber attacks;
- the voting power associated with our Class B stock; and
- potential dilution from issuance of authorized shares.

MARKET, RANKING AND OTHER DATA

The data included in this Form 10-K regarding markets and ranking, including the size of certain markets and our position and the position of our competitors and products within these markets, are based on both independent industry publications, including The Freedonia Group Lawn & Garden Consumables July 2014; Freedonia Landscaping Products August 2015; Packaged Facts U.S. Pet Market Outlook 2015-2016; Packaged Facts Pet Treats and Chews in the U.S. June 2015; American Pet Products Association (APPA) National Pet Owners Survey 2015-2016; U.S. Census Bureau, and our estimates based on management's knowledge and experience in the markets in which we operate. Our estimates have been based on information provided by customers, suppliers, trade and business organizations and other contacts in the markets in which we operate. While we are not aware of any misstatements regarding our market and ranking data presented herein, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under the heading "Risk factors" in this Form 10-K. This information may prove to be inaccurate because of the method by which we obtained some of the data for our estimates or because this information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in a survey of market size. As a result, you should be aware that market, ranking and other similar data included herein, and estimates and beliefs based on that data, may not be reliable. We cannot guarantee the accuracy or completeness of such information contained herein.

PART I

Item 1. Business

BUSINESS

Our Company

Central Garden & Pet Company (“Central”) is a leading innovator, marketer and producer, of quality branded products and distributor of third party products in the pet and lawn and garden supplies industries in the United States. The total pet food, treats and supplies industry in 2014 was estimated by Packaged Facts to have been approximately \$49.2 billion in annual retail sales. We estimate the annual retail sales of the pet supplies and consumables and super premium pet food markets in the categories in which we participate to be approximately \$28.1 billion. The total lawn and garden consumables and decorative products industry in the United States is estimated to be approximately \$22.0 billion in annual retail sales, including fertilizer, pesticides, growing media, seeds, mulch, other consumables and decorative products. We estimate the annual retail sales of the lawn and garden consumables and decorative products markets in the categories in which we participate to be approximately \$12.0 billion.

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

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

In fiscal 2015, our consolidated net sales were \$1.7 billion, of which our pet segment, or Pet, accounted for approximately \$895 million and our garden segment, or Garden, accounted for approximately \$756 million. In fiscal 2015, our income from operations before corporate expenses and eliminations of \$67.5 million was \$158.9 million, of which the Pet segment accounted for \$98.8 million and the Garden segment accounted for \$60.1 million. See Note 19 to our consolidated financial statements for financial information about our two operating segments.

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

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Recent Developments

Earnings per fully diluted share increased \$0.46 per share to \$0.64 per share and our operating income increased 63% to \$91.4 million as compared to fiscal 2014, due to increased earnings in both our segments. The Pet segment was impacted by a \$7.3 million non-cash intangible asset impairment charge in fiscal 2015. In fiscal 2014, the Garden segment was impacted by a charge related to the discontinuance of certain products introduced in 2013 and a gain on the sale of manufacturing plant assets. The items impacting fiscal 2015 and 2014 are excluded for purposes of the non-GAAP presentation elsewhere in this Form 10-K.

- Net sales for fiscal 2015 increased \$46.3 million, or 2.9%, to \$1,650.7 million. Our Pet segment sales increased 5.8%, and our Garden segment sales decreased 0.4%.
- Gross profit for fiscal 2015 increased \$34.0 million, or 7.5%, to \$488.0 million from \$454.0 million in fiscal 2014. Gross margin increased 130 basis points in fiscal 2015 to 29.6%, from 28.3% in 2014.
- Our operating income increased \$35.2 million, or 62.7%, to \$91.4 million in fiscal 2015, and increased as a percentage of net sales to 5.5% from 3.5%. On an adjusted basis, operating income increased \$30.5 million, or 44.6%.
- Net income was \$32.0 million, or \$0.64 per share on a fully diluted basis, compared to net income in fiscal 2014 of \$8.8 million, or \$0.18 per share on a fully diluted basis. On an adjusted basis, net income increased to \$36.6 million, or \$0.74 per share, in fiscal 2015 from \$16.4 million, or \$0.33 per share, in fiscal 2014.
- Our net cash provided by operating activities was \$87.4 million in fiscal 2015, compared to \$126.5 million in fiscal 2014.

Leadership

In July 2015, we amended the employment agreement of John R. Ranelli, our Chief Executive Officer. Under the amended agreement, Mr. Ranelli has agreed to continue as Chief Executive Officer until his planned retirement at the end of fiscal 2016 and to continue to consult for the Company for an additional four years. In order to facilitate an orderly transition, we plan to launch a search in the near future for our next Chief Executive Officer.

Our former Chief Financial Officer, Lori Varlas, resigned effective September 2, 2015 to accept a senior level position at another company. The Board of Directors named David N. Chichester as Acting Chief Financial Officer through February 2016. Mr. Chichester has served for 13 years on Central's Board and as our Audit Committee financial expert. He brings significant financial management, accounting, disclosure, and risk assessment experience to the Acting Chief Financial Officer role. We are in the process of positioning our key senior financial officers to assume Mr. Chichester's responsibilities in an orderly fashion when he completes his tenure as Acting Chief Financial Officer in February 2016.

Our Chairman of the Board, Bill Brown, commenced a leave of absence in July as he continues to recover from injuries he sustained in an accident in his home earlier in the year. Jack Balousek, our Lead Independent Director, is acting as Interim non-executive Chairman until Mr. Brown returns.

IMS Trading Corp Acquisition

On July 31, 2015, we purchased substantially all of the assets of IMS Trading Corp. ("IMS") for a purchase price of approximately \$23 million. IMS was a manufacturer, importer and distributor of rawhide, natural dog treats and pet products throughout the United States and internationally. This acquisition is expected to complement our existing dog and cat business.

Debt Refinancing

In November 2015, we issued \$400 million aggregate principal amount of 6.125% senior notes due November 2023 (the "2023 Notes"). The 2023 Notes are unconditionally guaranteed on a senior basis by each of

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our existing and future domestic restricted subsidiaries which are borrowers under or guarantors of our senior secured revolving credit facility. We used the net proceeds from the offering, together with available cash, to redeem our outstanding 8.25% senior subordinated notes due March 1, 2018 (the "2018 Notes") and pay fees and expenses related to the offering. As a result of our redemption of the 2018 Notes, we will recognize a charge in our fiscal 2016 first quarter of approximately \$8.3 million related to the payment of the call premium, a one-time payment of overlapping interest expense for 30 days of approximately \$2.8 million and a \$3.2 million non-cash charge for the write-off of unamortized financing costs in interest expense. We expect our annual interest expense on the 2023 Notes going forward to be approximately \$8.5 million less than under the 2018 Notes.

DMC Acquisition

On December 1, 2015, we purchased the pet bedding and certain other assets of National Consumers Outdoors Corp., formerly known as Dallas Manufacturing Company ("DMC"), for a cash purchase price of \$61 million. This acquisition is expected to complement our existing dog and cat business.

Competitive Strengths

We believe we have the following competitive strengths, which serve as the foundation of our business strategy:

- *Market Leadership Positions Built on a Strong Brand Portfolio.* We are one of the leaders in the premium branded U.S. pet supplies market and in the U.S. consumer lawn and garden supplies market. We have a diversified portfolio of brands, many of which we believe are among the leading brands in their respective U.S. market categories. The majority of our brands have been marketed and sold for more than 25 years.
- *History of Innovative New Products and Customer Service.* We continuously seek to introduce new products at a reasonable cost, both as complementary extensions of existing product lines and as new product categories. Over the last three years, we have received a number of awards for innovation, customer service and marketing. For innovation, the Pet segment received best new aquatic product at Global Pet Expo 2015 for the Aqueon Jukebox and back-to-back Product of the Year awards in 2014 for the Adams Flea and Tick Home Spray and in 2013 for the Adams Smartshield innovation. For customer service, in 2013, we received awards for PetSmart Vendor of the Year in Canada for Specialty (Aquatics, Small Animal, Pet Bird), PETCO's 2013 Best Business Performance Award for Aqueon & Zilla brands, Wal*Mart's Outdoor Living Supplier of the Year and Wal*Mart's People Award for its home division. For marketing, in 2013, the National Agri-Marketing Association (NAMA) recognized our professional products group for outstanding marketing communications for the new product introduction of Centynal as well as a W3 Award, in the Consumer Goods category, for the Adams website.
- *Strong Relationships with Retailers.* We have developed strong relationships with major and independent retailers, as well as e-commerce retailers through product innovation, premium brands, broad product offerings, private label programs, proprietary sales and logistics capabilities and a high level of customer service. Major retailers value the efficiency of dealing with suppliers with national scope and strong brands. Our ability to meet their unique needs for packaging and point of sale displays provides us with a competitive advantage. Independent retailers value our high level of customer service and broad array of premium branded products. We believe these strengths have made us one of the largest pet supplies vendors to PetSmart, PETCO and Wal*Mart and among the largest lawn and garden supplies vendors to Wal*Mart, Home Depot and Lowe's, as well as a leading supplier to independent pet and garden supplies retailers in the United States.
- *Favorable Long-Term Industry Characteristics.* We believe the pet and lawn and garden supplies markets in the U.S. are expected to grow over the long-term due to favorable demographic and leisure trends. The key demographics bolstering our markets are the growth rates in the number of children

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under 18 and the number of adults over age 55. Households with children tend to own more pets, and adults over 55 are more likely to be “empty nesters” that keep pets as companions and have more disposable income and leisure time available for both pets and garden activities. According to the 2015-2016 APPA National Pet Owners Survey, the number of U.S. pet owners in recent years has reached record highs, with 79.7 million households, or 65%, owning a pet.

- *Sales and Logistics Networks.* We are a leading supplier to independent specialty retailers for the pet and lawn and garden supplies markets through our sales and logistics networks. We believe our sales and logistics networks give us a significant competitive advantage over other suppliers. These networks provide us with key access to independent pet specialty retail stores and retail lawn and garden customers that require two-step distribution for our branded products facilitating:
 - acquisition and maintenance of premium shelf placement;
 - prompt product replenishment;
 - customization of retailer programs;
 - quick responses to changing customer and retailer preferences;
 - rapid deployment and feedback for new products; and
 - immediate exposure for new internally developed and acquired brands.

We plan to continue to utilize our team of dedicated sales people and our sales and logistics networks to expand sales of our branded products.

Business Strategy

Our objective is to increase market share, revenue, earnings and cash flow by enhancing our position as one of the leading companies in the U.S. pet supplies and lawn and garden supplies industries. To achieve our objective, we plan to capitalize on our strengths and favorable industry trends by implementing the following key elements of our business strategy:

- *Balanced Organizational Change.* We have adopted a balanced approach to improving profitability through a focus on increasing sales and improving margins, providing superior customer service and innovative new products while improving our operations and reducing costs. We expect to continue this balanced approach in the future and to continue to focus on profit, our customers, and eliminating inefficiencies.
- *Build Existing Brands.* With our broad product assortment, strong brand names, strong sell-through and innovative products and packaging, we believe we can further strengthen our relationships with existing and new retailers, as well as e-commerce retailers, to increase shelf space and sales. Under our master branding strategy, we have consolidated certain brands and expanded others. At the same time, we are developing private label programs for key retailers to complement our proprietary brands, strengthen our relationships with key retailers and increase sales and profits. We believe that the strength of our major customers provides us with a solid foundation for future growth. We intend to gain market share in the home centers, mass market, grocery, specialty pet store and independent channels. We intend to add new retailers through marketing and sales personnel dedicated to these channels, as well as our innovative product introductions and packaging. We will continue to focus on using our sales and logistics network to emphasize sales of our higher margin, proprietary brands and to use efficient supply chain capabilities that enable us to provide retailers with high service levels and consistent in-stock positions.
- *Continue New Product and Packaging Innovation.* We will continue to build and leverage the strength of our leading brand names by introducing innovative new products and packaging, extending existing

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product lines and entering new product categories. Our product strategy seeks to capitalize on fulfilling consumer needs, leveraging our strong brand names, utilizing our established customer relationships and continuing our history of product innovation.

- *Improve Profitability.* We believe there are opportunities to improve our gross and operating profits through increasing sales of our innovative branded products, acquiring new private label business and reducing and leveraging our existing infrastructure. Although we focused more on achieving gross margin gains in the past several years, we have shifted our focus to concentrate more on overall profitability than on any specific gross margin targets. We have undertaken a number of initiatives to lower the cost of production, and believe success in doing so will allow us to gain additional sales and increase our profitability.
- *Pursue Strategic Acquisitions.* We plan to continue to make selected strategic acquisitions of companies that complement our existing brands and product offerings. By leveraging our marketing, manufacturing and sales and logistics capabilities, we believe we can increase the sales and improve the operating efficiencies of the companies we acquire. We generally seek target companies with strong brand names, high quality and innovative product offerings, an experienced management team and historical and projected organic earnings growth.
- *Reduce Our Investment In Working Capital.* We believe there are opportunities to reduce our investment in working capital over the long term by focusing on specific balance sheet metrics. In particular, we believe that the improvement in our fill rates as a result of tighter linkage between our businesses and supply chain will enable us to substantially reduce our investment in inventory without compromising the level of the service we provide to our customers. During fiscal 2014, we reduced our inventory level from \$391.9 million to \$326.4 million while maintaining high fill rates. Our inventory level at the end of fiscal 2015 increased slightly to \$335.9 million as a result of increased sales and acquisitions completed during the year.

Products – General

The following table indicates each class of similar products which represented approximately 10% or more of our consolidated net sales in the fiscal years presented (in millions).

<u>Category</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Pet supplies (excluding wild bird feed)	\$ 827.7	\$ 774.2	\$ 807.4
Garden controls and fertilizer products	286.3	262.5	274.9
Wild bird feed	193.2	202.1	210.8
Other garden supplies	181.4	182.5	183.5
Grass seed	162.1	183.1	177.0
Total	<u>\$ 1,650.7</u>	<u>\$ 1,604.4</u>	<u>\$ 1,653.6</u>

Pet Segment

Overview

We are one of the leading marketers and producers of premium branded pet supplies in the United States. In addition, our Pet segment operates one of the largest sales and logistics networks in the industry strategically supporting our brands. In fiscal 2015, the Pet segment accounted for \$895 million of our consolidated net sales and \$98.8 million of our consolidated income from operations before corporate expenses and eliminations.

Industry Background

According to the Simmons Fall 2014 National Consumer Survey, the number of U.S. households with dogs or cats in 2014 declined to 51.1% from a previous high of 53.3% in the prior year, which is consistent with the 51 – 53% range since 2011.

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The pet industry includes food, supplies, veterinarian care, services and live animals. We operate primarily in the pet supplies segment of the industry. This segment includes: products for dogs and cats, including edible bones, premium healthy edible and non-edible chews, rawhide, toys, pet carriers, grooming supplies and other accessories; products for birds, small animals and specialty pets, including cages and habitats, toys, chews, and related accessories; animal and household health and insect control products; products for fish, reptiles and other aquarium-based pets, including aquariums, furniture and lighting fixtures, pumps, filters, water conditioners and supplements, and information and knowledge resources; and products for horses and livestock. According to Packaged Facts, the pet supplies segment was \$14.5 billion in revenue in 2014, up 2.5% from 2013. We also operate in the super premium category of dog and cat food and treats.

We believe this industry growth is due in significant part to favorable demographic and leisure trends, which we expect to continue, albeit potentially at a slower rate due to a lower rate of growth in the broader U.S. economy. The key demographics bolstering the U.S. pet supplies market are the growth rates in the number of children under 18 and the number of adults over age 55. According to 2012 U.S. interim census data, approximately 41% of the population is 45 years or older. Households with children tend to own more pets, and adults over 55 are more likely to be “empty nesters” who keep pets as companions and have more disposable income and leisure time available for pets. In addition, many pet supplies products (e.g., dog and cat food, dog chews, bird food, grooming supplies, pest control, etc.) are routinely consumed and replenished. For example, as many as 87% of dog owners and 67% of cat owners regularly purchase some type of treat.

The U.S. pet supplies market is highly fragmented with approximately 1,400 manufacturers, consisting primarily of small companies with limited product lines. The majority of these manufacturers do not have a captive sales and logistics network and must rely on us or other independent distributors to supply their products to regional pet specialty chains and independent retailers. According to Packaged Facts, pet supplies sales increased 14.9% over the past five years. Sales are expected to increase an additional 13% to \$16.8 billion by 2019, indicating the strength of this category.

The pet food and supplies industry retail channel also remains fragmented, with approximately 8,300 independent pet supply stores in the United States and only two national specialty retailers, PetSmart and PETCO. These two “pet superstores” have grown rapidly, and pet products have also become a growing category in mass merchandisers, discounters, grocery outlets and the e-commerce channel. PetSmart and PETCO typically offer the broadest product selection with competitive prices and a growing array of pet services. Mass merchandisers, supermarkets and discounters have historically carried a limited product assortment that features primarily pet food, but we believe these retailers are devoting more shelf space to meet increased consumer demand for premium pet supplies. Independent pet stores typically have a relatively broad product selection and attempt to differentiate themselves by offering premier brands and knowledgeable service.

Proprietary Branded Pet Products

Our principal pet supplies categories are dog and cat, aquatics, bird and small animal, wild bird feed and animal health products.

Dog & Cat. The dog and cat category, featuring the brands Nylabone, Four Paws, Cadet®, TFH Publications, Pet Select, Pet Love and Mikki®, is an industry leader in manufacturing and marketing premium edible and non-edible chews, interactive toys, super premium dog and cat food, grooming supplies and pet-care print and digital content.

- Nylabone is made in the United States and has a strong history of developing innovative products such as NutriDen® Edible Dental Brush Chews, as well as numerous other award-winning dog toys and healthy chews.
- Four Paws Products include industry leaders in grooming and waste management products under the Wee Wee and Magic Coat Brands.
- TFH Publications is a globally recognized publisher of both pet books and an aquatics magazine.

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- Breeder's Choice, featuring the Pinnacle®, AvoDerm®, Simply Natural® and Active Care® brands, is a manufacturer of super premium natural pet food and treats.
- IMS is a manufacturer and supplier of a full-line of quality rawhide and other natural dog chews, and treats.

Aquatics. We are a leading supplier of aquariums and related fixtures and furniture, water conditioners and supplements, sophisticated lighting systems and accessories featuring the brands Aqueon, Zilla, Kent Marine, Coralife and Blagdon.

Small Animal & Wild Bird Feed. We are a leading marketer and producer of specialty pet food for pet and wild birds and small animals, vitamins and nutritional supplements, bird and small animal cages, habitats, transportation devices, toys and other accessories designed for the small animal marketplace featuring the brands Kaytee®, Super Pet®, Critter Trail® and Canopy Scientific®. Kaytee is one of the largest producers of specialty bird feed.

Animal Health. We are a leading marketer and producer of flea, tick, mosquito and other insect control products produced by Wellmark International and sold primarily under the Bio Spot Active Care™, Adams, Altosid, Pre Strike and Extinguish® brand names. Wellmark is the only domestic producer of (S)-Methoprene, which is an active ingredient to control mosquitoes, fleas, ticks, ants and mites in many professional and consumer insect control applications. We also sell (S)-Methoprene to manufacturers of other insect control products, including Frontline Plus. In addition, through our Farnam operations, we are a leading manufacturer and marketer of innovative health care products for horses. Farnam's portfolio of industry leading brands includes the Farnam umbrella brand, IverCare®, Bronco®, Super Mask® II, Endure®, Horseshoer's Secret® and Vetrolin®.

Sales Network

Our domestic sales network exists to promote both our proprietary brands and third party partner brands. It provides value-added service to approximately 6,000 customers, the majority of which are independent specialty stores with fewer than 10 locations. This includes acquisition and maintenance of premium shelf placement, prompt product replenishment, customization of retailer programs, quick response to changing customer and retailer preferences, rapid deployment and feedback for new products and immediate exposure for acquired brands. The combination of brands in the network supplied in single shipments enables our independent customers to work with us on a cost effective basis to meet their pet supplies requirements. We also operate a sales and logistics facility in the United Kingdom.

Sales and Marketing

Our sales strategy is multi-tiered and designed to capture maximum market share with retailers. Our customers include retailers, such as regional and national specialty pet stores, independent pet retailers, mass merchants, grocery and drug stores, as well as the e-commerce channel. In addition, we also serve the professional market with insect control and health and wellness products for use by veterinarians, municipalities, farmers and equine product suppliers. PetSmart accounted for approximately 8% of our Pet segment's net sales in fiscal 2015, 10% in fiscal 2014 and 11% in fiscal 2013. PETCO is also a significant customer.

To optimize our product placement and visibility in retail stores, our focused sales resources are segmented as follows:

- a sales organization operating by category and channel;
- dedicated account teams servicing our largest customers;
- a group of account managers focused on regional chains;
- a geographic based group of territory managers dedicated to the independent retailer; and
- a specialized group of account managers dedicated to the professional and equine markets.

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These sales teams deliver our marketing strategy that is consumer, brand and channel driven. We provide value creation with a focus on innovation, product quality and performance, premium packaging, product positioning and consumer value. We collaborate closely with our customers to identify their needs, jointly develop strategies to meet those needs and deliver programs that include print, broadcast, direct mail and digital execution.

Competition

The pet supplies industry is highly competitive and has experienced considerable consolidation coupled with the emergence of the e-commerce channel in recent years. Our branded pet products compete against national and regional branded products and private label products produced by various suppliers. Our largest competitors in most product categories are Spectrum Brands and Hartz Mountain. The Pet segment competes primarily on the basis of brand recognition, innovation, upscale packaging, quality and service. Our Pet segment's sales and logistics operations compete with Animal Supply Co., Phillips Pet Food & Supplies and a number of smaller local and regional distributors, with competition based on product selection, price, value-added services and personal relationships.

Garden Segment

Overview

We are a leading company in the consumer lawn and garden market in the United States and offer both premium and value-oriented branded products. We market and produce a broad array of premium brands, including Pennington, The Rebels, AMDRO, Lilly Miller, Ironite, Sevin, and Over-N-Out. We also produce value brands at lower prices, including numerous private label brands. In addition, our Garden segment operates a sales and logistics network that strategically supports its brands. In fiscal 2015, the Garden segment accounted for \$756 million of our consolidated net sales and \$60.1 million of our consolidated income from operations before corporate expenses and eliminations.

Industry Background

We believe that gardening is one of the most popular leisure activities in the United States, although in recent years our Garden segment has been adversely impacted by fluctuations in input costs and weather. The Freedonia Group predicts that household participation in lawn and garden activities will rebound slightly through 2018. The key demographic bolstering our lawn and garden market is the growth rate in the number of adults over age 55 which is projected to increase from 88 million in 2015 to 99 million in 2020. This age group is more likely to be "empty nesters" and have more disposable income and leisure time available for garden activities. As the baby boom generation ages, this segment is expected to grow faster than the total population. According to 2012 U.S. interim census data, approximately 41% of the population is 45 years or older. We believe that this demographic should increase the number of lawn and garden product users. With more people gardening in their yards and the potential trends of food gardening and organic gardening, we perceive this market as staying intact and showing slow positive growth. We estimate the retail sales of the lawn and garden supplies industry in the categories in which we participate to be approximately \$12.0 billion. In addition, we participate in the seasonal décor market. We believe that the industry will continue to grow, albeit at a slower rate in the near term due to industry dynamics.

Lawn and garden products are sold to consumers through a number of distribution channels, including home centers, mass merchants, independent nurseries and hardware stores. Home and garden centers and mass merchants typically carry multiple premium and value brands. Due to the rapid expansion and consolidation of mass merchants and home and garden centers in the last 15 years, the concentration of purchasing power for the lawn and garden category has increased dramatically. We expect the growth of home and garden centers, such as Home Depot and Lowe's, and mass merchants, such as Wal*Mart, to continue to concentrate industry distribution.

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Proprietary Branded Lawn and Garden Products

Our principal lawn and garden product lines are grass seed, wild bird feed, insect control products, lawn and garden care products, decorative outdoor patio products and Christmas products and lighting. Our Pennington brand is one of the largest in grass seed, pottery and wild bird feed, and our Amdro brand is a leading portfolio of ant control products.

Grass Seed. We are a leading marketer, producer and distributor of numerous mixtures and blends of cool and warm season turf grass for both the residential and professional markets, as well as forage and wild game seed mixtures. We sell these products under the Pennington Seed, Pennington, Penkoted[®], Max-Q[®], ProSelect[™], Tournament Quality CM, MasterTurf[®], The Rebels and Smart Seed[®] brand names. We also produce numerous private label brands of grass seed. The Pennington grass seed manufacturing facilities are some of the largest and most modern seed coating and conditioning facilities in the industry.

Wild Bird Products. We are a leading marketer, producer and distributor of wild bird feed, bird feeders, bird houses and other birding accessories in the United States. These products are sold primarily under the Pennington brand name. Most of our wild bird feed is treated with Bird-Kote[®], a nutritious coating made up of vegetable oil fortified with oil-soluble vitamins and elements needed by wild birds.

Fertilizers and Controls. We are a leading marketer, producer and distributor of lawn and garden weed, moss, insect and pest control products and soil supplements and stimulants. We sell these products under the AMDRO[®], Lilly Miller, Moss Out[®], Corry's[®], IMAGE[®], Sevin, Over-N-Out, Rootboost[®], Knockout[®], Strike[®] brand names and the Eliminator private label for Wal*Mart. We manufacture several lines of lawn and garden fertilizers and soil supplements, in granular and liquid form, under the Pennington, Alaska Fish Fertilizer[®], Pro Care, Green Care, Green Charm, Ironite and other private and controlled labels.

Outdoor & Seasonal Decor. We are a leading marketer and distributor of decorative indoor and outdoor pottery products in the United States. These products, sold under the Pennington name, include terra cotta, stoneware, ceramic and porcelain pots. We also market seasonal Christmas products and lighting under the brand name GKI/Bethlehem Lighting, and manufacture a complete line of wooden garden products, including planters, barrel fountains, arbors and trellises under the Pennington brand name.

Sales Network

Our sales and logistics network exists primarily to promote our proprietary brands and provides us with key access to retail stores for our branded products, acquisition and maintenance of premium shelf placement, prompt product replenishment, customization of retailer programs, quick responses to changing customer and retailer preferences, rapid deployment and feedback for new products, immediate exposure for acquired brands and comprehensive and strategic information. The network also sells other manufacturers' brands of lawn and garden supplies and combines these products with our branded products into single shipments enabling our customers to deal with us on a cost-effective basis to meet their lawn and garden supplies requirements.

Sales and Marketing

The marketing strategy for our premium products is focused on meeting consumer needs through product performance, innovation, quality, upscale packaging and retail shelf placement. The marketing strategy for our value products is focused on promotion of the quality and efficacy of our value brands at a lower cost relative to premium brands. Our customers include retailers, such as mass merchants, home improvement centers, independent lawn and garden nurseries, drug and grocery stores, and professional end users. Sales to Wal*Mart represented approximately 31%, 31% and 30%, sales to Lowe's represented approximately 18%, 15% and 17%, and sales to Home Depot represented approximately 16%, 17% and 18% of our Garden segment's net sales in fiscal 2015, 2014 and 2013, respectively.

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To maximize our product placement and visibility in retail stores, we market our products through the following four complementary strategies:

- dedicated sales forces represent our combined brand groups;
- retail sales and logistics network, which provides in-store training and merchandising for our customers, especially during the prime spring and summer seasons;
- dedicated account-managers and sales teams located near and dedicated to serve several of our largest customers; and
- selected independent distributors who sell our brands.

Competition

The lawn and garden products industry is highly competitive. Our lawn and garden products compete against national and regional products and private label products produced by various suppliers. Our turf and forage grass seed products, fertilizers, pesticides and combination products compete principally against products marketed by The Scotts Miracle-Gro Company (“Scotts”). Scotts’ dominant position in the lawn and garden industry is a significant competitive disadvantage for our garden products. In addition, Spectrum Brands is a strong competitor in yard and household insecticides. Our Garden segment competes primarily on the basis of its strong premium and value brands, quality, service, price and low cost manufacturing. Our Garden segment’s sales and logistics operations also compete with a large number of distributors, with competition based on price, service and personal relationships.

Manufacturing

We manufacture the majority of our branded products in 31 manufacturing facilities, located primarily in the United States. In addition, certain of our proprietary branded products are manufactured by contract manufacturers. We have also entered into an exclusive arrangement with a third party to manufacture one of our registered active ingredients, (S)-Methoprene, for use in that third party’s flea and tick control products.

Purchasing

We purchase most of our raw materials from a number of different suppliers. In addition, we purchase one of the raw materials used to manufacture (S)-Methoprene from a single source of supply. We maintain an inventory of this raw material (in addition to our (S)-Methoprene inventory) to reduce the possibility of any interruption in the availability of (S)-Methoprene, but a prolonged delay in obtaining (S)-Methoprene or this raw material could result in a temporary delay in product shipments and have an adverse effect on our Pet segment’s financial results.

The key ingredients in our fertilizer and insect and weed control products are commodity and specialty chemicals, including phosphates, urea, potash, herbicides, insecticides and fungicides.

The principal raw materials required for our wild bird feed operations are bulk commodity grains, including millet, milo and sunflower seeds, which are generally purchased from large national commodity companies and local grain cooperatives. In order to ensure an adequate supply of grains and seed to satisfy expected production volume, we enter into contracts to purchase a portion of our expected grain and seed requirements at future dates by fixing the quantity, and often the price, at the commitment date. Although we have never experienced a severe interruption of supply, we are exposed to price risk with respect to the portion of our supply which is not covered by contracts with a fixed price.

In fiscal 2013, prices for some key inputs continued to increase from 2012 increases due in part to drought conditions throughout much of the United States. Although by the end of the year, prices began to decline for

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certain commodities. In fiscal 2014, prices decreased substantially compared to fiscal 2013. Our weighted average cost per pound for our primary bird feed grains decreased approximately 32% for fiscal year 2014 compared to fiscal 2013, and also decreased slightly in fiscal year 2015 compared to fiscal 2014. The decrease in commodity costs is reflected in decreased sale prices to our retailers.

Logistics Network

Our distribution network consists of 28 facilities strategically placed across the United States and one facility in the United Kingdom to allow us to service both our mass market customers as well as our independent specialty retail stores for our branded products. This network also supports distribution of many other manufacturers' brands and combines these products with our branded products into single shipments, enabling us to serve our customers in an effective and cost efficient manner.

Significant Customers

Wal*Mart, our largest customer, represented approximately 16%, 17% and 16% of our total company net sales in fiscal 2015, 2014 and 2013, respectively, and represented approximately 31% of our Garden segment's net sales in both fiscal 2015 and 2014, and 30% in fiscal 2013. Sales to Lowe's represented approximately 8%, 7% and 8% of our total company net sales in fiscal 2015, 2014 and 2013, respectively, and represented approximately 18%, 15% and 17% of our Garden segment's net sales in fiscal 2015, 2014 and 2013, respectively. Sales to Home Depot represented approximately 7% of our total company net sales in fiscal 2015 and 8% in both fiscal 2014 and 2013, and represented approximately 16%, 17% and 18% of our Garden segment's net sales in fiscal 2015, 2014 and 2013, respectively. PetSmart represented approximately 8% of our Pet segment's net sales in fiscal 2015, 10% in fiscal 2014 and 11% in fiscal 2013. PETCO is also a significant customer.

Patents and Other Proprietary Rights

Our branded products companies hold numerous patents in the United States and in other countries and have several patent applications pending. We consider the development of patents through creative research and the maintenance of an active patent program to be advantageous to our business, but we do not regard the holding of any particular patent as essential to our operations.

In addition to patents, we have numerous active ingredient registrations, end-use product registrations and trade secrets, including certain technology used in the Wellmark operations for the production of (S)-Methoprene, which has been licensed from Novartis. This license is perpetual but non-exclusive. In addition, we have developed certain proprietary improvements relating to the synthesis of (S)-Methoprene. The success of certain portions of our business, especially our animal health operations, partly depends on our ability to continue to maintain trade secret information which has been licensed to us, and to keep both licensed and owned trade secret information confidential.

Along with patents, active ingredient registrations, end use product registrations and trade secrets, we own a number of trademarks, service marks, trade names and logotypes. Many of our trademarks are registered but some are not. We are not aware of any reason we cannot continue to use our trademarks, service marks and trade names in the way that we have been using them.

Employees

As of September 26, 2015, we had approximately 3,300 employees, of which approximately 3,100 were full-time employees and 200 were temporary or part-time employees. We also hire substantial numbers of additional temporary employees for the peak lawn and garden shipping season of February through June to meet the increased demand experienced during the spring and summer months. The majority of our temporary

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employees are paid on an hourly basis. Except for 47 employees at a facility in Puebla, Mexico, none of our employees is represented by a labor union. We consider our relationships with our employees to be good.

Environmental and Regulatory Considerations

Many of the products that we manufacture or distribute are subject to local, state, federal and foreign laws and regulations relating to environmental matters. Such regulations are often complex and are subject to change. In the United States, all pesticides must be registered with the United States Environmental Protection Agency (the "EPA"), in addition to individual state and/or foreign agency registrations, before they can be sold. Fertilizer products are also subject to state Department of Agriculture registration and foreign labeling regulations. Grass seed is also subject to state, federal and foreign labeling regulations.

The Food Quality Protection Act (FQPA), establishes a standard for food-use pesticides, which is a reasonable certainty that no harm will result from the cumulative effect of pesticide exposures. Under this Act, the EPA is evaluating the cumulative risks from dietary and non-dietary exposures to pesticides. The pesticides in our products, which are also used on foods, will be evaluated by the EPA as part of this non-dietary exposure risk assessment.

In addition, the use of certain pesticide and fertilizer products is regulated by various local, state, federal and foreign environmental and public health agencies. These regulations may include requirements that only certified or professional users apply the product or that certain products be used only on certain types of locations (such as "not for use on sod farms or golf courses"), may require users to post notices on properties to which products have been or will be applied, may require notification of individuals in the vicinity that products will be applied in the future or may ban the use of certain ingredients. We believe we are operating in substantial compliance with, or taking action aimed at ensuring compliance with, these laws and regulations.

Various federal, state and local laws, including the federal Food Safety Modernization Act, also regulate pet food products and give regulatory authorities the power to recall or require re-labeling of products. We believe we are in substantial compliance or are taking steps to ensure that we are in compliance with these provisions.

Various local, state, federal and foreign environmental laws also impose obligations on various entities to clean up contaminated properties or to pay for the cost of such remediation, often upon parties that did not actually cause the contamination. Accordingly, we may become liable, either contractually or by operation of law, for remediation costs even if the contaminated property is not presently owned or operated by us, or if the contamination was caused by third parties during or prior to our ownership or operation of the property. With our extensive acquisition history, we have acquired a number of manufacturing and distribution facilities, and most of these facilities have not been subjected to Phase II environmental tests to determine whether they are contaminated.

Environmental regulations may affect us by restricting the manufacturing or use of our products or regulating their disposal. Regulatory or legislative changes may cause future increases in our operating costs or otherwise affect operations. Although we believe we are and have been in substantial compliance with such regulations and have strict internal guidelines on the handling and disposal of our products, there is no assurance that in the future we may not be adversely affected by such regulations or incur increased operating costs in complying with such regulations. However, neither the compliance with regulatory requirements nor our environmental procedures can ensure that we will not be subject to claims for personal injury, property damages or governmental enforcement.

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Executive Officers

The following table sets forth the name, age and position of our executive officers as of December 1, 2015.

<u>Name</u>	<u>Age</u>	<u>Position</u>
John R. Ranelli	69	President, Chief Executive Officer and acting President – Pet Segment
William E. Brown	74	Chairman of the Board
David N. Chichester	70	Acting Chief Financial Officer
Michael A. Reed	67	Executive Vice President
George Yuhas	63	General Counsel and Secretary

John R. Ranelli. Mr. Ranelli has been our President and Chief Executive Officer since February 2013. Since March 2013, Mr. Ranelli has also been our acting President – Pet Segment. From 2011 to 2012, Mr. Ranelli was President and CEO of Woolrich Inc., an outdoor clothing company. From 2008 to 2011, Mr. Ranelli was an advisor to a number of companies and private equity firms. From 2007 to 2008, Mr. Ranelli was President and CEO of Mikasa Inc., a global dinnerware, crystal and home accessories company. From 1999 to 2006, Mr. Ranelli was Chairman, Chief Executive Officer and President of FGX International, a global optical and jewelry company. Previously, he served in senior executive capacities with Stride Rite Corporation, Deckers Outdoor Corporation, TLC Beatrice and The Timberland Company. Mr. Ranelli is a director of Woolrich, Inc. and serves as its non-executive Chairman.

William E. Brown. Mr. Brown, who is currently on leave, has been our Chairman since 1980. From 1980 to June 2003 and from October 2007 to February 2013, Mr. Brown served as our Chief Executive Officer. From 1977 to 1980, Mr. Brown was Senior Vice President of the Vivitar Corporation with responsibility for Finance, Operations, and Research & Development. From 1972 to 1977, he was with McKesson Corporation where he was responsible for its 200-site data processing organization. Prior to joining McKesson Corporation, Mr. Brown spent the first 10 years of his business career at McCormick, Inc. in manufacturing, engineering and data processing.

David N. Chichester. Mr. Chichester has been Acting Chief Financial Officer since September 2015. As a Partner of Tatum, a Randstad company, he served as interim CFO or as a consultant for several companies from 2005 through 2015. Mr. Chichester served as Senior Vice President Finance Starbucks Corporation from 2001 to 2003 and, in Tokyo, as Chief Financial Officer Starbucks Coffee Japan, Ltd. from 2003 to 2004. Mr. Chichester served as Chief Financial Officer at Red Roof Inns, Inc. from 1996 to 1999. Prior to these positions, he held senior management positions in finance at Integrated Health Services, Inc., Marriott Corporation and General Electric Credit Corporation, and served as an investment banker at Warburg Paribas Becker Incorporated and in several roles at The First National Bank of Chicago. He has also been on the board of directors of several companies.

Michael A. Reed. Mr. Reed has been Executive Vice President since June 2000 and was President of the Garden Products division from October 2007 to May 2012. Mr. Reed served as President of the Pet Products division from 2003 to 2004. Previously, Mr. Reed served as President and CEO of PM Ag Products, Inc., a wholly owned subsidiary of global agri-business Tate & Lyle, PLC.

George Yuhas. Mr. Yuhas has been our General Counsel since March 2011 and our Secretary since September 2015. From 1984 to March 2011, he was a partner specializing in litigation at Orrick, Herrington & Sutcliffe LLP.

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Available Information

Our web site is www.central.com. We make available free of charge, on or through our web site, our annual, quarterly and current reports, and any amendments to those reports, as soon as reasonably practicable after electronically filing or furnishing such reports with the Securities and Exchange Commission. Information contained on our web site is not part of this report.

Item 1A. Risk Factors.

This Form 10-K contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of factors both in and out of our control, including the risks faced by us described below and elsewhere in this Form 10-K.

You should carefully consider the risks described below. In addition, the risks described below are not the only ones facing us. We have only described the risks we consider to be material. However, there may be additional risks that are viewed by us as not material at the present time or are not presently known to us. Conditions could change in the future, or new information may come to our attention that could impact our assessment of these risks.

If any of the events described below were to occur, our business, prospects, financial condition and/or results of operations could be materially adversely affected. When we say below that something could or will have a material adverse effect on us, we mean that it could or will have one or more of these effects. In any such case, the price of our common stock could decline, and you could lose all or part of your investment in our company.

Our operating results and cash flow are susceptible to fluctuations.

We expect to continue to experience variability in our net sales, net income and cash flow on a quarterly basis. Factors that may contribute to this variability include:

- seasonality and adverse weather conditions;
- fluctuations in prices of commodity grains and other input costs;
- operational problems;
- shifts in demand for lawn and garden and pet products;
- changes in product mix, service levels, marketing and pricing by us and our competitors;
- the effect of acquisitions; and
- economic stability and strength of our relationships with retailers.

These fluctuations could negatively impact our business and the market price of our common stock.

Seeds and grains we use to produce bird feed and grass seed are commodity products subject to price volatility that has had, and could have, a negative impact on us.

Our financial results are partially dependent upon the cost of raw materials and our ability to pass along increases in these costs to our customers. In particular, our Pennington and Kaytee businesses are exposed to fluctuations in market prices for commodity seeds and grains used to produce bird feed. Historically, market prices for commodity seeds and grains have fluctuated in response to a number of factors, including changes in United States government farm support programs, changes in international agricultural and trading policies and weather conditions during the growing and harvesting seasons.

To mitigate our exposure to changes in market prices, we enter into purchase contracts for grains, bird feed and grass seed to cover a limited portion of our purchase requirements for a selling season. Since these contracts

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cover only a portion of our purchase requirements, as market prices for such products increase, our cost of production increases as well. In contrast, if market prices for such products decrease, we may end up purchasing grains and seeds pursuant to the purchase contracts at prices above market.

In fiscal 2013, our weighted average cost per pound for our primary bird feed grains increased approximately 15% compared to fiscal 2012. In fiscal 2014, our weighted average cost per pound for our primary bird feed grains decreased approximately 32% compared with fiscal year 2013. In fiscal 2015, our weighted average cost per pound for our primary bird feed grains decreased slightly from fiscal 2014. Although we have been able to negotiate some price increases in the past with our retailers, it is possible that price increases may not fully offset rising costs in the future, resulting in margin erosion. We can provide no assurance as to the timing or extent of our ability to implement additional price adjustments in the event of increased costs in the future. Similarly, we can provide no assurance of our ability to retain pricing with our retailers in the context of declining costs. We also cannot predict to what extent price increases may negatively affect our sales volume. As retailers pass along price increases, consumers may shift to our lower margin bird feed, switch to competing products or reduce purchases of wild bird feed products.

Our success depends upon our retaining key personnel.

Our performance is substantially dependent upon the continued services of our senior management team. We have entered into an amendment to the employment agreement with John R. Ranelli, our President, Chief Executive Officer and acting President – Pet Segment which contemplates his retirement in September 2016, and plan to launch a search for his successor during fiscal 2016. William E. Brown, our Chairman of the Board, commenced a leave of absence in July as he continues to recover from injuries he sustained in an accident in his home earlier in the year. In addition, in September 2015, our Chief Financial Officer resigned, and our board of directors appointed David N. Chichester, a member of our board, as Acting Chief Financial Officer through February 2016. The loss of the services of these persons could have a material adverse effect on our business unless adequate replacements are found. Our future performance depends on our ability to attract and retain skilled employees, including a new Chief Executive Officer and new Chief Financial Officer. We cannot assure you that we will be able to retain our existing personnel or attract additional qualified employees in the future.

We are subject to significant risks associated with innovation, including the risk that our new product innovations will not produce sufficient sales to recoup our investment.

We believe that our future success will depend upon, in part, our ability to continue to improve our existing products through product innovation and to develop, market and produce new products. We cannot assure you that we will be successful in the introduction, marketing and production of any new products or product innovations, or that we will develop and introduce in a timely manner improvements to our existing products which satisfy customer needs or achieve market acceptance. Our failure to develop new products and introduce them successfully and in a timely manner could harm our ability to grow our business and could have a material adverse effect on our business, results of operations and financial condition.

During fiscal 2013, we introduced two new Garden products. Despite support from our retailers and substantial marketing spend, the new products did not sell through as expected, and we took an \$11.2 million charge related to inventory and product and packaging changes at the end of the fourth quarter of fiscal 2013 relating to the new products. Despite a concerted effort to improve consumer takeaway of the products through product, packaging and placement changes, as well as aggressive promotions, we continued to experience weak consumer sales of the products in their second season and late in the third quarter of fiscal 2014 major retailers indicated that they would not support the products going forward. Consequently, we made the decision to discontinue the two products at the end of the 2014 garden season. As a result, we recorded a \$16.9 million charge to operating income in fiscal 2014, to write off the remaining inventory of these products and to account for product returns, promotional allowances and other costs related to the discontinuance of the products. We believe that the period of time to gain consumer acceptance of major innovations is longer in the garden industry than in many industries, which compounds the risks generally associated with major new product innovations.

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A decline in consumers' discretionary spending or a change in consumer preferences could reduce our sales and harm our business.

Our sales ultimately depend on consumer discretionary spending, which is influenced by factors beyond our control, including general economic conditions, the availability of discretionary income and credit, weather, consumer confidence and unemployment levels. Any material decline in the amount of consumer discretionary spending could reduce our sales and harm our business. These economic and market conditions, combined with continuing difficulties in the credit markets and the resulting pressures on liquidity, may also place a number of our key retail customers under financial stress, which would increase our credit risk and potential bad debt exposure.

The success of our business also depends in part on our ability to identify and respond to evolving trends in demographics and consumer preferences. Our failure to timely identify or effectively respond to changing consumer tastes, preferences, spending patterns and lawn and garden and pet care needs could adversely affect the demand for our products and our profitability.

Inflation, deflation, economic uncertainty and other adverse macro-economic conditions may harm our business.

Our revenues and margins are dependent on various economic factors, including rates of inflation or deflation, energy costs, consumer attitudes toward discretionary spending, currency fluctuations, and other macro-economic factors which may impact levels of consumer spending. If we are unable to pass through rising input costs and raise the price of our products, or consumer confidence continues to weaken, we may experience gross margin declines.

Supply disruptions in pet birds and small animals may negatively impact our sales.

The federal government and many state governments have increased restrictions on the importation of pet birds and the supply of small animals. These restrictions have resulted in reduced availability of new pet birds and animals and thus reduced demand for pet bird and small animal food and supplies. If these restrictions become more severe, our future sales of these products would likely suffer, which would negatively impact our profitability. In addition, some countries have experienced outbreaks of avian flu. While the number of cases worldwide has declined, a significant outbreak in the United States would reduce demand for our pet and wild bird food and negatively impact our financial results.

Our lawn and garden sales are highly seasonal and subject to adverse weather.

Because our lawn and garden products are used primarily in the spring and summer, the Garden business is seasonal. In fiscal 2015, approximately 66% of our Garden segment's net sales and 58% of our total net sales occurred during our second and third fiscal quarters. Substantially all of the Garden segment's operating income is generated in this period. Our working capital needs and our borrowings generally peak in our second fiscal quarter, because we are generating lower revenues while incurring expenses in preparation for the spring selling season. If cash on hand and borrowings under our credit facility are ever insufficient to meet our seasonal needs or if cash flow generated during the spring and summer is insufficient to repay our borrowings on a timely basis, this seasonality could have a material adverse effect on our business.

Because demand for lawn and garden products is significantly influenced by weather, particularly weekend weather during the peak gardening season, our results of operations and cash flow could also be adversely affected by certain weather patterns such as unseasonably cool or warm temperatures, heavy rains, water shortages or floods.

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Rising energy prices could adversely affect our operating results.

During fiscal 2012, energy prices increased substantially, which resulted in increased fuel costs for our businesses and increased raw materials costs for many of our branded products. Energy prices have significantly declined since then. Rising energy prices in the future could adversely affect consumer spending and demand for our products and increase our operating costs, both of which would reduce our sales and operating income.

We depend on a few customers for a significant portion of our business.

Wal*Mart, our largest customer, accounted for approximately 16% of our net sales in fiscal 2015, 17% of our net sales in fiscal 2014 and 16% in fiscal 2013. Lowe's accounted for approximately 8% of our net sales in fiscal 2015, 7% in fiscal 2014 and 8% in fiscal 2013. Home Depot accounted for approximately 7% of our net sales in fiscal 2015, 8% in fiscal 2014 and 8% in fiscal 2013. In addition, PetSmart and PETCO are also significant customers, and together with Wal*Mart, Lowe's and Home Depot, accounted for approximately 40% of our net sales in fiscal 2015, 41% in fiscal 2014 and 43% in fiscal 2013. The market shares of many of these key retailers have increased and may continue to increase in future years.

The loss of, or significant adverse change in, our relationship with any of these key retailers could cause our net sales, income from operations and cash flow to decline. The loss of, or reduction in, orders from any significant customer, losses arising from customer disputes regarding shipments, fees, merchandise condition or related matters, or our inability to collect accounts receivable from any major customer could reduce our income from operations and cash flow.

We may be adversely affected by trends in the retail industry.

With the growing trend towards retail trade consolidation, we are increasingly dependent upon key retailers whose leverage is growing. Our business may be negatively affected by changes in the policies of our retailers, such as inventory destocking, limitations on access to shelf space, price demands and other conditions. In addition, retailers continue to more closely manage inventory levels and make purchases on a "just-in-time" basis. This requires us to shorten our lead time for production in certain cases and to more closely anticipate demand, which could in the future require the carrying of additional inventories and an increase in our working capital and related financing requirements. This shift to "just-in-time" can also cause retailers to delay purchase orders, which can cause a shift in sales from quarter to quarter. Decisions to move in or out of a market category by leading retailers can also have a significant impact on our business.

A significant deterioration in the financial condition of one of our major customers could have a material adverse effect on our sales, profitability and cash flow. We continually monitor and evaluate the credit status of our customers and attempt to adjust sales terms as appropriate. Despite these efforts, a bankruptcy filing or liquidation by a key customer could have a material adverse effect on our business, results of operations and financial condition in the future.

Issues with products may lead to product liability, personal injury or property damage claims, recalls, withdrawals, replacements of products, regulatory actions by governmental authorities that could divert resources, affect business operations, decrease sales, increase costs, and put us at a competitive disadvantage, any of which could have a significant adverse effect on our results of operations and financial condition.

We have experienced, and may in the future experience, issues with products that may lead to product liability, recalls, withdrawals, replacements of products, or regulatory actions by governmental authorities. Product recalls or other governmental regulatory action directed at product sales could result in increased governmental scrutiny, reputational harm, reduced demand by consumers for our products, decreased willingness by retailer customers to purchase or provide marketing support for those products, unavailability or increased

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cost of insurance, or additional safety and testing requirements. Such results could divert development and management resources, adversely affect our business operations, decrease sales, increase legal fees and other costs, and put us at a competitive disadvantage compared to other manufacturers not affected by similar issues with products, any of which could have a significant adverse effect on our results of operations and financial condition.

Competition in our industries may hinder our ability to execute our business strategy, increase our profitability or maintain relationships with existing customers.

We operate in highly competitive industries, which have experienced increased consolidation in recent years. We compete against numerous other companies, some of which are more established in their industries and have substantially greater revenue and resources than we do. Our products compete against national and regional products and private label products produced by various suppliers. Our largest competitors in the Pet segment are Spectrum Brands and Hartz Mountain, and our largest competitors in the Garden segment are Scotts and Spectrum Brands.

To compete effectively, among other things, we must:

- develop and grow brands with leading market positions;
- grow market share;
- maintain and expand our relationships with key retailers;
- continually develop innovative new products that appeal to consumers;
- implement effective marketing and sales promotion programs;
- maintain strict quality standards;
- deliver products on a reliable basis at competitive prices; and
- effectively integrate acquired companies.

Competition could lead to lower sales volumes, price reductions, reduced profits, losses, or loss of market share. Our inability to compete effectively could have a material adverse effect on our business, results of operations and financial condition.

Our acquisition strategy involves a number of risks.

We are regularly engaged in acquisition discussions with other companies and anticipate that one or more potential acquisition opportunities, including those that would be material, may become available in the near future. If and when appropriate acquisition opportunities become available, we intend to pursue them actively. Acquisitions involve a number of special risks, including:

- failure of the acquired business to achieve expected results, as well as the potential impairment of the acquired assets if operating results decline after an acquisition;
- diversion of management's attention;
- failure to retain key personnel of the acquired business;
- additional financing, if necessary and available, which could increase leverage and costs, dilute equity, or both;
- the potential negative effect on our financial statements from the increase in goodwill and other intangibles;
- the high cost and expenses of identifying, negotiating and completing acquisitions; and
- risks associated with unanticipated events or liabilities.

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These risks could have a material adverse effect on our business, results of operations and financial condition.

We have faced, and expect to continue to face, intense competition for acquisition candidates, which may limit our ability to make acquisitions and may lead to higher acquisition prices. We cannot assure you that we will be able to identify, acquire or manage profitably additional businesses or to integrate successfully any acquired businesses into our existing business without substantial costs, delays or other operational or financial difficulties. In future acquisitions, we also could incur additional indebtedness or pay consideration in excess of fair value, which could have a material adverse effect on our business, results of operations and financial condition.

If our goodwill, indefinite-lived intangible assets or other long-term assets become impaired, we will be required to record impairment charges, which may be significant.

A significant portion of our long-term assets consists of goodwill and other intangible assets recorded as a result of past acquisitions. We do not amortize goodwill and indefinite-lived intangible assets, but rather review them for impairment on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We consider whether circumstances or conditions exist which suggest that the carrying value of our goodwill and other long-lived intangible assets might be impaired. If such circumstances or conditions exist, further steps are required to determine whether the carrying value of each of the individual assets exceeds its fair value. If analysis indicates that an individual asset's carrying value does exceed its fair value, we would record a loss equal to the excess of the individual asset's carrying value over its fair value.

The steps required by GAAP entail significant amounts of judgment and subjectivity. Events and changes in circumstances that may indicate that there may be an impairment and that interim impairment testing is necessary include, but are not limited to: competitive conditions; the impact of the economic environment on our customer base and on broad market conditions that drive valuation considerations by market participants; our internal expectations with regard to future revenue growth and the assumptions we make when performing impairment reviews; a significant decrease in the market value of our assets; a significant adverse change in the extent or manner in which our assets are used; a significant adverse change in the business climate that could affect our assets; and significant changes in the cash flows associated with an asset. As a result of such circumstances, we may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill, indefinite-lived intangible assets or other long-term assets is determined. Any such impairment charges could have a material adverse effect on our results of operations and financial condition.

During fiscal 2015, 2014 and 2013, we performed evaluations of the fair value of our indefinite-lived trade names and trademarks. Our expected revenues were based on our future operating plan and market growth or decline estimates for future years. In fiscal 2015, we recognized a \$7.3 million non-cash impairment charge related to certain indefinite-lived intangible assets in our Pet Segment as a result of increased competition in the marketplace and an expected decline in the volume of sales. The fair value of the indefinite-lived intangible assets exceeded the remaining \$15.0 million carrying value at September 26, 2015. No impairment was indicated during our fiscal 2014 or 2013 analysis of our indefinite-lived trade names and trademarks.

Our goodwill is associated with one of the reporting units within our Pet segment. In connection with our annual goodwill impairment testing performed during fiscal 2015, the first step of such testing indicated that the fair value of our reporting segments exceeded their carrying value by more than 10%, and accordingly, no further testing of goodwill was required. During fiscal 2014, the reporting unit's operating income declined approximately 50% from the comparable fiscal 2013 period. In connection with our annual goodwill impairment testing performed during fiscal 2014, the first step of such testing indicated that the fair value of our reporting segments exceeded their carrying value by more than 10%, and accordingly, no further testing of goodwill was required.

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We continue to implement an enterprise resource planning information technology system.

In fiscal 2005, we began incurring costs associated with designing and implementing SAP, a new company-wide enterprise resource planning (ERP) software system with the objective of gradually migrating to the new system. This new system replaces numerous accounting and financial reporting systems, most of which were obtained in connection with business acquisitions. To date, we have reduced the number of ERP systems from 26 to 7. Capital expenditures for our new enterprise resource planning software system for fiscal 2016 and beyond will depend upon the pace of conversion for those remaining legacy systems. If the implementation is not executed successfully, we could experience business interruptions. If we do not complete the implementation of the project timely and successfully, we may experience, among other things, additional costs associated with completing this project and a delay in our ability to improve existing operations, support future growth and enable us to take advantage of new applications and technologies. All of this may also result in a distraction of management's time, diverting their attention from our operations and strategy.

Our inability to protect our trademarks and any other proprietary rights may have a significant, negative impact on our business.

We consider our trademarks to be of significant importance in our business. Although we devote resources to the establishment and protection of our trademarks, we cannot assure you that the actions we have taken or will take in the future will be adequate to prevent violation of our trademarks and proprietary rights by others or prevent others from seeking to block sales of our products as an alleged violation of their trademarks and proprietary rights. There can be no assurance that future litigation will not be necessary to enforce our trademarks or proprietary rights or to defend ourselves against claimed infringement or the rights of others. Any future litigation of this type could result in adverse determinations that could have a material adverse effect on our business, financial condition or results of operations. Our inability to use our trademarks and other proprietary rights could also harm our business and sales through reduced demand for our products and reduced revenues.

Some of the products that we manufacture and distribute require governmental permits and also subject us to potential environmental liabilities.

Some of the products that we manufacture and distribute are subject to regulation by federal, state, foreign and local authorities. Environmental health and safety laws and regulations are often complex and are subject to change. Environmental health and safety laws and regulations may affect us by restricting the manufacture, sale or use of our products or regulating their disposal. Regulatory or legislative changes may cause future increases in our operating costs or otherwise affect operations. There is no assurance that in the future we may not be adversely affected by such laws or regulations, incur increased operating costs in complying with such regulations or not be subject to claims for personal injury, property damages or governmental enforcement. In addition, due to the nature of our operations and the frequently changing nature of environmental compliance standards and technology, we cannot predict with any certainty that future material capital expenditures will not be required.

In addition to operational standards, environmental laws also impose obligations on various entities to clean up contaminated properties or to pay for the cost of such remediation, often upon parties that did not actually cause the contamination. Accordingly, we may become liable, either contractually or by operation of law, for remediation costs even if the contaminated property is not presently owned or operated by us, or if the contamination was caused by third parties during or prior to our ownership or operation of the property. With our extensive acquisition history, we have acquired a number of manufacturing and distribution facilities. Given the nature of the past operations conducted by us and others at these properties, there can be no assurance that all potential instances of soil or groundwater contamination have been identified, even for those properties where an environmental site assessment has been conducted. Future events, such as changes in existing laws or policies or their enforcement, or the discovery of currently unknown contamination, may give rise to future remediation liabilities that may be material.

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Our business is dependent upon our ability to continue to source products from China.

We outsource a significant amount of our manufacturing requirements to third party manufacturers located in China. This international sourcing subjects us to a number of risks, including: the impact on sourcing or manufacturing of public health and contamination risks in China; quality control issues; social and political disturbances and instability; export duties, import controls, tariffs, quotas and other trade barriers; shipping and transportation problems; and fluctuations in currency values. Because we rely on Chinese third party manufacturers for a substantial portion of our product needs, any disruption in our relationships with these manufacturers could adversely affect our operations.

The products that we manufacture and distribute could expose us to product liability claims.

Our business exposes us to potential product liability risks in the manufacture and distribution of certain of our products. Although we generally seek to insure against such risks, there can be no assurance that such coverage is adequate or that we will be able to maintain such insurance on acceptable terms. A successful product liability claim in excess of our insurance coverage could have a material adverse effect on us and could prevent us from obtaining adequate product liability insurance in the future on commercially reasonable terms.

Deterioration in operating results could prevent us from fulfilling our obligations under the terms of our indebtedness or impact our ability to refinance our debt on favorable terms as it matures.

We have, and we will continue to have, a significant amount of indebtedness. As of September 26, 2015, we had total indebtedness of approximately \$400 million. This level of indebtedness and future borrowing needs could have material adverse consequences for our business, including:

- make it more difficult for us to satisfy our obligations with respect to the terms of our indebtedness;
- require us to dedicate a large portion of our cash flow to pay principal and interest on our indebtedness, which would reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other business activities;
- increase our vulnerability to adverse industry conditions, including unfavorable weather conditions or commodity price increases;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- restrict us from making strategic acquisitions or exploiting business opportunities;
- place us at a competitive disadvantage compared to competitors that have less debt; and
- limit our ability to borrow additional funds at reasonable rates, if at all.

In addition, since a portion of our debt commitments bear interest at variable rates, an increase in interest rates or interest rate margins as defined under the credit agreement will create higher debt service requirements, which would adversely affect our cash flow.

We are subject to cyber security risks and may incur increasing costs in an effort to minimize those risks.

Our business employs systems and websites that allow for the secure storage and transmission of proprietary or confidential information regarding our customers, employees, suppliers and others, including personal identification information. Security breaches could expose us to a risk of loss or misuse of this information, litigation, and potential liability. We may not have the resources or technical sophistication to anticipate or prevent rapidly-evolving types of cyber attacks. Attacks may be targeted at us, our customers and suppliers, or others who have entrusted us with information. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third party experts and consultants. Advances in computer capabilities, new technological discoveries, or other developments may result in the technology used by us to protect transaction or other data being breached or compromised. In addition, data and security breaches can also occur as a result of non-technical issues, including

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breach by us or by persons with whom we have commercial relationships that result in the unauthorized release of personal or confidential information. Any compromise or breach of our security could result in a violation of applicable privacy and other laws, significant legal and financial exposure, and a loss of confidence in our security measures, which could have an adverse effect on our results of operations and our reputation.

We do not presently expect to pay dividends in the foreseeable future.

We have never paid any cash dividends on our common stock or Class A common stock and currently do not intend to do so. Provisions of our credit facility and the indenture governing our senior subordinated notes restrict our ability to pay cash dividends. Any future determination to pay cash dividends will be at the discretion of our Board of Directors, subject to limitations under applicable law and contractual restrictions, and will depend upon our results of operations, financial condition and other factors deemed relevant by our Board of Directors.

We may issue additional shares of our common stock or Class A common stock that could dilute the value and market price of your stock.

We may decide or be required to issue, including upon the exercise of any outstanding stock options, or in connection with any acquisition made by us, additional shares of our common stock or Class A common stock that could dilute the value of your common stock or Class A common stock and may adversely affect the market price of our common stock or Class A common stock.

Our Chairman, through his holdings of our Class B common stock, exercises effective control of the Company, which may discourage potential acquisitions of our business and could have an adverse effect on the market price of our stock.

Holders of our Class B common stock are entitled to the lesser of ten votes per share or 49% of the total votes cast, and each share of Class B common stock is convertible at any time into one share of our common stock. Holders of our common stock are entitled to one vote for each share owned. Holders of our Class A common stock and Series B preferred stock have no voting rights, except as required by Delaware law.

As of November 30, 2015, William E. Brown, our Chairman, beneficially controlled approximately 55% of the voting power of our capital stock. Accordingly, except to the extent that a class vote of the common stock is required by applicable law, he can effectively control all matters requiring stockholder approval, including the election of our directors, and can exert substantial control over our management and policies. The disproportionate voting rights of our common stock and Class B common stock and Mr. Brown's substantial holdings of Class B common stock could have an adverse effect on the market price of our common stock and Class A common stock. Also, such disproportionate voting rights and Mr. Brown's controlling interest may make us a less attractive target for a takeover than we otherwise might be, or render more difficult or discourage a merger proposal, tender offer or proxy contest, even if such actions were favored by our other stockholders, which could thereby deprive holders of common stock or Class A common stock of an opportunity to sell their shares for a "take-over" premium.

We have authorized the issuance of shares of common stock, Class A common stock and preferred stock, which may discourage potential acquisitions of our business and could have an adverse effect on the market price of our common stock and our Class A common stock.

Pursuant to our Fourth Amended and Restated Certificate of Incorporation, the Board of Directors is authorized to issue up to 80,000,000 shares of our common stock, 100,000,000 shares of our nonvoting Class A common stock and up to 1,000,000 additional shares of preferred stock without seeking the approval or consent of our stockholders, unless required by the NASDAQ Global Market. Although the issuance of the nonvoting Class A common stock would not dilute the voting rights of the existing stockholders, it would have a dilutive effect on the economic interest of currently outstanding shares of common stock and Class B common stock similar to the dilutive effect of subsequent issuances of ordinary common stock. The issuance of the preferred

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stock could, depending on the rights and privileges designated by the board with respect to any particular series, have a dilutive effect on the voting interests of the common stock and Class B common stock and the economic interests of our common stock, Class A common stock and Class B common stock. In addition, the disproportionate voting rights of our common stock, preferred stock, Class B common stock and Class A common stock, and the ability of the board to issue stock to persons friendly to current management, may make us a less attractive target for a takeover than we otherwise might be or render more difficult or discourage a merger proposal, tender offer or proxy contest, even if such actions were favored by our common stockholders, which could thereby deprive holders of common stock of an opportunity to sell their shares for a “take-over” premium.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We currently operate 33 manufacturing facilities totaling approximately 4.1 million square feet and 29 sales and logistics facilities totaling approximately 3.5 million square feet. Most sales and logistics centers consist of office and warehouse space, and several large bays for loading and unloading. Each sales and logistics center provides warehouse, distribution, sales and support functions for its geographic area. Our executive offices are located in Walnut Creek, California.

The table below lists the Pet segment’s manufacturing and sales and logistics facilities. Numbers in parentheses represent multiple locations.

<u>Location</u>	<u>Type of Facility</u>	<u>Owned or Leased</u>
Phoenix, AZ (2)	Sales and Logistics	Owned
Irwindale, CA	Manufacturing	Leased
Sacramento, CA	Sales and Logistics	Leased
Santa Fe Springs, CA	Sales and Logistics	Leased
Aurora, CO	Sales and Logistics	Leased
Tampa, FL	Sales and Logistics	Leased
Council Bluffs, IA	Manufacturing	Owned
Jamesburg, NJ	Sales and Logistics	Leased
Neptune City, NJ	Manufacturing	Owned
Neptune City, NJ	Manufacturing	Leased
South Brunswick, NJ	Sales and Logistics	Leased
Wood-Ridge, NJ	Manufacturing	Leased
Fairfield, OH	Sales and Logistics	Leased
Cressona, PA	Manufacturing	Owned
Pottsville, PA	Sales and Logistics	Leased
Athens, TX (2)	Manufacturing	Leased
Dallas, TX	Manufacturing	Owned
Dallas, TX	Sales and Logistics	Leased
Algona, WA	Sales and Logistics	Leased
Chilton, WI	Manufacturing	Owned
Franklin, WI	Manufacturing	Leased
Franklin, WI	Manufacturing	Owned
Manitowoc, WI	Sales and Logistics	Leased
Guelph, Ontario, Canada	Manufacturing	Leased
Guangzhou, China	Manufacturing	Leased
Atlixco, Puebla, Mexico	Manufacturing	Owned
Dorking, Surrey, UK	Manufacturing	Leased
Taunton, Somerset, UK	Sales and Logistics	Leased

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The table below lists the Garden segment's manufacturing and sales and logistics facilities. Numbers in parentheses represent multiple locations.

<u>Location</u>	<u>Type of Facility</u>	<u>Owned or Leased</u>
Cullman, AL	Sales and Logistics	Owned
Cullman, AL	Sales and Logistics	Leased
Roll, AZ	Manufacturing	Owned
Yuma, AZ	Manufacturing	Leased
El Centro, CA	Manufacturing	Owned
Ontario, CA	Sales and Logistics	Leased
Longmont, CO	Manufacturing	Owned
Covington, GA	Sales and Logistics	Leased
Eatonton, GA	Manufacturing	Owned
Eatonton, GA	Sales and Logistics	Leased
Madison, GA (2)	Manufacturing	Leased
Madison, GA (2)	Manufacturing	Owned
Madison, GA	Sales and Logistics	Owned
Taunton, MA	Sales and Logistics	Leased
Laurel, MD	Sales and Logistics	Leased
Greenfield, MO (2)	Manufacturing	Owned
Greenfield, MO	Sales and Logistics	Owned
Neosho, MO	Manufacturing	Owned
Charlotte, NC	Sales and Logistics	Leased
Sidney, NE	Manufacturing	Owned
Fairfield, OH	Sales and Logistics	Leased
Peebles, OH	Manufacturing	Owned
Albany, OR	Manufacturing	Owned
Lebanon, OR	Manufacturing	Owned
Portland, OR	Sales and Logistics	Leased
Columbia, SC	Sales and Logistics	Owned
Grand Prairie, TX	Sales and Logistics	Leased
Kenbridge, VA	Sales and Logistics	Leased
Northbend, WA	Manufacturing	Leased

We are reviewing the number, location and size of our manufacturing facilities and expect to make changes over time in order to optimize our manufacturing footprint. We lease 13 of our manufacturing facilities and 23 of our sales and logistics facilities. These leases generally expire between 2016 and 2021. Substantially all of the leases contain renewal provisions with automatic rent escalation clauses. The facilities we own are subject to major encumbrances under our principal credit facility. In addition to the facilities that are owned, our fixed assets are comprised primarily of machinery and equipment, trucks and warehousing, transportation and computer equipment.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II**Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded on the NASDAQ Stock Market under the symbol CENT, and our class A common stock is traded on the NASDAQ Stock Market under the symbol CENTA. Our Class B stock is not listed on any market and generally cannot be transferred unless converted to common stock on a one-for-one basis. The following table sets forth the high and low closing sale prices for our common stock and our Class A common stock, as reported by the NASDAQ Global Select Market, for each quarterly period during our fiscal years set forth below.

	Common Stock		Class A Common Stock	
	High	Low	High	Low
Fiscal 2014				
First Quarter	\$ 7.80	\$6.16	\$ 7.93	\$ 6.18
Second Quarter	8.01	6.08	8.15	6.04
Third Quarter	9.58	7.40	9.58	7.64
Fourth Quarter	9.19	7.66	9.43	8.04
Fiscal 2015				
First Quarter	\$ 8.85	\$6.61	\$ 9.47	\$ 7.04
Second Quarter	10.41	8.45	11.24	9.10
Third Quarter	10.61	9.26	11.51	9.67
Fourth Quarter	16.43	9.19	17.00	10.08

As of November 30, 2015, there were approximately 104 holders of record of our common stock, approximately 328 holders of record of our Class A nonvoting common stock and 5 holders of record of our Class B stock.

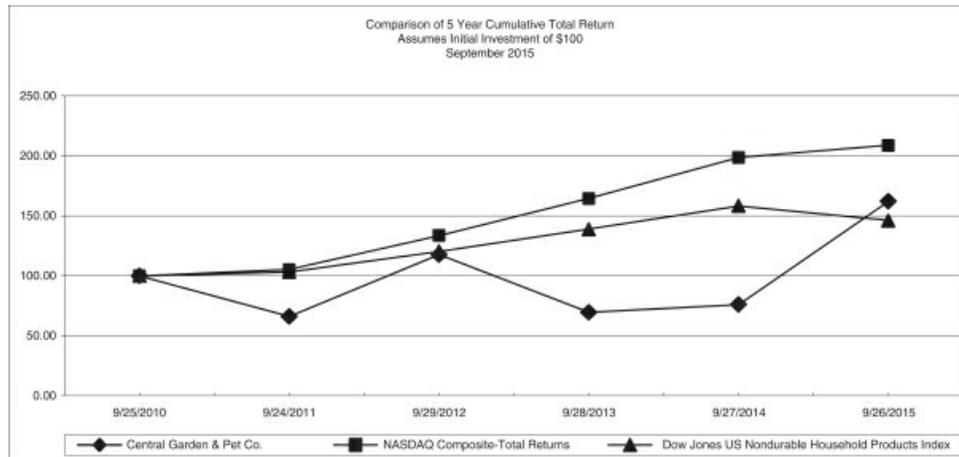
We have not paid any cash dividends on our common stock, our Class A common stock or our Class B Stock. We currently intend to retain any earnings for use in our business and do not presently anticipate paying any cash dividends on our common stock, our Class A common or our Class B stock in the foreseeable future. In addition, our credit facility and senior subordinated notes restrict our ability to pay dividends. See Note 11 to our consolidated financial statements.

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Stock Performance Graph

The following graph compares the percentage change of our cumulative total stockholder return on our Common Stock (“CENT”) for the period from September 25, 2010 to September 26, 2015 with the cumulative total return of the NASDAQ Composite (U.S.) Index and the Dow Jones Non-Durable Household Products Index, a peer group index consisting of approximately 30 manufacturers and distributors of household products.

The comparisons in the graph below are based on historical data and are not indicative of, or intended to forecast, the possible future performance of our Common Stock.



Total Return Analysis

	9/25/10	9/24/11	9/29/12	9/28/13	9/27/14	9/26/15
Central Garden & Pet Company	100.00	66.24	117.72	69.60	76.14	162.28
NASDAQ Composite	100.00	105.29	133.69	164.57	198.75	208.80
Dow Jones US Nondurable Household Products	100.00	103.21	120.50	138.89	158.37	146.19

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets forth the repurchases of any equity securities during the fourth quarter of the fiscal year ended September 26, 2015 and the dollar amount of authorized share repurchases, remaining under our stock repurchase program.

<u>Period</u>	<u>Total Number of Shares (or Units) Purchased</u>	<u>Average Price Paid per Share (or Unit)</u>	<u>Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)</u>
June 28, 2015 – August 1, 2015	940 (2)	\$ 11.38	0	\$ 34,968,000
August 2, 2015 – August 29, 2015	1,227 (2)	11.54	0	34,968,000
August 30, 2015 – September 26, 2015	358 (2)	14.55	0	34,968,000
Total	2,525	\$ 11.91	0	\$ 34,968,000

- (1) During the third quarter of fiscal 2011, our Board of Directors authorized a \$100 million share repurchase program. The program has no expiration date and expires when the amount authorized has been used or the Board withdraws its authorization. The repurchase of shares may be limited by certain financial covenants in our credit facility that restrict our ability to repurchase our stock.
- (2) Shares purchased during the period indicated represent withholding of a portion of shares to cover taxes in connection with the vesting of restricted stock.

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Item 6. Selected Financial Data

The following selected statement of operations and balance sheet data as of and for the five fiscal years in the period ended September 26, 2015 have been derived from our audited consolidated financial statements. The financial data set forth below should be read in conjunction with our consolidated financial statements and related notes thereto in “Item 8 – Financial Statements and Supplementary Data” and “Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere herein.

	Fiscal Year Ended				
	September 26, 2015	September 27, 2014	September 28, 2013	September 29, 2012	September 24, 2011
	(in thousands, except per share amounts)				
Statement of Operations Data (1):					
Net sales	\$ 1,650,737	\$ 1,604,357	\$ 1,653,633	\$ 1,700,013	\$ 1,628,652
Cost of goods sold and occupancy	1,162,685	1,150,333	1,189,731	1,185,855	1,134,733
Gross profit	488,052	454,024	463,902	514,158	493,919
Selling, general and administrative expenses	389,345	397,811	416,038	439,737	408,744
Intangible asset and goodwill impairments (2)	7,272	—	7,709	—	—
Income from operations (3)	91,435	56,213	40,155	74,421	85,175
Interest expense, net	(39,898)	(42,750)	(42,970)	(40,170)	(37,748)
Other income (expense)	13	403	(677)	678	550
Income (loss) before income taxes and noncontrolling interest	51,550	13,866	(3,492)	34,929	47,977
Income tax expense (benefit)	18,535	4,045	(2,592)	12,816	19,595
Income (loss) including noncontrolling interest	33,015	9,821	(900)	22,113	28,382
Net income attributable to noncontrolling interest	1,044	1,017	1,029	940	59
Net income (loss) attributable to Central Garden & Pet	<u>\$ 31,971</u>	<u>\$ 8,804</u>	<u>\$ (1,929)</u>	<u>\$ 21,173</u>	<u>\$ 28,323</u>
Net income (loss) per share attributable to Central Garden & Pet:					
Basic	<u>\$ 0.66</u>	<u>\$ 0.18</u>	<u>\$ (0.04)</u>	<u>\$ 0.44</u>	<u>\$ 0.50</u>
Diluted	<u>\$ 0.64</u>	<u>\$ 0.18</u>	<u>\$ (0.04)</u>	<u>\$ 0.44</u>	<u>\$ 0.50</u>
Weighted average shares used in the computation of income (loss) per share:					
Basic	48,562	48,880	48,094	47,622	56,217
Diluted	49,638	49,397	48,094	48,374	56,645
Other Data:					
Depreciation and amortization	\$ 33,703	\$ 35,781	\$ 32,968	\$ 30,425	\$ 28,566
Capital expenditures	\$ 22,030	\$ 17,173	\$ 25,172	\$ 39,592	\$ 31,563
Cash provided (used) by operating activities	\$ 87,449	\$ 126,467	\$ (28,282)	\$ 89,169	\$ 51,008
Cash used in investing activities	\$ (49,854)	\$ (35,181)	\$ (25,122)	\$ (44,477)	\$ (56,237)
Cash provided (used) by financing activities	\$ (68,370)	\$ (27,759)	\$ 20,309	\$ (8,575)	\$ (73,997)
Ratio of earnings to fixed charges (4)	2.27x	1.32x	—	1.84x	2.23x

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	<u>September 26, 2015</u>	<u>September 27, 2014</u>	<u>September 28, 2013</u>	<u>September 29, 2012</u>	<u>September 24, 2011</u>
Balance Sheet Data:					
Cash and short term investments	\$ 47,584	\$ 88,666	\$ 32,976	\$ 71,180	\$ 29,851
Working capital	476,916	498,454	490,325	445,299	410,655
Total assets	1,134,754	1,148,727	1,161,160	1,149,547	1,093,003
Total debt	400,139	450,239	472,587	449,814	435,609
Equity	506,380	486,453	470,024	464,883	456,782

- (1) Fiscal years 2011, 2013, 2014 and 2015 included 52 weeks. Fiscal year 2012 included 53 weeks.
- (2) During fiscal 2015, we recognized a non-cash charge of \$7.3 million related to the impairment of certain indefinite-lived intangible assets in our Pet segment. During fiscal 2013, we recognized a non-cash charge of \$7.7 million related to impairment of goodwill in our Garden segment.
- (3) During fiscal 2013, we recognized an \$11.2 million charge related to certain products introduced in fiscal 2013 in our Garden segment. During fiscal 2014, we recognized a \$16.9 million charge related to these products. We recognized a \$4.9 million gain in fiscal 2014 from the sale of manufacturing plant assets.
- (4) For the purposes of determining the ratio of earnings to fixed charges, earnings consist of income (loss) before income taxes and noncontrolling interest and after eliminating undistributed earnings of equity method investees and before fixed charges. Fixed charges consist of interest expense incurred, the portion of rental expense under operating leases deemed by management to be representative of the interest factor and amortization of deferred financing costs. For the fiscal year ended September 28, 2013, earnings were insufficient to cover fixed charges by approximately \$3.2 million, and the ratio is not meaningful.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is management's discussion of the financial results, liquidity and other key items related to our performance. This discussion should be read in conjunction with our consolidated financial statements and the related notes and other financial information appearing elsewhere in this Form 10-K. This Form 10-K contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those indicated in forward-looking statements. See "Forward-Looking Statements" and "Item 1A – Risk Factors."

Business Overview

Central Garden & Pet Company ("Central") is a leading innovator, marketer and producer, of quality branded products and distributor of third party products in the pet and lawn and garden supplies industries in the United States. The total pet food, treats and supplies industry in 2014 was estimated by Packaged Facts to have been approximately \$49.2 billion in annual retail sales. We estimate the annual retail sales of the pet supplies and consumables and super premium pet food markets in the categories in which we participate to be approximately \$28.1 billion. The total lawn and garden consumables industry in the United States is estimated to be approximately \$22.0 billion in annual retail sales, including fertilizer, pesticides, growing media, seeds, mulch, other consumables and decorative products. We estimate the annual retail sales of the lawn and garden consumables and decorative products markets in the categories in which we participate to be approximately \$12.0 billion.

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

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

In fiscal 2015, our consolidated net sales were \$1.7 billion, of which our pet segment, or Pet, accounted for approximately \$895 million and our garden segment, or Garden, accounted for approximately \$756 million. In fiscal 2015, our income from operations before corporate expenses and eliminations of \$67.5 million was \$158.9 million, of which the Pet segment accounted for \$98.8 million and the Garden segment accounted for \$60.1 million.

Fiscal 2015 Financial Highlights

Earnings per fully diluted share increased \$0.46 per share to \$0.64 per share and our operating income increased 63% to \$91.4 million as compared to fiscal 2014, due to increased earnings in both our segments. The Pet segment was impacted by a \$7.3 million non-cash intangible asset impairment charge in fiscal 2015. In fiscal 2014, the Garden segment was impacted by a charge related to the discontinuance of certain products introduced

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in 2013 and the gain on the sale of manufacturing plant assets. The items impacting fiscal 2015 and 2014 are excluded for purposes of the non-GAAP presentation elsewhere in this Form 10-K.

Financial summary:

- Net sales for fiscal 2015 increased \$46.3 million, or 2.9%, to \$1,650.7 million. Our Pet segment sales increased 5.8%, and our Garden segment sales decreased 0.4%.
- Gross profit for fiscal 2015 increased \$34.0 million, or 7.5%, to \$488.0 million from \$454.0 million in fiscal 2014. Gross margin increased 130 basis points in fiscal 2015 to 29.6%, from 28.3% in 2014.
- Our operating income increased \$35.2 million, or 62.7%, to \$91.4 million in fiscal 2015, and increased as a percentage of net sales to 5.5% from 3.5%. On an adjusted basis, operating income increased \$30.5 million, or 44.6%.
- Net income was \$32.0 million, or \$0.64 per share on a fully diluted basis, compared to net income in fiscal 2014 of \$8.8 million, or \$0.18 per share on a fully diluted basis. On an adjusted basis, net income increased to \$36.6 million, or \$0.74 per share, in fiscal 2015 from \$16.4 million, or \$0.33 per share, in fiscal 2014.
- Our net cash provided by operating activities was \$87.4 million in fiscal 2015, compared to \$126.5 million in fiscal 2014.

Recent Developments

Leadership

In July 2015, we amended the employment agreement of John R. Ranelli, our Chief Executive Officer. Under the amended agreement, Mr. Ranelli has agreed to continue as Chief Executive Officer until his planned retirement at the end of fiscal 2016 and to continue to consult for the Company for an additional four years. In order to facilitate an orderly transition, we plan to launch a search in the near future for our next Chief Executive Officer.

Our former Chief Financial Officer, Lori Varlas, resigned effective September 2, 2015 to accept a senior level position at another company. The Board of Directors named David N. Chichester as Acting Chief Financial Officer through February 2016. Mr. Chichester has served for 13 years on Central's Board and as our Audit Committee financial expert. He brings significant financial management, accounting, disclosure, and risk assessment experience to the Acting Chief Financial Officer role. We are in the process of positioning our key senior financial officers to assume Mr. Chichester's responsibilities in an orderly fashion when he completes his tenure as Acting Chief Financial Officer in February 2016.

Our Chairman of the Board, Bill Brown, commenced a leave of absence in July as he continues to recover from injuries he sustained in an accident in his home earlier in the year. Jack Balousek, our Lead Independent Director, is acting as Interim non-executive Chairman until Mr. Brown returns.

IMS Trading Corp. Acquisition

On July 31, 2015, we purchased substantially all of the assets of IMS Trading Corp. ("IMS") for a purchase price of approximately \$23 million. IMS was a manufacturer, importer and distributor of rawhide, natural dog treats and pet products throughout the United States and internationally. This acquisition is expected to complement our existing dog and cat business.

Debt Refinancing

In November 2015, we issued \$400 million aggregate principal amount of 6.125% senior notes due November 2023 (the "2023 Notes"). The 2023 Notes are unconditionally guaranteed on a senior basis by each of our existing and future domestic restricted subsidiaries which are borrowers under or guarantors of our senior

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secured revolving credit facility. We used the net proceeds from the offering, together with available cash, to redeem our outstanding 8.25% senior subordinated notes due March 1, 2018 (the "2018 Notes") and pay fees and expenses related to the offering. As a result of our redemption of the 2018 Notes, we will recognize a charge in our fiscal 2016 first quarter of approximately \$8.3 million related to the payment of the call premium, a one-time payment of overlapping interest expense for 30 days of approximately \$2.8 million and a \$3.2 million non-cash charge for the write-off of unamortized financing costs in interest expense. We expect our annual interest expense on the 2023 Notes going forward to be approximately \$8.5 million less than under the 2018 Notes.

DMC Acquisition

On December 1, 2015, we purchased the pet bedding and certain other assets of National Consumers Outdoors Corp., formerly known as Dallas Manufacturing Company ("DMC"), for a cash purchase price of approximately \$61 million. This acquisition is expected to complement our existing dog and cat business.

Use of Non-GAAP Financial Measures

We report our financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that certain non-GAAP financial measures that exclude the impact of a non-cash intangible asset impairment charge in fiscal 2015, a garden charge in fiscal 2014, and the gain from the sale of manufacturing plant assets in fiscal 2014, may be useful in certain instances to provide additional meaningful comparisons between current results and results in prior operating periods that should be considered when assessing our ongoing performance. Additionally, we have provided a comparison of our free cash flow which can be used as a measure of our operating performance on page 42. Free cash flow does not represent cash available only for discretionary expenditures, since we have mandatory debt service requirements and other contractual and non-discretionary expenditures. We believe that these non-GAAP financial measures provide useful information to investors and other users of its financial statements, such as lenders. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating our performance. While our management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace our GAAP financial results and should be read in conjunction with those GAAP results.

Pet Segment Intangible Asset Impairment Charge

During the fourth quarter of fiscal 2015, we recognized a non-cash charge in our Pet segment of \$7.3 million related to the impairment of certain indefinite-lived intangible assets caused by increased competition and declining volume of sales.

Garden Segment Discontinued Product Charge

During fiscal 2013, we introduced two new Garden products. Despite support from our retailers and substantial marketing spend, the new products did not sell through as expected, and we recorded an \$11.2 million charge to operating income relating to the new products. Despite a concerted effort to improve consumer takeaway of the products through product, packaging and placement changes, as well as aggressive promotions, we continued to experience weak consumer sales of the products in their second season. Late in the third quarter of fiscal 2014, major retailers indicated that they would not support the products going forward. Consequently, we made the decision to discontinue the two products at the end of the 2014 garden season. As a result, we recorded a \$16.9 million charge ("garden charge") to operating income in the quarter ended June 28, 2014 to write off the remaining inventory of these products and to account for product returns, promotional allowances and other costs related to the discontinuance of the products.

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Gain on Sale of Manufacturing Plant Assets

During fiscal 2014, we recorded a \$4.9 million gain in our Garden segment from the sale of manufacturing plant assets related to a seasonal product we intend to purchase rather than produce.

GAAP to Non-GAAP Reconciliation (unaudited, in thousands, except per share amounts) For the Year Ended September 26, 2015			
	Fiscal 2015 GAAP	Intangible Impairment	Fiscal 2015 As Adjusted
Net sales	\$ 1,650,737	\$ —	\$ 1,650,737
Cost of goods sold and occupancy	1,162,685	—	1,162,685
Gross profit	488,052	—	488,052
Selling, general and administrative expenses and impairment	396,617	(7,272)	389,345
Income from operations	\$ 91,435	\$ 7,272	\$ 98,707
Net income (loss)	\$ 31,971	\$ 4,654	\$ 36,625
Earnings per share – Diluted	\$ 0.64		\$ 0.74
Weighted shares outstanding	49,638		49,638
Gross margin	29.6%		29.6%
Selling, general and administrative expenses and impairment as a percentage of sales	24.0%		23.6%
Operating margin	5.5%		6.0%

GAAP to Non-GAAP Reconciliation (unaudited, in thousands, except per share amounts) For the Year Ended September 27, 2014				
	Fiscal 2014 GAAP	Garden Charge (A)	Gain on Sale of Plant Assets (B)	Fiscal 2014 As Adjusted
Net sales	\$ 1,604,357	\$ 7,035	—	\$ 1,611,392
Cost of goods sold and occupancy	1,150,333	(9,873)	—	1,140,460
Gross profit	454,024	16,908		470,932
Selling, general and administrative expenses	397,811	—	4,875	402,686
Income from operations	\$ 56,213	\$ 16,908	\$ (4,875)	\$ 68,246
Net income	\$ 8,804	\$ 10,652	\$ (3,071)	\$ 16,385
Earnings per share – Diluted	\$ 0.18			\$ 0.33
Weighted shares outstanding	49,397			49,397
Gross margin	28.3%			29.2%
Selling, general and administrative expenses as a percentage of sales	24.8%			25.0%
Operating margin	3.5%			4.2%

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Results of Operations (GAAP)

The following table sets forth, for the periods indicated, the relative percentages that certain income and expense items bear to net sales:

	Fiscal Year Ended		
	September 26, 2015	September 27, 2014	September 28, 2013
Net sales	100.0%	100.0%	100.0%
Cost of goods sold and occupancy	70.4	71.7	71.9
Gross profit	29.6	28.3	28.1
Selling, general and administrative	23.6	24.8	25.2
Intangible asset and goodwill impairment	0.5	—	0.5
Income from operations	5.5	3.5	2.4
Interest expense, net	(2.4)	(2.7)	(2.6)
Other income	—	—	—
Income taxes	1.1	0.3	(0.2)
Noncontrolling interest	0.1	0.1	0.1
Net income (loss)	1.9%	0.5%	(0.1)%

Fiscal 2015 Compared to Fiscal 2014

Net Sales

Net sales for fiscal 2015 increased \$46.3 million, or 2.9%, to \$1650.7 million from \$1604.4 million in fiscal 2014. Our branded product sales increased \$10.3 million, and sales of other manufacturers' products increased \$36.0 million. Branded product sales include products we produce under Central brand names and products we produce under third party brands. Sales of our branded products represented 79.7% of our total sales in fiscal 2015 compared with 81.3% in fiscal 2014. Private label sales represented less than 10% of our consolidated net sales.

The following table indicates each class of similar products which represented approximately 10% or more of our consolidated net sales in the fiscal years presented (in millions):

Category	2015	2014	2013
Pet supplies (excluding wild bird feed)	\$ 827.7	\$ 774.2	\$ 807.4
Garden controls and fertilizers	286.3	262.5	274.9
Wild bird feed	193.2	202.1	210.8
Other garden supplies	181.4	182.5	183.5
Grass seed	162.1	183.1	177.0
Total	<u>\$ 1,650.7</u>	<u>\$ 1,604.4</u>	<u>\$ 1,653.6</u>

Our Pet segment's net sales for fiscal 2015 increased \$49.0 million, or 5.8%, to \$894.5 million from \$845.5 million in fiscal 2014. Pet branded product sales increased \$25.3 million from fiscal 2014 due principally to a \$20.7 million increase in our animal health category due primarily to growth in active ingredient sales and our Envincio acquisition in the prior year. Also, our dog and cat category net sales increased approximately \$12.5 million due primarily to our fourth quarter fiscal 2015 IMS acquisition. Collectively, the acquisition of IMS in fiscal 2015 and Envincio in fiscal 2014 contributed \$17.3 million of the \$25.3 million increase in our Pet branded product sales in fiscal 2015. These increases were partially offset by a \$4.6 million price driven decrease in wild bird feed. Sales of other manufacturers' products increased approximately \$23.7 million in fiscal 2015 benefitting from expanded distribution.

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Our Garden segment's net sales for fiscal 2015 decreased \$2.7 million, or 0.4%, to \$756.2 million from \$758.9 million in fiscal 2014. Garden branded product sales decreased \$15.0 million due primarily to decreases of \$21.0 million in grass seed and \$11.1 million in Décor. Grass seed sales declined due primarily to weather related lower volumes and the impact of the strong dollar on export sales. Lower volumes in Décor were due primarily to higher promotional sales in the prior year along with an unfavorable change in product mix due to lost distribution. These declines were partially offset by a \$23.8 million increase in our controls and fertilizers category. The increase in controls and fertilizers was primarily volume related and reflects a \$7.0 million charge to sales in the prior year for the impact on sales for two discontinued garden products. Excluding the \$7.0 million charge in the prior year, controls and fertilizer sales increased \$16.8 million. Sales of other manufacturers' products increased approximately \$12.3 million compared to fiscal 2014 due primarily to increased distribution to existing customers.

Gross Profit

Gross profit for fiscal 2015 increased \$34.0 million, or 7.5%, to \$488.0 million from \$454.0 million in fiscal 2014. Gross margin increased to 29.6% in fiscal 2015 from 28.3% in fiscal 2014, with improvement in both our Garden and Pet segments. Gross profit for fiscal 2015 increased \$17.1 million, or 3.6%, from adjusted gross profit of \$470.9 million in fiscal 2014, which was impacted by the \$16.9 million prior year garden charge. Gross margin for fiscal 2015 increased to 29.6% from the adjusted gross margin of 29.2% for fiscal 2014.

In the Pet segment, gross profit increased in fiscal 2015 due to a \$49.0 million increase in sales and an improved gross margin. The improvement in gross profit was due primarily to increased sales in our animal health category, which includes our professional business, and our dog and cat category. Because our animal health sales tend to be higher margin, the animal health category's increased sales had a positive impact on both our product mix and our gross margin. Gross margin also improved in our dog and cat category, although the improvement was partially offset by the lower margin of the increased sales.

In the Garden segment, gross profit increased in fiscal 2015 due to an improved gross margin which was partially offset by a \$2.7 million decrease in sales. The Garden segment gross profit and gross margin were impacted in fiscal 2014 by the garden charge. After adjusting for the fiscal 2014 garden charge, the gross margin in the Garden segment was the same in both fiscal years 2015 and 2014. Within the Garden segment, the garden controls and fertilizer gross profit improved, even after adjusting for the prior year garden charge, primarily due to increased volumes and favorable product mix. These improvements were partially offset by a decreased gross margin in Décor that, in addition to the decrease in sales, was also impacted in fiscal 2015 by an increase in excess and obsolete inventories.

Selling, General and Administrative

Selling, general and administrative expenses decreased \$8.5 million, or 2.1%, from \$397.8 million in fiscal 2014 to \$389.3 million in fiscal 2015. As a percentage of net sales, selling, general and administrative expenses decreased from 24.8% in fiscal 2014 to 23.6% in fiscal 2015. Excluding the gain on the sale of plant assets in fiscal 2014, selling, general and administrative expenses decreased \$13.4 million from fiscal 2014, and the expenses as a percentage of net sales decreased from 25.0% in fiscal 2014. The change in selling, general and administrative expenses, discussed further below, was due primarily to decreased selling and delivery expense. Corporate expenses are included within administrative expense and relate to the costs of unallocated executive, administrative, finance, legal, human resource, and information technology functions.

Selling and delivery expense decreased \$6.2 million, or 2.9%, from \$216.4 million in fiscal 2014 to \$210.2 million in fiscal 2015 and as a percentage of net sales decreased from 13.5% in fiscal 2014 to 12.7% in fiscal 2015. The decrease was due primarily to decreased marketing expenditures and headcount reductions in our Garden segment.

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Warehouse and administrative expense decreased \$2.3 million, or 1.3%, from \$181.4 million in fiscal 2014 to \$179.1 million in fiscal 2015. A \$5.9 million decrease in corporate costs was partially offset by increased costs in both our operating segments. Corporate administrative expense decreased due primarily to the non-recurrence of a \$5.9 million long-lived software charge in fiscal 2014. Increased costs in our operating segments were due primarily to the non-recurrence of a \$4.9 million gain recorded in fiscal 2014 in our Garden segment from the sale of plant assets and increased payroll related and third party provider costs in our Pet segment.

Impairment

We evaluate long-lived assets, including amortizable and indefinite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Additionally, we evaluate indefinite-lived intangible assets on an annual basis. In fiscal 2015, we recognized a non-cash \$7.3 million impairment charge in our Pet segment related to certain indefinite-lived intangible assets as a result of increased competition and an expected decline in the volume of sales. The fair value of the indefinite-lived intangible assets exceeded the remaining \$15.0 million carrying value at September 26, 2015.

Operating Income

Operating income increased \$35.2 million in fiscal 2015, or 62.7%, to \$91.4 million from \$56.2 million in fiscal 2014. Increased sales of \$46.3 million, a 130 basis point gross margin improvement and an \$8.5 million decrease in selling, general and administrative costs all contributed to the increase in operating income. Partially offsetting these improvements was a \$7.3 million intangible asset impairment charge. Operating margin was 5.5% for fiscal 2015 and 3.5% for fiscal 2014. Adjusting for the current year intangible asset impairment charge in our Pet segment and for the prior year garden charge and the gain on the sale of plant assets in our Garden segment, operating income increased \$30.5 million to \$98.7 million in fiscal 2015 from \$68.2 million in fiscal 2014. Adjusted operating margin improved to 6.0% from 4.2% in fiscal 2014.

Pet operating income increased \$10.7 million, or 12.2%, to \$98.8 million for fiscal 2015 from \$88.1 million for fiscal 2014. The increase was due primarily to increased sales and improved gross margin, which were partially offset by an intangible impairment charge and a slight increase in selling, general and administrative expenses. Pet operating margin increased to 11.0% for fiscal 2015 from 10.4% for fiscal 2014. Adjusting for the current year intangible asset impairment charge, fiscal 2015 operating income was \$106.1 million and the operating margin was 11.9%.

Garden operating income increased \$19.1 million, or 46.6%, to \$60.1 million for fiscal 2015 from \$41.0 million for fiscal 2014. Garden operating margin increased to 8.0% for fiscal 2015 from 5.4% for fiscal 2014. Adjusting the prior year for the garden charge and the gain on the sale of plant assets, Garden operating income increased \$7.1 million from \$53.0 million in fiscal 2014 and the operating margin increased from 6.9% to 8.0%. The adjusted Garden operating income increase of \$7.1 million was due to a decrease in selling, general and administrative expenses, partially offset by lower net sales as adjusted gross margin remained unchanged for both fiscal years.

Net Interest Expense

Net interest expense decreased \$2.9 million, or 6.7%, from \$42.8 million in fiscal 2014 to \$39.9 million in fiscal 2015. The decrease was due to lower interest expense due primarily to lower average debt outstanding during fiscal 2015 primarily as a result of the redemption of \$50 million of our 2018 notes in March 2015 partially offset by the related write-off of unamortized deferred financing costs and a call premium of \$1.6 million. Debt outstanding on September 26, 2015 was \$400.1 million compared to \$450.2 million as of September 27, 2014.

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Other Income (Expense)

Other income (expense) is comprised of income from investments accounted for under the equity method of accounting, foreign currency exchange gains and losses, and realized and unrealized gains and losses from derivative contracts used to economically hedge anticipated commodity purchases for use in our products. Other income decreased \$0.4 million from fiscal 2014. The decrease was primarily due to equity method losses from the two newly formed entities we invested in during our second quarter of fiscal 2015.

Income Taxes

Our effective income tax rate was 36.0% for fiscal 2015 compared to 29.2% for fiscal 2014. The increased effective income tax rate in fiscal 2015 as compared to fiscal 2014 was due primarily to the removal of valuation allowances on international deferred tax assets in fiscal 2014.

Fiscal 2014 Compared to Fiscal 2013

Net Sales

Net sales for fiscal 2014 decreased \$49.2 million, or 3.0%, to \$1,604.4 million from \$1,653.6 million in fiscal 2013. Our branded product sales decreased \$70.7 million, and sales of other manufacturers' products increased \$21.5 million. Branded product sales include products we manufacture under Central brand names and products we manufacture under third party brands. Sales of our branded products represented 81.3% of our total sales in fiscal 2014 compared with 83.2% in fiscal 2013.

The following table indicates each class of similar products which represented approximately 10% or more of our consolidated net sales in the fiscal years presented (in millions):

<u>Category</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Pet supplies (excluding wild bird feed)	\$ 774.2	\$ 807.4	\$ 847.1
Garden controls and fertilizers	262.5	274.9	281.7
Wild bird feed	202.1	210.8	205.1
Other garden supplies	182.5	183.5	185.7
Grass seed	183.1	177.0	180.4
Total	<u>\$ 1,604.4</u>	<u>\$ 1,653.6</u>	<u>\$ 1,700.0</u>

Our Pet segment's net sales for fiscal 2014 decreased \$42.7 million, or 4.8%, to \$845.5 million from \$888.2 million in fiscal 2013. The decline in pet sales was due principally to industry weakness, lost shelf space and increased competition in the categories in which we participate. Pet branded product sales decreased \$63.4 million from fiscal 2013 due primarily to a \$20.2 million decrease in our animal health category, an \$18.0 million decrease in our bird and small animal category and a \$15.4 million decrease in our aquatics category; all of these decreases were primarily volume driven. Our animal health category was impacted by lower sales in the flea and tick category, which resulted from a weak flea and tick season, lost shelf space, rebranding and repackaging resulting in return of the superceded product and increased competition. Sales of other manufacturers' products increased approximately \$20.7 million benefitting from expanded distribution.

Our Garden segment's net sales for fiscal 2014 decreased \$6.5 million, or 0.9%, to \$758.9 million from \$765.4 million in fiscal 2013. Garden branded product sales decreased \$7.3 million due primarily to a \$12.4 million decrease in our controls and fertilizer category which was impacted by reduced volumes and increased charges related to returns and promotional allowances for two discontinued garden products introduced in 2013. The decrease in controls and fertilizers was partially offset by an increase in grass seed sales primarily due to increased pricing. Sales of other manufacturers' products increased approximately \$0.8 million compared to fiscal 2013.

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Gross Profit

Gross profit decreased \$9.9 million, or 2.1%, to \$454.0 million from \$463.9 million in fiscal 2013. Gross profit as a percentage of net sales increased from 28.1% in fiscal 2013 to 28.3% for fiscal 2014, with both the Pet segment and the Garden segment, including the garden charge, contributing to the small increase. Adjusting for the charges and gains reflected in the adjusted results, gross profit for fiscal 2014 decreased \$4.1 million, or 0.9%, to \$470.9 million from fiscal 2013. Adjusted gross margin increased from 28.7% for fiscal 2013 to 29.2% for fiscal 2014.

Gross profit decreased in the Pet segment in fiscal 2014 due to a \$42.7 million decrease in sales, partially offset by improved gross margin. Most of our pet businesses had increased gross margins. The largest contributor to the margin increase was our bird and small animal business which benefitted from operational improvements in small animal and from lower commodity costs in bird feed. These gross margin increases were partially offset by a lower gross margin in our animal health category which was impacted by a mix shift in professional and a lower gross margin in our flea and tick category due primarily to the rebranding and packaging efforts undertaken in fiscal 2014.

In the Garden segment, gross profit remained relatively constant as the 0.9% decrease in net sales was offset by increased gross margin. The Garden segment gross profit and gross margin were impacted in both fiscal 2014 and fiscal 2013 by the garden charges. The Garden segment gross margin improved slightly due primarily to an improved gross margin in wild bird feed, which benefitted from lower commodity costs and seasonal décor, due primarily to the elimination of less profitable products. These improvements to gross margin were partially offset by a decreased gross margin in grass seed, due primarily to higher costs, and in controls and fertilizers, impacted by lower sales volumes, and a sales mix shift adversely affected gross profit and gross margin.

Selling, General and Administrative

Selling, general and administrative expenses decreased \$18.2 million, or 4.4%, from \$416.0 million in fiscal 2013 to \$397.8 million in fiscal 2014. As a percentage of net sales, selling, general and administrative expenses decreased from 25.2% in fiscal 2013 to 24.8% in fiscal 2014. The change in selling, general and administrative expenses, discussed further below, was due primarily to decreased selling and delivery expense. Corporate expenses are included within administrative expense and relate to the costs of unallocated executive, administrative, finance, legal, human resource, and information technology functions.

Selling and delivery expense decreased \$17.6 million, or 7.5%, from \$234.0 million in fiscal 2013 to \$216.4 million in fiscal 2014. Selling and delivery expense as a percentage of net sales decreased from 14.2% in fiscal 2013 to 13.5% in fiscal 2014. The decrease was due primarily to decreased marketing expenses, primarily advertising, associated with the controls and fertilizers and grass seed categories in our Garden segment.

Warehouse and administrative expense decreased \$0.6 million, or 0.3%, from \$182.0 million in fiscal 2013 to \$181.4 million in fiscal 2014. Decreased costs in both our operating segments were partially offset by a \$9.3 million increase in corporate costs. In our Pet segment, the prior year warehouse consolidations are now yielding savings, and in our Garden segment, we recorded a \$4.9 million gain from the sale of manufacturing plant assets related to a seasonal product we intend to purchase rather than produce. Corporate operating expense increased \$9.3 million as a result of \$5.9 million of software costs expensed (due primarily to changes in our operations and related plans for future SAP implementations), increased medical insurance program costs and information technology third party provider costs related to our SAP implementation.

Impairment

We perform an annual goodwill test for impairment. An impairment loss is recognized for goodwill if its carrying value exceeds its fair value. The goodwill fair values are estimated using the discounted cash flow

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related to the assets. During the fourth quarter of fiscal 2013, we recognized a non-cash charge of \$7.7 million related to the impairment of goodwill within our Garden segment due to its continuing poor performance. We did not have an impairment charge in fiscal 2014.

Operating Income

Operating income increased \$16.0 million in fiscal 2014, or 40.0%, to \$56.2 million from \$40.2 million in fiscal 2013. Lower selling, general and administrative expenses and increased gross margin were partially offset by lower sales and the \$16.9 million garden charge. Operating margin was 3.5% for fiscal 2014 and 2.4% for fiscal 2013. Excluding the garden charges, the gain on the sale of manufacturing plant assets and the goodwill impairment in the Garden segment, adjusted operating income was \$68.2 million, as compared to \$59.0 million in the prior year, and operating margin improved to 4.2% as compared to 3.6% in the prior year.

Pet segment operating income decreased \$7.3 million, or 7.7%, to \$88.1 million for fiscal 2014 from \$95.4 million for fiscal 2013. The decrease was due primarily to decreased sales, which drove lower gross profit, partially offset by decreased selling, general and administrative expenses. Pet operating margin decreased from 10.7% for fiscal 2013 to 10.4% for fiscal 2014. Garden operating income increased \$32.7 million, or 395%, to \$41.0 million for fiscal 2014 from \$8.3 million for fiscal 2013. Adjusted operating income in Garden increased \$25.9 million to \$53.1 million for fiscal 2014 from \$27.2 million in fiscal 2013, and the adjusted operating margin was 6.9% as compared to 3.5% in fiscal 2013. Garden adjusted operating income increased due primarily to a \$20.1 million decrease in selling, general and administrative expenses. Corporate operating expenses increased \$9.3 million due primarily to a \$5.9 million long-lived software charge, increased medical insurance program costs and information technology third party provider costs.

Net Interest Expense

Net interest expense decreased \$0.2 million, or 0.5%, from \$43.0 million in fiscal 2013 to \$42.8 million in fiscal 2014. The decrease was due to lower interest expense due primarily to lower average debt outstanding during fiscal 2014 as compared to fiscal 2013 partially offset by the write-off of unamortized deferred financing costs related to our prior revolving credit facility resulting in a non-cash charge of \$1.7 million in the first quarter of fiscal 2014. Debt outstanding on September 27, 2014 was \$450.2 million compared to \$472.6 million as of September 28, 2013.

Other Income (Expense)

Other income (expense) is comprised of income from investments accounted for under the equity method of accounting, foreign currency exchange gains and losses, and realized and unrealized gains and losses from derivative contracts used to economically hedge anticipated commodity purchases for use in our products. Other income increased \$1.1 million from \$0.7 million of expense in fiscal 2013 to \$0.4 million of income in fiscal 2014. The improvement was due primarily to realized and unrealized losses incurred in fiscal 2013 from derivative contracts used to economically hedge anticipated commodity purchases that did not reoccur in fiscal 2014.

Income Taxes

Our effective income tax rate was 29.2% for fiscal 2014 compared to a 74.2% benefit for fiscal 2013. Our 2014 tax rate benefited from the removal of valuation allowances on international deferred tax assets, and our 2013 tax rate benefited primarily from additional tax credits available in 2013.

Inflation

Our revenues and margins are dependent on various economic factors, including rates of inflation, energy costs, consumer attitudes toward discretionary spending, currency fluctuations, and other macro-economic factors which may impact levels of consumer spending. In certain fiscal periods, we have been adversely

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impacted by rising input costs related to domestic inflation, particularly relating to grain and seed prices, fuel prices and the ingredients used in our garden controls and fertilizer. Rising costs in those periods have made it difficult for us to increase prices to our retail customers at a pace sufficient to enable us to maintain margins.

In recent years, our business was negatively impacted by low consumer confidence, as well as other macro-economic factors. Throughout most of fiscal 2013, commodity costs continued to increase. In fiscal 2014, commodity costs declined overall, although we were impacted by increases in our grass seed costs. In fiscal 2015, commodity costs further declined from fiscal 2014 levels. We continue to monitor commodity prices in order to be in a position to take action to mitigate the impact of increasing raw material costs.

Weather and Seasonality

Our sales of lawn and garden products are influenced by weather and climate conditions in the different markets we serve. Additionally, our Garden segment's business is highly seasonal. In fiscal 2015, approximately 66% of our Garden segment's net sales and 58% of our total net sales occurred during our second and third fiscal quarters. Substantially all of the Garden segment's operating income is typically generated in this period, which has historically offset the operating loss incurred during the first fiscal quarter of the year.

Liquidity and Capital Resources

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

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

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

Operating Activities

Net cash provided by operating activities decreased \$39.1 million, from \$126.5 million in fiscal 2014 to \$87.4 million in fiscal 2015. The decrease in cash provided by operating activities was due primarily to an increased use of cash related to working capital accounts. Increased sales for fiscal 2015 drove an increase in accounts receivable for the current year as compared to the prior year. Inventory levels, excluding the impact of inventory acquired through acquisitions, decreased in 2015, though not to the same extent as in the prior year period. Elevated levels of inventory on-hand at the end of fiscal 2013 were brought down to lower levels by the end of fiscal 2014, which generated a larger amount of cash in that year, compared to the change in inventory levels and cash provided during the current fiscal year. We remain focused on bringing our investment in inventory down over time, while maintaining high fill rates and service levels to our customers.

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Net cash provided by operating activities increased \$154.8 million, from \$28.3 million of cash used in operating activities in fiscal 2013 to \$126.5 million of cash provided by operating activities in fiscal 2014. The increase in cash provided by operating activities was due primarily to decreased working capital investment, specifically our decreased investment in inventory. In fiscal 2013, we built safety stock to ensure our ability to service our customers would not be disrupted. In fiscal 2014, we managed our inventory to lower levels.

Investing Activities

Net cash used in investing activities increased \$14.7 million from \$35.2 million in fiscal 2014 to \$49.9 million in fiscal 2015. The increase in cash used in investing activities was due primarily to increased payments made to acquire businesses and investments in joint ventures during fiscal 2015, as well as an increase in capital expenditures during fiscal 2015 related to investments in our facilities. Additionally, there was a decrease in proceeds from the sale of certain property and equipment in fiscal 2014 that did not recur during the current year.

Net cash used in investing activities increased \$10.1 million, from \$25.1 million in fiscal 2013 to \$35.2 million in fiscal 2014. The increase in cash used in investing activities was due primarily to our acquisition of certain assets of Envincio LLC in April 2014 for approximately \$20 million and an increase in amounts invested in restricted cash and short-term investments. These increases were partially offset by proceeds received from the sale of the Garden segment manufacturing plant assets and lower capital expenditures in fiscal 2014 compared to fiscal 2013 due to reduced expenditures related to facilities and our SAP implementation.

Financing Activities

Net cash used in financing activities increased \$40.6 million from \$27.8 million in fiscal 2014 to \$68.4 million in fiscal 2015. The increase in cash used was due primarily to our redemption of \$50 million aggregate principal of our 2018 Notes in March 2015 at 102.063%, as well as increased purchases of our common stock. During fiscal 2015, we repurchased \$15.1 million of our common stock on the open market, which consisted of 0.5 million shares of our voting common stock (CENT) at an aggregate cost of approximately \$4.5 million, or approximately \$9.00 per share, and 1.2 million shares of our non-voting Class A common stock (CENTA) at an aggregate cost of approximately \$10.6 million, or approximately \$8.83 per share. We also used \$24.5 million for minimum statutory tax withholdings related to the net share settlement of our stock. These uses of cash were partially offset by lower net borrowings under our revolving credit facility during fiscal 2015.

Net cash used in financing activities increased \$48.1 million from \$20.3 million of cash provided by financing activities in fiscal 2013 to \$27.8 million of cash used in financing activities in fiscal 2014. The increase in cash used was due primarily to net repayments under our revolving credit facility during fiscal 2014 compared to net borrowings in fiscal 2013.

We expect that our principal sources of funds will be cash generated from our operations and, if necessary, borrowings under our \$390 million asset backed loan facility. Based on our anticipated cash needs, availability under our asset backed loan facility and the scheduled maturity of our debt, we believe that our sources of liquidity should be adequate to meet our working capital, capital spending and other cash needs for at least the next 12 months. However, we cannot assure you that these sources will continue to provide us with sufficient liquidity and, should we require it, that we will be able to obtain financing on terms satisfactory to us, or at all.

We believe that cash flows from operating activities, funds available under our asset backed loan facility, and arrangements with suppliers will be adequate to fund our presently anticipated working capital requirements for the foreseeable future. We anticipate that our capital expenditures, which are related primarily to replacements and upgrades to plant and equipment and investment in our implementation of a scalable enterprise-wide information technology platform, will not exceed \$40 million for the next 12 months. We are investing in this information technology platform to improve existing operations, support future growth and enable us to take advantage of new applications and technologies. This initiative, when complete, will combine our numerous information systems and create a common business model and common data, which should create greater efficiency and effectiveness.

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

Free Cash Flow

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Net cash provided by operations	\$ 87,449	\$126,467	\$(28,282)
Less: capital expenditures	<u>(22,030)</u>	<u>(17,173)</u>	<u>(25,172)</u>
Free cash flow	<u>\$ 65,419</u>	<u>\$109,294</u>	<u>\$(53,454)</u>
Free cash flow as a percentage of net sales	4.0%	6.8%	(3.2%)

Free cash flow as a percentage of net sales decreased in fiscal year 2015, primarily due to an increase in working capital requirements due to increased sales and the inventory related to our acquisition of IMS. Free cash flow as a percentage of net sales increased in fiscal year 2014, primarily due to favorable changes in working capital, including a \$66 million reduction in inventory, and increased earnings.

Stock Repurchases

During fiscal 2015, we repurchased \$15.1 million of our common stock, which consisted of 0.5 million shares of our voting common stock (CENT) at an aggregate cost of approximately \$4.5 million, or approximately \$9.00 per share, and 1.2 million shares of our non-voting Class A common stock (CENTA) at an aggregate cost of approximately \$10.6 million, or approximately \$8.83 per share. In fiscal 2011, our Board of Directors authorized a \$100 million share repurchase program, under which approximately \$35.0 million remains available for repurchases in fiscal 2016 and thereafter.

Total Debt

At September 26, 2015, our total debt outstanding was \$400.1 million versus \$450.2 million at September 27, 2014.

Senior Subordinated Notes

In March 2010, we issued \$400 million aggregate principal amount of 8.25% senior subordinated notes due March 1, 2018 (the "2018 Notes"). On February 13, 2012, we issued an additional \$50 million aggregate principal amount of our 2018 Notes at a price of 98.501%, plus accrued interest from September 1, 2011, in a private placement.

The estimated fair value of our \$400 million of 2018 Notes as of September 26, 2015 was approximately \$410.5 million. The estimated fair value is based on quoted market prices for these notes.

In March 2015, we redeemed \$50.0 million of our 2018 Notes at a price of 102.063% of the principal amount of the notes redeemed. In conjunction with this transaction, we recognized a charge in interest expense of approximately \$1.6 million in our second quarter of fiscal 2015 related to the payment of the call premium and the non-cash write-off of unamortized financing costs.

The 2018 Notes contained customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions. We were in compliance with all financial covenants as of September 26, 2015.

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Issuance of \$400 Million 6.125% Senior Notes

In November 2015, we issued \$400 million aggregate principal amount of 6.125% senior unsecured notes due November 2023 (the “2023 Notes”). The 2023 Notes require semiannual interest payments on November 15 and May 15, commencing May 15, 2016. The 2023 Notes are unconditionally guaranteed on a senior basis by each of our existing and future domestic restricted subsidiaries which are borrowers under or guarantors of our senior secured revolving credit facility. We used the net proceeds from the offering, together with available cash, to redeem our outstanding 2018 Notes and pay fees and expenses related to the offering. As a result of our redemption of the 2018 Notes, we will recognize a charge in our fiscal 2016 first quarter of approximately \$8.3 million related to the payment of the call premium, a one-time payment of overlapping interest expense for 30 days of approximately \$2.8 million and a \$3.2 million non-cash charge for the write-off of unamortized financing costs in interest expense. We expect our annual interest expense on the 2023 Notes going forward to be approximately \$8.5 million less than under the 2018 Notes.

We may redeem some or all of the 2023 Notes at any time on or after November 15, 2018 for 104.594%, plus accrued and unpaid interest. The holders of the 2023 Notes have the right to require us to repurchase all or a portion of the 2023 Notes at a purchase price equal to 101% of the principal amount of the notes repurchased, plus accrued and unpaid interest upon the occurrence of a change of control.

The 2023 Notes contain customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions.

Asset Backed Loan Facility

On December 5, 2013, we entered into a credit agreement which provides up to a \$390 million principal amount senior secured asset-based revolving credit facility, with up to an additional \$200 million principal amount available with the consent of the Lenders if we exercise the accordion feature set forth therein (collectively, the “Credit Facility”). The Credit Facility matures on December 5, 2018 and replaced our prior revolving credit facility. We may borrow, repay and reborrow amounts under the Credit Facility until its maturity date, at which time all amounts outstanding under the Credit Facility must be repaid in full. As of September 26, 2015, there were no borrowings or letters of credit outstanding under the Credit Facility. There were other letters of credit of \$6.0 million outstanding as of September 26, 2015.

The Credit Facility is subject to a borrowing base, calculated using a formula based upon eligible receivables and inventory, minus certain reserves and subject to restrictions. The borrowing availability as of September 26, 2015 was \$307 million. Borrowings under the Credit Facility bear interest at an index based on LIBOR or, at our option, the Base Rate (defined as the highest of (a) the SunTrust prime rate, (b) the Federal Funds Rate plus 0.5% and (c) one-month LIBOR plus 1.00%), plus, in either case, an applicable margin based on our total outstanding borrowings. Such applicable margin for LIBOR-based borrowings fluctuates between 1.25%-1.75% (1.25% at September 26, 2015) and such applicable margin for Base Rate borrowings fluctuates between 0.25%-0.75% (0.25% at September 26, 2015). As of September 26, 2015, the applicable interest rate related to Base Rate borrowings was 3.5%, and the applicable interest rate related to LIBOR-based borrowings was 1.4%.

The Credit Facility contains customary covenants, including financial covenants which require us to maintain a minimum fixed charge coverage ratio of 1.00:1.00 upon reaching certain borrowing levels. The Credit Facility is secured by substantially all of our assets. We were in compliance with all covenants under the Credit Facility during the period ended September 26, 2015.

We incurred approximately \$3.1 million of costs in conjunction with this transaction, which included banking fees and legal expenses. These costs will be amortized over the term of the Credit Facility.

We recorded a non-cash charge of \$1.7 million for the three month period ended December 28, 2013 as part of interest expense, related to the write-off of unamortized deferred financing costs under the prior revolving credit facility.

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Contractual Obligations

The table below presents our significant contractual cash obligations by fiscal year:

Contractual Obligations	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020	Thereafter	Total
	(in millions)						
Long-term debt, including current maturities (1)	\$ 0.3	\$ 0.1	\$400.0	\$ —	\$ —	\$ —	\$400.4
Interest payment obligations (2)	33.0	33.0	16.5	—	—	—	82.5
Operating leases	19.1	16.0	9.5	8.0	4.5	1.0	58.1
Purchase commitments (3)	111.1	39.2	24.4	15.4	6.8	1.4	198.3
Performance-based payments (4)	—	—	—	—	—	—	—
Total	<u>\$163.5</u>	<u>\$88.3</u>	<u>\$450.4</u>	<u>\$23.4</u>	<u>\$11.3</u>	<u>\$ 2.4</u>	<u>\$739.3</u>

- (1) Excludes \$6.0 million of outstanding letters of credit related to normal business transactions. Excludes unamortized discount of \$0.3 million related to the 2018 Notes. See Note 11 to the consolidated financial statements for further discussion of long-term debt.
- (2) Estimated interest payments to be made on our 2018 Notes. In November 2015, we issued \$400 million aggregate principal amount of 6.125% senior notes due November 2023. We used the net proceeds from the offering, together with available cash, to redeem our 2018 Notes and pay fees and expenses related to the offering. As a result of our redemption of the 2018 Notes, we will recognize a charge in our fiscal 2016 first quarter of approximately \$8.3 million related to the payment of the call premium, a one-time payment of overlapping interest expense for 30 days of approximately \$2.8 million and a \$3.2 million non-cash charge for the write-off of unamortized financing costs in interest expense. We expect our annual interest expense on the 2023 Notes going forward to be approximately \$8.5 million less than under the 2018 Notes. See Note 11 to the consolidated financial statements for description of interest rate terms.
- (3) Contracts for purchases of grains, grass seed and pet food ingredients, used primarily to mitigate risk associated with increases in market prices and commodity availability.
- (4) Possible performance-based payments associated with prior acquisitions of businesses are not included in the above table, because they are based on future performance of the businesses acquired, which is not yet known. Performance-based payments of \$0.7 million were made in 2015 related to B2E, acquired in fiscal 2013. Potential performance-based periods extend through 2020. In addition, we may be obligated to pay up to \$5.1 million in future performance payments if and when certain revenue and performance targets are achieved.

As of September 26, 2015, we had unrecognized tax benefits of \$0.1 million. These amounts have been excluded from the contractual obligations table because a reasonably reliable estimate of the timing of future tax settlements cannot be determined.

Off-Balance Sheet Arrangements

We have not entered into any transactions with unconsolidated entities whereby we have financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or any other obligation under a variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to us.

Recent Accounting Pronouncements

Discontinued Operations

In April 2014, the FASB issued Accounting Standards Update No. 2014-08 (ASU 2014-08), *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. ASU 2014-08 provides amended guidance

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for reporting discontinued operations and disclosures of disposals of components. The amended guidance raises the threshold for disposals to qualify as discontinued operations and permits significant continuing involvement and continuing cash flows with the discontinued operation. In addition, the amended guidance requires additional disclosures for discontinued operations and new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. The amended guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2014 and became effective for us prospectively commencing September 27, 2015. The adoption of the applicable sections of this ASC may have an impact on the accounting for any future discontinued operations we may have.

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. This update was issued as Accounting Standards Codification Topic 606. The core principle of this amendment is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. On July 9, 2015, the FASB deferred the effective date of ASU 2014-09 for one year. ASU 2014-09 is now effective for us in the first quarter of our fiscal year ending September 28, 2019. Earlier adoption is not permitted before the original effective date. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. The adoption of this guidance is not expected to have a significant impact on our consolidated financial statements.

Stock Based Compensation

In June 2014, the FASB issued ASU No. 2014-12 (ASU 2014-12), *Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. ASU No. 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period should be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, or our first quarter of fiscal 2017. Earlier adoption is permitted. We are currently evaluating the effect that the adoption of this standard will have on our financial statements.

Consolidation

In February 2015, the FASB issued ASU 2015-02 (ASU 2015-02), *Amendments to the Consolidation Analysis to ASC Topic 810, Consolidation*. ASU 2015-02 modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 is effective for fiscal years that begin after December 15, 2015, or our first quarter of fiscal 2017. We are currently evaluating the impact the adoption of ASU 2015-02 will have on our consolidated financial statements.

Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03 (ASU 2015-03), *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This standard amends the existing guidance to require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related debt liability instead of as a deferred charge. In August 2015, the Financial Accounting

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Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-15, Interest – Imputation of Interest (Subtopic 835-30). This ASU provides additional guidance on ASU 2015-03 with respect to line of credit arrangements, whereby specify debt issuance costs as part of line-of-credit arrangements may continue to be deferred and presented as an asset on the balance sheet. Recognition and measurement guidance for debt issuance costs are not affected. These ASUs are effective for annual periods beginning after December 15, 2015, or our first quarter of fiscal 2017. Early adoption is permitted. As of September 26, 2015, we had approximately \$3.4 million of net deferred financing costs that would be reclassified from a long-term asset to a reduction in the carrying amount of our debt upon adoption of the standard.

Cloud Computing Costs

In April 2015, the FASB issued ASU No. 2015-05(ASU 2015-05),*Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement*. This standard clarifies the circumstances under which a cloud computing customer would account for the arrangement as a license of internal-use software under ASC 350-40. ASU 2015-05 is effective for public entities for annual and interim periods therein beginning after December 15, 2015, or our first quarter of fiscal 2017. Early adoption is permitted. Entities may adopt the guidance either retrospectively or prospectively to arrangements entered into, or materially modified after the effective date. We are currently evaluating the impact the adoption of ASU 2015-05 will have on our consolidated financial statements.

Inventory Measurement

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

Business Combinations

In September 2015, the FASB issued ASU No. 2015-16 (ASU 2015-16),*Simplifying the Accounting for Measurement-Period Adjustments*. ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period after an acquisition within the reporting period they are determined. This is a change from the previous requirement that the adjustments be recorded retrospectively. The ASU also requires disclosure of the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the adjustment to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. ASU 2015-16 is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2015; early adoption is permitted. We have early adopted the guidance prospectively as of September 27, 2015. The adoption of this standard will impact our accounting for measurement period adjustments for any future business combinations.

Critical Accounting Policies, Estimates and Judgments

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts and related disclosures in the consolidated financial statements. Estimates and assumptions are required for, but are not limited to, accounts receivable and inventory realizable values, fixed asset lives, long-lived asset valuation and impairments, intangible asset lives, stock-based

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compensation, deferred and current income taxes, self-insurance accruals and the impact of contingencies and litigation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the result of which forms the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates under different assumptions or conditions.

Although not all inclusive, we believe that the following represent the more critical accounting policies, which are subject to estimates and assumptions used in the preparation of our consolidated financial statements.

Allowance for Doubtful Accounts

We record an allowance for credit losses and disputed balances associated with our customers' failure to make required payments. We estimate our allowance based on specific identification, historical experience, customer concentrations, customer credit-worthiness and current economic trends. Generally, we require no collateral from our customers. If the financial condition of our customers were to deteriorate, we were not able to demonstrate the validity of amounts due or future default rates on trade receivables in general were to differ from those currently anticipated, additional allowances could be required, which would affect earnings in the period the adjustments are made. For more information, see Note 6 to our consolidated financial statements.

Inventory

Inventory, which primarily consists of lawn and garden products and pet supplies finished goods, is stated at the lower of first-in first-out ("FIFO") cost or market. Cost includes certain indirect purchasing, merchandise handling and storage costs incurred to acquire or manufacture inventory, costs to unload, process and put away shipments received to prepare them to be picked for orders, and certain overhead costs. We compute the amount of such costs capitalized to inventory based on an estimate of costs related to the procurement and processing of inventory to prepare it for sale compared to total product purchases. When necessary, we have reduced the carrying value of our inventory if market conditions indicate that we will not recover the carrying cost upon sale. Future adverse changes in market conditions related to our products could result in an additional charge to income in the period in which such conditions occur.

Goodwill

Goodwill represents the excess of cost of an acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. Identifiable intangible assets acquired in business combinations are recorded based on their fair values at the date of acquisition. Goodwill and identifiable intangible assets with indefinite lives are not subject to amortization but must be evaluated for impairment.

We test goodwill for impairment annually (on the first day of the fourth fiscal quarter), or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount, by initially comparing the fair value of each of our four reporting units to their related carrying values. If the fair value of the reporting unit is less than its carrying value, we perform an additional step to determine the implied fair value of goodwill associated with that reporting unit. The implied fair value of goodwill is determined by first allocating the fair value of the reporting unit to all of its assets and liabilities and then computing the excess of the reporting unit's fair value over the amounts assigned to the assets and liabilities. If the carrying value of goodwill exceeds the implied fair value of goodwill, such excess represents the amount of goodwill impairment, and, accordingly, we recognize such impairment. Our goodwill impairment analysis also includes a comparison of the aggregate estimated fair value of all four reporting units to our total market capitalization.

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Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. The estimate of fair value of each of our reporting units is based on our projection of revenues, gross margin, operating costs and cash flows considering historical and estimated future results, general economic and market conditions as well as the impact of planned business and operational strategies. We base our fair value estimates on assumptions we believe to be reasonable at the time, but such assumptions are subject to inherent uncertainty. Assumptions critical to our fair value estimates were: (i) discount rates used in determining the fair value of the reporting units; (ii) estimated future cash flows; and (iii) projected revenue and operating profit growth rates used in the reporting unit models. Actual results may differ from those estimates. The valuations employ present value techniques to measure fair value and consider market factors.

Our goodwill is associated with one of the reporting units within our Pet segment.

In connection with our annual goodwill impairment testing performed during fiscal 2015 and 2014, the first step of such testing indicated that the fair value of our reporting segments exceeded their carrying value by more than 10%, and accordingly, no further testing of goodwill was required.

Changes in the judgments and estimates underlying our analysis of goodwill for possible impairment, including expected future cash flows and discount rate, could result in a significantly different estimate of the fair value of the reporting units in the future and could result in additional impairment of goodwill.

Intangible assets

Indefinite-lived intangible assets consist primarily of acquired trade names and trademarks. Indefinite-lived intangible assets are tested annually for impairment or whenever events or changes in circumstances occur indicating that the carrying amount of the asset may not be recoverable. An impairment loss would be recognized for an intangible asset with an indefinite useful life if its carrying value exceeds its fair value.

Indefinite-lived intangible assets are tested for impairment by comparing the fair value of the asset to the carrying value. Fair value is determined based on discounted cash flow analyses that include significant management assumptions such as revenue growth rates, discount rates, weighted average cost of capital, and assumed royalty rates. Future net sales and short-term growth rates are estimated for trade names based on management's forecasted financial results which consider key business drivers such as specific revenue growth initiatives, market share changes and general economic factors such as consumer spending.

During fiscal 2015, 2014 and 2013, we performed evaluations of the fair value of our indefinite-lived trade names and trademarks. Our expected revenues were based on our future operating plan and market growth or decline estimates for future years. In fiscal 2015, we recognized a \$7.3 million non-cash impairment charge related to certain indefinite-lived intangible assets as a result of increased competition in the marketplace and an expected decline in the volume of sales. The fair value of the indefinite-lived intangible assets exceed the remaining \$15.0 million carrying value at September 26, 2015. No impairment was indicated during our fiscal 2014 or 2013 analysis of our indefinite-lived trade names and trademarks.

Long-Lived Assets

We review our long-lived assets, including amortizable intangibles and property, plant and equipment, for potential impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. An impairment loss would be recognized for amortizable intangible assets and property, plant and equipment when estimated undiscounted future cash flows expected to result from use of the asset are less than its carrying amount. Management determines fair value by estimating future cash flows as a result of forecasting sales and costs. Impairment, if any, is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No factors indicating the carrying value of our tangible long-lived assets may not be recoverable were present in fiscal 2015, and accordingly, no impairment

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testing was performed on these assets. No factors indicating the carrying value of our long-lived assets may not be recoverable were present in fiscal 2014, and accordingly, no impairment testing was performed on these assets. However, due to changes in our operations and related plans for future SAP implementations, we determined that certain software costs previously incurred had no future value and accordingly, a charge of \$5.9 million was recorded in the fourth quarter of fiscal 2014. Should market conditions or the assumptions used by us in determining the fair value of assets change, or management change plans regarding the future usage of certain assets, additional charges to operations may be required in the period in which such conditions occur.

Accruals for Self-Insurance

We maintain insurance for certain risks, including workers' compensation, general liability and vehicle liability, and are self-insured for employee related health care benefits. Our workers' compensation, general liability and vehicle liability insurance policies include deductibles of \$250,000 to \$350,000 per occurrence, with a separate deductible of \$50,000 for physical damage. We maintain excess loss insurance that covers any health care claims in excess of \$700,000 per person per year. We maintain a self-insurance reserve for losses, determined with assistance from a third party actuary, based on claims filed and actuarial estimates of the ultimate loss amount inherent in the claims, including losses for claims incurred but not reported. Any actuarial projection of losses concerning workers' compensation and general liability is subject to a high degree of variability. Among the causes of this variability are unpredictable external factors affecting future inflation rates, discount rates, litigation trends, legal interpretations, benefit level changes and claim settlement patterns. We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we use to calculate our self-insurance liabilities. However, any differences in estimates and assumptions could result in accrual requirements materially different from the calculated accruals.

Acquisitions

In connection with businesses we acquire, management must determine the fair values of assets acquired and liabilities assumed. Considerable judgment and estimates are required to determine such amounts, particularly as they relate to identifiable intangible assets, and the applicable useful lives related thereto. Under different assumptions, the resulting valuations could be materially different, which could materially impact the operating results we report.

Our contractual commitments are presented under the caption Liquidity and Capital Resources.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

We are exposed to market risks, which include changes in U.S. interest rates and commodity prices and, to a lesser extent, foreign exchange rates. We do not engage in financial transactions for trading or speculative purposes.

Interest Rate Risk. The interest payable on our Credit Facility is based on variable interest rates and therefore affected by changes in market interest rates. We had no variable rate debt outstanding as of September 26, 2015 under our Credit Facility. If interest rates on our average variable rate debt outstanding during fiscal 2015 had changed by 100 basis points compared to actual rates, interest expense would have increased or decreased by approximately \$0.3 million. In addition, we have investments consisting of cash equivalents and short-term investments, which are also affected by changes in market interest rates.

Commodity Prices. We are exposed to fluctuations in market prices for grains, grass seed, chemicals, fertilizer ingredients and pet food ingredients. To mitigate risk associated with increases in market prices and commodity availability, we enter into contracts for purchases, primarily to ensure commodity availability to us in the future. As of September 26, 2015, we had entered into fixed purchase commitments for commodities totaling approximately \$198.3 million. A 10% change in the market price for these commodities would result in an additional pretax gain or loss of \$19.8 million as the related inventory containing those inputs is sold.

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Foreign Currency Risks. Our market risk associated with foreign currency rates is not considered to be material To date, we have had minimal sales outside of the United States. Purchases made by our U.S. subsidiaries from foreign vendors are primarily made in U.S. dollars. Our international subsidiary transacts most of its business in British pounds. Therefore, we have only minimal exposure to foreign currency exchange risk. We do not hedge against foreign currency risks and believe that foreign currency exchange risk is immaterial to our current business.

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Item 8. Financial Statements and Supplementary Data

See pages beginning at F-1.

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Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our Chief Executive Officer and Acting 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-15(e) and 15d-15(e)) that ensure that information relating to the Company required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported in a timely and proper manner and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Acting Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Based upon this review, such officers concluded that our disclosure controls and procedures were effective as of September 26, 2015.

(b) *Changes in Internal Control Over Financial Reporting.* Our management, with the participation of our Chief Executive Officer and Acting Chief Financial Officer, has evaluated whether any change in our internal control over financial reporting occurred during the fourth quarter of fiscal 2015. Based on that evaluation, management concluded that there has been no change in our internal control over financial reporting during the fourth quarter of fiscal 2015 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

(c) *Management’s Report on Internal Control Over Financial Reporting.* A copy of our management’s report and the report of Deloitte & Touche LLP, our independent registered public accounting firm, are included in our Financial Statements and Supplementary Data beginning on page F-1.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

We have adopted a code of ethics that applies to all of our executive officers and directors, a copy of which is filed as Exhibit 14.

The remaining information required by this item is incorporated by reference from Central’s Definitive Proxy Statement for its 2016 Annual Meeting of Stockholders under the captions “Election of Directors,” “Further Information Concerning the Board of Directors – Committees of the Board”, “Section 16(a) Beneficial Ownership Reporting Compliance” and “Code of Ethics.” See also Item 1 – Business above.

Item 11. Executive Compensation

The information required by this item is incorporated by reference from Central’s Definitive Proxy Statement for its 2016 Annual Meeting of Stockholders under the captions “Executive Compensation” and “Further Information Concerning the Board of Directors – Compensation Committee Interlocks and Insider Participation.”

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item is incorporated by reference from Central's Definitive Proxy Statement for its 2016 Annual Meeting of Stockholders under the captions "Ownership of Management and Principal Stockholders" and Executive Compensation – "Equity Compensation Plan Information."

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference from Central's Definitive Proxy Statement for its 2016 Annual Meeting of Stockholders under the captions "Further Information Concerning the Board of Directors – Board Independence" and "Transactions with the Company."

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference from Central's Definitive Proxy Statement for its 2016 Annual Meeting of Stockholders under the caption "Independent Registered Public Accounting Firm."

PART IV

Item 15. Exhibits and Financial Statement Schedules

- (a) The following documents are filed as part of this report:
- (1) Consolidated Financial Statements of Central Garden & Pet Company are attached to this Form 10-K beginning on page F-1:
Management's Report on Internal Control Over Financial Reporting
Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Comprehensive Income (Loss)
Consolidated Statements of Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

All other schedules are omitted because of the absence of conditions under which they are required or because the required information is included in the consolidated financial statements or notes thereto.

- (2) Exhibits:
See attached Exhibit Index.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 10, 2015

CENTRAL GARDEN & PET COMPANY

By /s/ John R. Ranelli
John R. Ranelli
Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ John R. Ranelli</u> John R. Ranelli	Director, Chief Executive Officer and President (Principal Executive Officer)	December 10, 2015
<u>/s/ David N. Chichester</u> David N. Chichester	Acting Chief Financial Officer and Director (Principal Financial Officer)	December 10, 2015
<u>/s/ Howard A. Macheck</u> Howard A. Macheck	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	December 10, 2015
<u>William E. Brown</u>	Chairman	December 10, 2015
<u>/s/ John B. Balousek</u> John B. Balousek	Director	December 10, 2015
<u>/s/ Thomas J. Colligan</u> Thomas J. Colligan	Director	December 10, 2015
<u>/s/ Brooks M. Pennington, III</u> Brooks M. Pennington, III	Director	December 10, 2015
<u>/s/ Alfred A. Piergallini</u> Alfred A. Piergallini	Director	December 10, 2015
<u>/s/ George C. Roeth</u> George C. Roeth	Director	December 10, 2015
<u>/s/ Mary Beth Springer</u> Mary Beth Springer	Director	December 10, 2015

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Central Garden & Pet Company

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Central Garden & Pet Company's management, under the supervision of Central's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining effective internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act). Management evaluated the effectiveness of Central's internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission.

Based on evaluation of the criteria set forth by COSO in *Internal Control – Integrated Framework* (1992), management concluded that our internal control over financial reporting was effective as of September 26, 2015.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued a report on our internal control over financial reporting, which appears on page F-3 of this Form 10-K.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become ineffective because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Central Garden & Pet Company:

We have audited the accompanying consolidated balance sheets of Central Garden & Pet Company and subsidiaries (the "Company") as of September 26, 2015 and September 27, 2014, and the related consolidated statements of operations, comprehensive income (loss), equity and cash flows for each of the three years in the period ended September 26, 2015. We also have audited the Company's internal control over financial reporting as of September 26, 2015, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Management's Report on Internal Control over Financial Reporting." Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Garden & Pet Company and subsidiaries as of September 26, 2015 and September 27, 2014, and the results of their operations and their cash flows for each of the three years in the period ended September 26, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 26, 2015, based on the criteria established in *Internal Control – Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California
December 10, 2015

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CENTRAL GARDEN & PET COMPANY
CONSOLIDATED BALANCE SHEETS

	September 26, 2015	September 27, 2014
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 47,584	\$ 78,676
Restricted cash	13,157	14,283
Short term investments	0	9,990
Accounts receivable, net	207,402	193,729
Inventories	335,946	326,386
Prepaid expenses, deferred income taxes and other	49,731	48,488
Total current assets	653,820	671,552
Plant, property and equipment, net	162,809	166,849
Goodwill	209,089	208,233
Other intangible assets, net	75,460	87,997
Other assets	33,576	14,096
Total	<u>\$ 1,134,754</u>	<u>\$ 1,148,727</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 88,889	\$ 88,428
Accrued expenses	87,724	84,379
Current portion of long-term debt	291	291
Total current liabilities	176,904	173,098
Long-term debt	399,848	449,948
Deferred income taxes and other long-term obligations	51,622	39,228
Commitments and contingencies (Note 12)		
Equity:		
Common stock	119	124
Class A common stock	364	369
Class B stock	16	16
Additional paid-in capital	388,636	396,586
Retained earnings	115,987	86,396
Accumulated other comprehensive income	164	1,232
Total Central Garden & Pet shareholders' equity	505,286	484,723
Noncontrolling interest	1,094	1,730
Total equity	<u>506,380</u>	<u>486,453</u>
Total	<u>\$ 1,134,754</u>	<u>\$ 1,148,727</u>

See notes to consolidated financial statements.

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CENTRAL GARDEN & PET COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Year Ended		
	September 26, 2015	September 27, 2014	September 28, 2013
	(in thousands, except per share amounts)		
Net sales	\$ 1,650,737	\$ 1,604,357	\$ 1,653,633
Cost of goods sold and occupancy	1,162,685	1,150,333	1,189,731
Gross profit	488,052	454,024	463,902
Selling, general and administrative expenses	389,345	397,811	416,038
Intangible asset and goodwill impairment	7,272	0	7,709
Income from operations	91,435	56,213	40,155
Interest expense	(40,027)	(42,844)	(43,112)
Interest income	129	94	142
Other income (expense)	13	403	(677)
Income (loss) before income taxes and noncontrolling interest	51,550	13,866	(3,492)
Income tax expense (benefit)	18,535	4,045	(2,592)
Net income (loss) including noncontrolling interest	33,015	9,821	(900)
Net income attributable to noncontrolling interest	1,044	1,017	1,029
Net income (loss) attributable to Central Garden & Pet Company	\$ 31,971	\$ 8,804	\$ (1,929)
Net income (loss) per share attributable to Central Garden & Pet Company:			
Basic	\$ 0.66	\$ 0.18	\$ (0.04)
Diluted	\$ 0.64	\$ 0.18	\$ (0.04)
Weighted average shares used in the computation of net income per share:			
Basic	48,562	48,880	48,094
Diluted	49,638	49,397	48,094

See notes to consolidated financial statements.

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

	Fiscal Year Ended		
	September 26, 2015	September 27, 2014	September 28, 2013
Net income (loss)	\$ 33,015	\$ 9,821	\$ (900)
Other comprehensive income (loss):			
Foreign currency translation	(1,078)	(200)	(97)
Unrealized loss on securities	(10)	(10)	0
Reclassification of loss on available for sale securities to net income	20	0	0
Total comprehensive income (loss)	31,947	9,611	(997)
Comprehensive income attributable to noncontrolling interests	1,044	1,017	1,029
Comprehensive income (loss) attributable to Central Garden & Pet Company	<u>\$ 30,903</u>	<u>\$ 8,594</u>	<u>\$ (2,026)</u>

See notes to consolidated financial statements.

CENTRAL GARDEN & PET COMPANY
CONSOLIDATED STATEMENTS OF EQUITY
(dollars in thousands)

Central Garden & Pet Company													
	Common Stock		Class A Common Stock		Class B Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total	Noncontrolling Interest		Total
	Shares	Amount	Shares	Amount	Shares	Amount					Interest	Total	
Balance, September 29, 2012	12,247,571	\$ 122	34,706,902	\$ 347	1,652,262	\$ 16	\$ 382,195	\$ 79,718	\$ 1,539	\$463,937	\$ 946	\$464,883	
Amortization of share-based awards	0	0	0	0	0	0	4,210	0	0	4,210	0	4,210	
Tax deficiency on exercise of stock options, net of tax benefit	0	0	0	0	0	0	(90)	0	0	(90)	0	(90)	
Restricted share activity	(820)	0	442,238	4	0	0	2,460	0	0	2,464	0	2,464	
Issuance of common stock	0	0	307,761	3	0	0	1,683	0	0	1,686	0	1,686	
Repurchase of common stock	0	0	(165,900)	(1)	0	0	(1,305)	(197)	0	(1,503)	0	(1,503)	
Distribution to noncontrolling interest	0	0	0	0	0	0	0	0	0	0	(629)	(629)	
Other comprehensive loss	0	0	0	0	0	0	0	0	(97)	(97)	0	(97)	
Net loss	0	0	0	0	0	0	0	(1,929)	0	(1,929)	1,029	(900)	
Balance, September 28, 2013	12,246,751	122	35,291,001	353	1,652,262	16	389,153	77,592	1,442	468,678	1,346	470,024	
Amortization of share-based awards	0	0	0	0	0	0	4,572	0	0	4,572	0	4,572	
Tax deficiency on exercise of stock options, net of tax benefit	0	0	0	0	0	0	(1,973)	0	0	(1,973)	0	(1,973)	
Restricted share activity	190,556	2	1,232,105	12	0	0	3,446	0	0	3,460	0	3,460	
Issuance of common stock	0	0	364,505	4	0	0	1,390	0	0	1,394	0	1,394	
Repurchase of common stock	0	0	(300)	0	0	0	(2)	(0)	0	(2)	0	(2)	
Distribution to noncontrolling interest	0	0	0	0	0	0	0	0	0	0	(633)	(633)	
Other comprehensive loss	0	0	0	0	0	0	0	0	(210)	(210)	0	(210)	
Net income	0	0	0	0	0	0	0	8,804	0	8,804	1,017	9,821	
Balance, September 27, 2014	12,437,307	124	36,887,311	369	1,652,262	16	396,586	86,396	1,232	484,723	1,730	486,453	
Amortization of share-based awards	0	0	0	0	0	0	6,378	0	0	6,378	0	6,378	
Tax deficiency on exercise of stock options, net of tax benefit	0	0	0	0	0	0	(358)	0	0	(358)	0	(358)	
Restricted share activity	(12,073)	0	156,477	2	0	0	(1,233)	0	0	(1,231)	0	(1,231)	
Issuance of common stock	641	0	536,827	5	0	0	(10)	0	0	(5)	0	(5)	
Repurchase of common stock	(517,558)	(5)	(1,118,316)	(12)	0	0	(12,727)	(2,380)	0	(15,124)	0	(15,124)	
Distribution to noncontrolling interest	0	0	0	0	0	0	0	0	0	0	(1,680)	(1,680)	
Other comprehensive loss	0	0	0	0	0	0	0	0	(1,068)	(1,068)	0	(1,068)	
Net income	0	0	0	0	0	0	0	31,971	0	31,971	1,044	33,015	
Balance, September 26, 2015	<u>11,908,317</u>	<u>\$ 119</u>	<u>36,462,299</u>	<u>\$ 364</u>	<u>1,652,262</u>	<u>\$ 16</u>	<u>\$ 388,636</u>	<u>\$115,987</u>	<u>\$ 164</u>	<u>\$505,286</u>	<u>\$ 1,094</u>	<u>\$506,380</u>	

See notes to consolidated financial statements

CENTRAL GARDEN & PET COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Fiscal Year Ended		
	September 26, 2015	September 27, 2014	September 28, 2013
	(in thousands)		
Cash flows from operating activities:			
Net income (loss)	\$ 33,015	\$ 9,821	\$ (900)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	33,703	35,781	32,968
Amortization of deferred financing costs	1,996	2,107	2,174
Stock-based compensation	8,315	7,678	15,892
Excess tax benefits from stock-based awards	(2,154)	(498)	(388)
Deferred income taxes	15,566	5,548	(3,233)
Gain on sale of property and equipment	0	(4,875)	0
Loss on disposal of property, plant and equipment	702	1,063	547
Write-off of deferred financing costs	537	1,731	0
Asset impairments	7,272	5,870	7,709
Other	(69)	249	370
Changes in assets and liabilities (excluding businesses acquired):			
Receivables	(9,093)	2,655	8,185
Inventories	4,403	69,698	(61,697)
Prepaid expenses and other assets	(4,325)	(176)	2,624
Accounts payable	(4,757)	(16,321)	(23,866)
Accrued expenses	1,485	8,442	(7,781)
Other long-term obligations	853	(2,306)	(886)
Net cash provided (used) by operating activities	<u>87,449</u>	<u>126,467</u>	<u>(28,282)</u>
Cash flows from investing activities:			
Additions to property, plant and equipment	(22,030)	(17,173)	(25,172)
Businesses acquired, net of cash acquired, and investments in joint ventures	(38,384)	(20,282)	(4,835)
Proceeds from disposals of land, buildings, etc.	0	8,737	0
Change in restricted cash and cash equivalents	1,126	(14,283)	0
Proceeds from short-term investments	9,997	17,820	4,885
Investment in short-term investments	(17)	(10,000)	0
Other investing activities	(546)	0	0
Net cash used in investing activities	<u>(49,854)</u>	<u>(35,181)</u>	<u>(25,122)</u>
Cash flows from financing activities:			
Repayments on revolving line of credit	(312,000)	(301,000)	(368,000)
Borrowings on revolving line of credit	312,000	278,000	391,000
Repayments of long-term debt	(50,289)	(367)	(332)
Proceeds from issuance of common stock	200	1,165	613
Excess tax benefits from stock-based awards	2,154	498	388
Repurchase of common stock, including shares surrendered for tax withholding	(18,497)	(2,332)	(2,731)
Distribution to noncontrolling interest	(1,680)	(633)	(629)
Payment of financing costs	(258)	(3,090)	0
Net cash provided (used) by financing activities	<u>(68,370)</u>	<u>(27,759)</u>	<u>20,309</u>
Effect of exchange rate changes on cash and equivalents	(317)	(7)	(224)
Net (decrease) increase in cash and cash equivalents	(31,092)	63,520	(33,319)
Cash and cash equivalents at beginning of year	78,676	15,156	48,475
Cash and cash equivalents at end of year	<u>\$ 47,584</u>	<u>\$ 78,676</u>	<u>\$ 15,156</u>
Supplemental information:			
Cash paid for interest	\$ 39,855	\$ 41,549	\$ 42,960
Cash paid for income taxes – net of refunds	3,192	826	(2,493)
Non-cash investing and financing activities:			
Capital expenditures incurred but not paid	2,087	238	926
Liability for contingent performance based payments	(101)	249	4,165
Restricted share stock bonus	0	4,086	9,579

See notes to consolidated financial statements.

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Fiscal Years Ended September 26, 2015,
September 27, 2014, and September 28, 2013**

1. Organization and Significant Accounting Policies

Organization – Central Garden & Pet Company (“Central”), a Delaware corporation, and subsidiaries (the “Company”), is a leading marketer and producer of quality branded products and distributor of third party products in the pet and lawn and garden supplies markets.

Basis of Consolidation and Presentation – The consolidated financial statements include the accounts of Central and all majority-owned subsidiaries. All intercompany balances and transactions have been eliminated. The fiscal years ended September 26, 2015, September 27, 2014 and September 28, 2013 each included 52 weeks.

Noncontrolling Interest – Noncontrolling interest in the Company’s consolidated financial statements represents the 20% interest not owned by the Company in a consolidated subsidiary. Since the Company controls this subsidiary, its financial statements are consolidated with those of the Company, and the noncontrolling owner’s 20% share of the subsidiary’s net assets and results of operations is deducted and reported as noncontrolling interest on the consolidated balance sheets and as net income (loss) attributable to noncontrolling interest in the consolidated statements of operations.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including realization of accounts receivable and inventory and valuation of goodwill and intangibles. Actual results could differ from those estimates.

Revenue Recognition – Sales are recognized when merchandise is shipped, risk of loss and title passes to the customer and the Company has no further obligations to provide services related to such merchandise. Discounts, volume-based rebate incentives and most cooperative advertising amounts are recorded as a reduction of sales. The Company’s practice on product returns is to accept and credit the return of unopened cases of products from customers where the quantity is small, where the product has been mis-shipped or the product is defective. Provisions are made for estimated sales returns which are deducted from net sales at the time of shipment. Sales also include shipping and handling costs billed directly to customers. The amount billed to customers for shipping and handling costs included in net sales for the fiscal years ended September 26, 2015, September 27, 2014 and September 28, 2013 was \$5.4 million, \$8.0 million and \$6.9 million, respectively.

Cost of goods sold and occupancy consists of cost of product, inbound freight charges, purchasing and receiving costs, certain indirect purchasing, merchandise handling and storage costs, internal transfer costs as well as allocations of overhead costs, including depreciation, related to the Company’s facilities. Cost of goods sold excludes substantially all shipping and handling and out-bound freight costs to customers, which are included in selling, general and administrative expenses as delivery expenses. The cost of shipping and handling, including internal costs and payments to third parties, included in delivery expenses within selling, general and administrative expenses for the fiscal years ended September 26, 2015, September 27, 2014 and September 28, 2013 was \$44.4 million, \$45.6 million and \$47.7 million, respectively.

Advertising Costs – The Company expenses the costs of advertising as incurred. Advertising expenses were \$25.0 million, \$30.9 million and \$44.5 million in fiscal 2015, 2014 and 2013, respectively.

401(k) Plans – The Company sponsors several 401(k) plans which cover substantially all employees. The Company’s matching contributions expensed under these plans were \$1.9 million for fiscal year 2015, \$1.9

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million for fiscal year 2014 and \$2.1 million for fiscal years 2013. In fiscal 2015, 2014 and 2013, the Company's matching contributions made in the Company's Class A common stock resulted in the issuance of approximately 195,000, 245,000 and 229,000 shares, respectively.

Other income consists principally of earnings from equity method investments and foreign exchange gains and losses.

Income taxes are accounted for under the asset and liability method. Deferred income taxes result primarily from bad debt allowances, inventory and goodwill write-downs, amortization and depreciation. The Company establishes a valuation allowance for deferred tax assets when management believes it is more likely than not a deferred tax asset will not be realized. As of fiscal year-end 2015 and 2014, the Company had valuation allowances related to various state and foreign net deferred tax assets of \$6.2 million and \$6.2 million, respectively.

U. S. income taxes have not been provided on undistributed earnings (approximately \$2.3 million at September 26, 2015) of our foreign subsidiary since all such earnings are considered indefinitely reinvested overseas. The potential deferred tax liability associated with these earnings, net of foreign tax credits associated with the earnings, is approximately \$0.4 million.

Cash and cash equivalents include cash and all highly liquid instruments with a maturity of three months or less at the date of purchase.

Restricted cash and cash equivalents include cash and highly liquid instruments that are used as collateral for stand-alone letter of credit agreements.

Short term investments include investments with original maturities greater than three months and remaining maturities of one year or less.

Accounts receivable are carried at their estimated collectible amounts. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest, although a finance charge may be applied to such receivables that are past due.

Allowance for doubtful accounts – Trade accounts receivable are regularly evaluated for collectability based on past credit history with customers, their expected returns and their current financial condition.

Inventories, which primarily consist of garden products and pet supplies finished goods, are stated at the lower of FIFO cost or market. Cost includes certain indirect purchasing, merchandise handling and storage costs incurred to acquire or manufacture inventory, costs to unload, process and put away shipments received in order to prepare them to be picked for orders, and certain other overhead costs. The amount of such costs capitalized to inventory is computed based on an estimate of costs related to the procurement and processing of inventory to prepare it for sale compared to total product purchases.

Land, buildings, improvements and equipment are stated at cost. Depreciation is computed by the straight-line method over thirty years for buildings. Improvements are amortized on a straight-line basis over the shorter of the useful life of the asset or the terms of the related leases. Depreciation on equipment and capitalized software is computed by the straight-line and accelerated methods over the estimated useful lives of 3 to 10 years.

Long-Lived Assets – The Company reviews its long-lived assets, including amortizable and indefinite-lived intangible assets and property, plant and equipment, for potential impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable, and annually

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

for indefinite-lived intangible assets. An impairment loss would be recognized for amortizable intangible assets and property, plant and equipment when estimated undiscounted future cash flows expected to result from the use of the asset are less than its carrying amount. An impairment loss would be recognized for an intangible asset with an indefinite useful life if its carrying value exceeds its fair value. Impairment, if any, is measured as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Due to the changes in the Company's operations and related plans for future SAP implementations, the Company determined that certain software costs previously capitalized had no future value, and accordingly, wrote off capitalized costs of \$5.9 million in the fourth quarter of fiscal 2014. In fiscal 2015, the Company recognized a non-cash \$7.3 million impairment charge to certain indefinite-lived intangible assets as a result of increased competition in the marketplace and declining volume of sales. The fair value of the remaining \$15.0 million of indefinite-lived intangible assets that were impaired exceeded their carrying value at September 26, 2015. Should market conditions or the assumptions used by the Company in determining the fair value of assets change, or management changes plans regarding the future use of certain assets, additional charges to operations may be required in the period in which such conditions occur. See Note 10 – Other Intangible Assets.

Goodwill represents the excess of cost of an acquired business over the fair value of the identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. Identifiable intangible assets acquired in business combinations are recorded based on their fair values at the date of acquisition. Goodwill is not subject to amortization but must be evaluated for impairment annually. The Company tests for goodwill impairment annually or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. See Note 9 – Goodwill.

Investments – The Company owns membership interests approximating 50% in four unconsolidated companies. The Company accounts for its interest in these entities using the equity method. Equity income of \$0.4 million in 2015, \$0.6 million in 2014 and \$0.9 million in fiscal 2013 is included in other income in the consolidated statements of operations. The Company's investment in these entities was \$16.5 million at September 26, 2015 and \$0.6 million at September 27, 2014. On a combined basis, the assets, liabilities, revenues and expenses of these entities are not significant.

Accruals For Insurance – The Company maintains insurance for certain risks, including workers' compensation, general liability and vehicle liability, and is self-insured for employee related health care benefits. The Company's workers' compensation, general liability and vehicle liability insurance policies include deductibles of \$250,000 to \$350,000 per occurrence. The Company maintains excess loss insurance that covers any health care claims in excess of \$700,000 per person per year. The Company establishes reserves for losses based on its claims experience and actuarial estimates of the ultimate loss amount inherent in the claims, including claims incurred but not yet reported. Costs are recognized in the period the claim is incurred, and the financial statement accruals include an estimate of claims incurred but not yet reported.

Fair Value of Financial Instruments – At September 26, 2015 and September 27, 2014, the carrying amount of cash and cash equivalents, short term investments, accounts receivable and payable, short term borrowings and accrued liabilities approximates fair value because of the short term nature of these instruments. The estimated fair value of the Company's senior subordinated notes is based on quoted market prices for these instruments. See Note 2 for further information regarding the fair value of the Company's financial instruments.

Derivative Financial Instruments – The Company reports all derivative financial instruments on the balance sheet at fair value. Changes in fair value are recognized in earnings, or are deferred, depending on the nature of the underlying exposure being hedged and how effective the derivative is at offsetting a change in the underlying exposure.

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

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

As of September 26, 2015 and September 27, 2014, the Company had no outstanding derivative instruments.

Stock-Based Compensation – Stock-based compensation cost is estimated at the grant date based on the fair value of the award and is expensed ratably over the service period of the award. Total compensation costs recognized under all share-based arrangements in fiscal 2015 was \$8.3 million (\$5.3 million after tax), fiscal 2014 was \$7.7 million (\$4.9 million after tax), and fiscal 2013 was \$15.9 million (\$10.0 million after tax). See Note 14 for further information.

Total Comprehensive Income (Loss) – Total comprehensive income (loss) consists of two components: net income and other comprehensive income (loss). Other comprehensive income (loss) refers to gains and losses that under generally accepted accounting principles are recorded directly as an element of shareholders' equity, but are excluded from net income. Other comprehensive income (loss) is comprised of currency translation adjustments relating to the Company's foreign subsidiary whose functional currency is not the U.S. dollar, unrealized gains and losses on investments classified as available for sale, as well as the reclassification of realized gains and losses on investments classified as available for sale to net income.

Recent Accounting Pronouncements

Discontinued Operations

In April 2014, the FASB issued Accounting Standards Update No. 2014-08 (ASU 2014-08), *Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. ASU 2014-08 provides amended guidance for reporting discontinued operations and disclosures of disposals of components. The amended guidance raises the threshold for disposals to qualify as discontinued operations and permits significant continuing involvement and continuing cash flows with the discontinued operation. In addition, the amended guidance requires additional disclosures for discontinued operations and new disclosures for individually material disposal transactions that do not meet the definition of a discontinued operation. The amended guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2014 and became effective for the Company September 27, 2015. The adoption of the applicable sections of this ASC may have an impact on the accounting for any future discontinued operations the Company may have.

Revenue Recognition

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

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one year. ASU 2014-09 is now effective for the Company in the first quarter of its fiscal year ending September 28, 2019. Early adoption is not permitted before the original effective date. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

Stock Based Compensation

In June 2014, the FASB issued ASU No. 2014-12 (ASU 2014-12), *Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. ASU 2014-12 requires that a performance target that affects vesting and that could be achieved after the requisite service period should be treated as a performance condition. A reporting entity should apply existing guidance in Topic 718 as it relates to awards with performance conditions that affect vesting to account for such awards. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, or the Company's first quarter of fiscal 2017. Earlier adoption is permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

Consolidation

In February 2015, the FASB issued ASU 2015-02 (ASU 2015-02), *Amendments to the Consolidation Analysis to ASC Topic 810, Consolidation*. ASU 2015-02 modifies the evaluation of whether limited partnerships and similar legal entities are VIEs or voting interest entities, eliminates the presumption that a general partner should consolidate a limited partnership and affects the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 is effective for fiscal years that begin after December 15, 2015, or the Company's first quarter of fiscal 2017. The Company is currently evaluating the impact the adoption of ASU 2015-02 will have on its consolidated financial statements.

Debt Issuance Costs

In April 2015, the FASB issued ASU No. 2015-03 (ASU 2015-03), *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This standard amends the existing guidance to require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related debt liability instead of as a deferred charge. In August 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-15, *Interest – Imputation of Interest (Subtopic 835-30)*. This ASU provides additional guidance on ASU 2015-03 with respect to line of credit arrangements, whereby specify debt issuance costs as part of line-of-credit arrangements may continue to be deferred and presented as an asset on the balance sheet. Recognition and measurement guidance for debt issuance costs are not affected. These ASUs are effective for annual periods beginning after December 15, 2015, or the Company's first quarter of fiscal 2017. Early adoption is permitted. As of September 26, 2015, the Company had approximately \$3.4 million of net deferred financing costs that would be reclassified from a long-term asset to a reduction in the carrying amount of its debt upon adoption of the standard.

Cloud Computing Costs

In April 2015, the FASB issued ASU No. 2015-05 (ASU 2015-05), *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing*

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Arrangement. This standard clarifies the circumstances under which a cloud computing customer would account for the arrangement as a license of internal-use software under ASC 350-40. ASU 2015-05 is effective for public entities for annual and interim periods therein beginning after December 15, 2015, or the Company's first quarter of fiscal 2017. Early adoption is permitted. Entities may adopt the guidance either retrospectively or prospectively to arrangements entered into, or materially modified after the effective date. The Company is currently evaluating the impact the adoption of ASU 2015-05 will have on its consolidated financial statements.

Inventory Measurement

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

Business Combinations

In September 2015, the FASB issued ASU No. 2015-16 (ASU 2015-16), *Simplifying the Accounting for Measurement-Period Adjustments*. ASU 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period after an acquisition within the reporting period they are determined. This is a change from the previous requirement that the adjustments be recorded retrospectively. The ASU also requires disclosure of the effect on earnings of changes in depreciation, amortization or other income effects, if any, as a result of the adjustment to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. ASU 2015-16 is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2015; early adoption is permitted. The Company has early adopted the guidance prospectively as of September 27, 2015. The adoption of this standard will impact the Company's accounting for measurement period adjustments for any future business combinations.

2. Fair Value Measurements

Generally accepted accounting principles require financial assets and liabilities to be categorized based on the inputs used to calculate their fair values as follows:

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

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

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

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

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of September 26, 2015 (in thousands):

	Level 1	Level 2	Level 3	Total
Liabilities:				
Liability for contingent consideration (b)	\$ 0	\$ 0	\$ 3,625	\$ 3,625
Total liabilities	\$ 0	\$ 0	\$ 3,625	\$ 3,625

The following table presents our financial assets and liabilities at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of September 27, 2014 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Short-term investments (a)	\$ 9,990	\$ 0	\$ 0	\$ 9,990
Total assets	\$ 9,990	\$ 0	\$ 0	\$ 9,990
Liabilities:				
Liability for contingent consideration (b)	\$ 0	\$ 0	\$ 4,414	\$ 4,414
Total liabilities	\$ 0	\$ 0	\$ 4,414	\$ 4,414

- (a) The fair value of short-term investments are based on quoted prices in active markets for identical assets.
- (b) The liability for contingent consideration relates to an earn-out for B2E, acquired in December 2012 – See Note 4. The fair value of the contingent consideration arrangement is determined based on the Company's evaluation as to the probability and amount of any earn-out that will be achieved based on expected future performance by the acquired entity. This is presented as part of long-term liabilities in our consolidated balance sheets.

The following table provides a summary of changes in fair value of our Level 3 financial instruments for the years ended September 26, 2015 and September 27, 2014 (in thousands):

	Amount
Balance as of September 27, 2014	\$ 4,414
Performance-based payments made	(688)
Changes in the fair value of contingent performance-based payments established at the time of acquisition	(101)
Balance as of September 26, 2015	<u>\$ 3,625</u>

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

The Company measures certain non-financial assets and liabilities, including long-lived assets, goodwill and intangible assets, at fair value on a non-recurring basis. Fair value measurements of non-financial assets and non-financial liabilities are used primarily in the impairment analyses of long-lived assets, goodwill and other intangible assets using discounted cash flows with Level 3 inputs in the fair value hierarchy. During the fiscal

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

year ended September 26, 2015, the carrying values of \$22.3 million of indefinite-lived intangible assets were written down to their estimated fair value of \$15.0 million, resulting in an impairment charge of \$7.3 million, which was included in earnings for the period. See Note 10 – Other Intangible Assets.

During the fiscal year ended September 28, 2013, the Company recognized a non-cash charge of \$7.7 million, as the carrying value of its Garden segment goodwill exceeded the implied fair value of the goodwill. The fair market value of these non-financial assets was determined using an income approach and Level 3 inputs, which required management to make significant estimates about future cash flows. See Note 9 – Goodwill.

Fair Value of Other Financial Instruments

In January 2015, the Company called \$50 million aggregate principal amount of the 2018 Notes for redemption on March 1, 2015 at a price of 102.063%. The estimated fair value of the Company's remaining \$400.0 million aggregate principal amount of the 2018 Notes as of September 26, 2015 was \$410.5 million, compared to a carrying value of \$399.7 million. The estimated fair value of the Company's \$450 million principal amount of 2018 Notes as of September 27, 2014 was \$459.5 million, compared to a carrying value of \$449.5 million. The estimated fair value is based on quoted market prices for these notes, which are Level 1 inputs within the fair value hierarchy.

3. Derivative Instruments

Our operations are exposed to market risks from adverse changes in commodity prices affecting the cost of raw materials. In the normal course of business, these risks are managed through a variety of strategies, including the use of derivatives. The utilization of these financial transactions is governed by policies covering acceptable counterparty exposure, instrument types and other practices. The Company does not enter into derivative contracts for speculative purposes. The Company performs assessments of its counterparty credit risk regularly, including a review of credit ratings and potential nonperformance of the counterparty, and minimizes counterparty concentrations.

Commodity and commodity index futures, swaps and option contracts are used to economically hedge commodity input prices on grains and proteins. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. Generally, the Company economically hedges a portion of its anticipated consumption of commodity inputs for periods of up to 12 months. As of September 26, 2015 and September 27, 2014, the Company had no outstanding derivative instruments.

The Company recognizes all derivative instruments as either assets or liabilities at fair value in the consolidated balance sheets, with the exception of normal purchases and normal sales expected to result in physical delivery. The Company's derivative financial instruments have not been designated as hedging instruments for accounting purposes. The Company recognizes realized and unrealized gains and losses from derivatives used to economically hedge anticipated commodity consumption in other income (expense) on the consolidated statement of operations.

During the fiscal year ended September 28, 2013, the Company recorded a charge of approximately \$1.0 million in other income (expense) related to commodity contracts.

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4. Acquisitions and Investments in Joint Ventures

Fiscal 2015

Purishield LLC and Cereginin LLC

On December 30, 2014, the Company invested \$16.0 million in cash for a 50% interest in two newly formed entities. The two entities own rights to commercialize products which incorporate features covered by certain patents, technology and associated intellectual property rights in the fields of animal health and pesticide applications. The investment is being accounted for under the equity method of accounting and is not expected to contribute to earnings in the near future.

IMS Trading Corp

On July 31, 2015, the Company purchased substantially all of the assets of IMS Trading Corp. for a purchase price of approximately \$23 million. IMS Trading Corp was a manufacturer, importer and distributor of rawhide, natural dog treats and pet products throughout the United States and internationally. The purchase price exceeded the fair value of the net tangible assets acquired by approximately \$4.9 million, which is included in deferred taxes and other assets in our consolidated balance sheets as of September 26, 2015, as the Company has not yet finalized the allocation of the purchase price to the fair value of the intangible assets acquired. This acquisition is expected to complement the Company's existing dog and cat business.

Fiscal 2014

Envincio LLC

On April 1, 2014, the Company purchased certain assets of Envincio LLC, including brands, EPA registrations, inventory and trade receivables, for approximately \$20.3 million. The purchase price exceeded the fair value of the net tangible and intangible assets acquired by approximately \$3.3 million, which is recorded in goodwill. Financial results for Envincio have been included in the results of operations within the Pet segment since the date of acquisition. This acquisition is expected to enable the Company to be a key supplier and product innovator in the growing natural insecticides product market, often characterized as EPA-exempt products, and expand its offerings in traditional pesticides.

The following table summarizes the recording of the fair values of the assets acquired and liabilities assumed as of the acquisition date and subsequent adjustments:

<u>(In thousands)</u>	<u>Amounts Previously Recognized as of Acquisition Date (1)</u>	<u>Measurement Period Adjustments</u>	<u>Amounts Recognized as of Acquisition Date (as Adjusted)</u>
Current assets, net of cash and cash equivalents acquired	\$ 6,650	\$ 0	\$ 6,650
Fixed assets	20	0	20
Goodwill	2,477	856	3,333
Intangible assets	12,306	(856)	11,450
Current liabilities	(1,170)	0	(1,170)
Net assets acquired, less cash and cash equivalents	<u>\$ 20,283</u>	<u>\$ 0</u>	<u>\$ 20,283</u>

(1) As previously reported in the Company's Form 10-K for the period ended September 27, 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

During fiscal 2015, the fair value measurements of assets acquired and liabilities assumed of Envincio LLC as of the acquisition date were finalized. This refinement did not have a significant impact on the Company's condensed consolidated statements of operations, balance sheets or cash flows in any period and, therefore, the Company has not retrospectively adjusted its financial statements.

Fiscal 2013

In December 2012, the Company acquired the remaining majority interest in FourStar Microbial Products, LLC (Four Star Microbial) for approximately \$4.8 million in cash and approximately \$4.2 million of contingent future performance-based payments. The purchase price exceeded the estimated fair value of the tangible and intangible assets acquired by \$3.2 million, which was recorded as goodwill. The operating results of FourStar Microbial had no material impact on the consolidated financial statements. In the future, the Company expects the acquisition will enhance its capability to service professional providers of mosquito abatement.

5. Concentration of Credit Risk and Significant Customers and Suppliers

Customer Concentration – Approximately 40% of the Company's net sales for fiscal 2015, 41% for fiscal 2014 and 43% for fiscal 2013 were derived from sales to the Company's top five customers. The Company's largest customer accounted for approximately 16%, 17% and 16% of the Company's net sales in fiscal years 2015, 2014 and 2013, respectively. The Company's second largest customer in 2015 accounted for approximately 8%, 7% and 8% of the Company's net sales in 2015, 2014 and 2013, respectively. The Company's third largest customer in 2015 accounted for approximately 7%, 8% and 8% of the Company's net sales in fiscal years 2015, 2014 and 2013, respectively. The loss of, or significant adverse change in, the relationship between the Company and any of these three customers could have a material adverse effect on the Company's business and financial results. The loss of or reduction in orders from any significant customer, losses arising from customer disputes regarding shipments, fees, merchandise condition or related matters, or the Company's inability to collect accounts receivable from any major customer could also have a material adverse impact on the Company's business and financial results. As of September 26, 2015 and September 27, 2014, accounts receivable from the Company's top five customers comprised approximately 35% and 37% of the Company's total accounts receivable, including 12% and 11% from the Company's largest customer.

Supplier Concentration – While the Company purchases products from many different manufacturers and suppliers, approximately 11%, 10% and 11% of the Company's cost of goods sold in fiscal years 2015, 2014 and 2013, respectively, were derived from products purchased from the Company's five largest suppliers.

6. Allowance for Doubtful Accounts

Changes in the allowance for doubtful accounts are summarized below (in thousands):

<u>Description</u>	<u>Balances at Beginning of Period</u>	<u>Charged/ (Credited) to Costs and Expenses</u>	<u>Asset Write-Offs, Less Recoveries</u>	<u>Balances at End of Period</u>
Fiscal year ended September 28, 2013	18,574	4,373	(1,789)	21,158
Fiscal year ended September 27, 2014	21,158	8,988	(4,934)	25,212
Fiscal year ended September 26, 2015	25,212	741	(6,657)	19,296

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

7. Inventories, net

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

	September 26, 2015	September 27, 2014
Raw materials	\$ 94,969	\$ 93,678
Work in progress	15,268	13,397
Finished goods	215,673	207,818
Supplies	10,036	11,493
Total inventories, net	<u>\$ 335,946</u>	<u>\$ 326,386</u>

8. Property and Equipment, Net

Property and equipment consists of the following (in thousands):

	September 26, 2015	September 27, 2014
Land	\$ 9,306	\$ 8,678
Buildings and improvements	111,605	109,618
Transportation equipment	5,130	5,388
Machine and warehouse equipment	184,556	163,783
Capitalized software	107,965	107,271
Office furniture and equipment	26,556	25,091
	<u>445,118</u>	<u>419,829</u>
Accumulated depreciation and amortization	<u>(282,309)</u>	<u>(252,980)</u>
	<u>\$ 162,809</u>	<u>\$ 166,849</u>

Depreciation and amortization expense, including the amortization of intangible assets, charged to operations was \$33.7 million, \$35.8 million and \$33.0 million for fiscal 2015, 2014 and 2013, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

9. Goodwill

Changes in the carrying amount of goodwill for the fiscal years ended September 26, 2015, September 27, 2014 and September 28, 2013 (in thousands):

	<u>Garden Products Segment</u>	<u>Pet Products Segment</u>	<u>Total</u>
Balance as of September 29, 2012			
Goodwill	\$ 213,583	\$ 398,492	\$ 612,075
Accumulated impairment losses	<u>(205,874)</u>	<u>(195,978)</u>	<u>(401,852)</u>
	7,709	202,514	210,223
Additions in fiscal 2013	0	3,242	3,242
Impairment losses in fiscal 2013	(7,709)	0	(7,709)
Balance as of September 28, 2013			
Goodwill	213,583	401,734	615,317
Accumulated impairment losses	<u>(213,583)</u>	<u>(195,978)</u>	<u>(409,561)</u>
	0	205,756	205,756
Additions in fiscal 2014	0	2,477	2,477
Balance as of September 27, 2014			
Goodwill	213,583	404,211	617,794
Accumulated impairment losses	<u>(213,583)</u>	<u>(195,978)</u>	<u>(409,561)</u>
	0	208,233	208,233
Additions in fiscal 2015	0	856	856
Balance as of September 26, 2015			
Goodwill	213,583	405,067	618,650
Accumulated impairment losses	<u>(213,583)</u>	<u>(195,978)</u>	<u>(409,561)</u>
	<u>\$ 0</u>	<u>\$ 209,089</u>	<u>\$ 209,089</u>

Additions or reductions to goodwill include acquisitions, purchase price adjustments and adjustments of amounts upon finalization of purchase accounting.

The Company tests goodwill for impairment annually (on the first day of the fourth fiscal quarter), or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount, by initially comparing the fair value of the Company's reporting units to their related carrying values. If the fair value of the reporting unit is less than its carrying value, the Company performs an additional step to determine the implied fair value of goodwill associated with that reporting unit. The implied fair value of goodwill is determined by first allocating the fair value of the reporting unit to all of its assets and liabilities and then computing the excess of the reporting unit's fair value over the amounts assigned to the assets and liabilities. If the carrying value of goodwill exceeds the implied fair value of goodwill, such excess represents the amount of goodwill impairment, and, accordingly, the Company recognizes such impairment. The Company's goodwill impairment analysis also includes a comparison of the aggregate estimated fair value of all four reporting units to the Company's total market capitalization.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. The estimate of fair value of each of the Company's reporting units is based on the Company's projection of revenues, gross margin, operating costs and cash flows considering historical and estimated future results, general economic and market conditions as well as the impact of planned business and operational strategies. The

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Company bases its fair value estimates on assumptions the Company believes to be reasonable at the time, but such assumptions are subject to inherent uncertainty. Assumptions critical to the Company's fair value estimates were: (i) discount rates used in determining the fair value of the reporting units; (ii) estimated future cash flows; and (iii) projected revenue and operating profit growth rates used in the reporting unit models. Actual results may differ from those estimates. The valuations employ present value techniques to measure fair value and consider market factors.

In connection with the Company's annual goodwill impairment testing performed during fiscal 2015, the first step of such testing indicated that the fair value of the Company's reporting segments exceeded their carrying value by more than 10%, and accordingly, no further testing of goodwill was required.

In connection with the Company's annual goodwill impairment testing performed during fiscal 2014, the first step of such testing indicated that the fair value of the Company's reporting segments exceeded their carrying value by more than 10%, and accordingly, no further testing of goodwill was required.

In connection with the Company's annual goodwill impairment testing performed during fiscal 2013, the first step of such testing indicated that the fair value of the Company's Pet segment reporting units exceeded their carrying value, and accordingly, no further testing of goodwill was required for the Pet segment. However, the carrying value of the Company's Garden segment reporting units exceeded their fair value, indicating potential impairment. Based on further analysis, it was determined that the entire carrying value of the Company's Garden segment goodwill was impaired, resulting in a non-cash goodwill impairment charge of \$7.7 million.

Changes in the judgments and estimates underlying the Company's analysis of goodwill for possible impairment, including expected future cash flows and discount rate, could result in a significantly different estimate of the fair value of the reporting units in the future and could result in additional impairment of goodwill.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

10. Other Intangible Assets

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

	<u>Gross</u>	<u>Accumulated Amortization (in millions)</u>	<u>Accumulated Impairment</u>	<u>Net Carrying Value</u>
September 26, 2015				
Marketing-related intangible assets – amortizable	\$ 14.1	\$ (10.4)	\$ 0	\$ 3.7
Marketing-related intangible assets – nonamortizable	59.6	0	(24.2)	35.4
Total	73.7	(10.4)	(24.2)	39.1
Customer-related intangible assets – amortizable	43.3	(22.3)	0	21.0
Other acquired intangible assets – amortizable	19.3	(10.5)	0	8.8
Other acquired intangible assets – nonamortizable	7.8	0	(1.2)	6.6
Total	27.1	(10.5)	(1.2)	15.4
Total other intangible assets	<u>\$144.1</u>	<u>\$ (43.2)</u>	<u>\$ (25.4)</u>	<u>\$ 75.5</u>
September 27, 2014				
Marketing-related intangible assets – amortizable	\$ 15.5	\$ (9.9)	\$ 0	\$ 5.6
Marketing-related intangible assets – nonamortizable	59.6	0	(16.9)	42.7
Total	75.1	(9.9)	(16.9)	48.3
Customer-related intangible assets – amortizable	42.8	(20.2)	0	22.6
Other acquired intangible assets – amortizable	19.4	(8.8)	0	10.6
Other acquired intangible assets – nonamortizable	7.7	0	(1.2)	6.5
Total	27.1	(8.8)	(1.2)	17.1
Total other intangible assets	<u>\$145.0</u>	<u>\$ (38.9)</u>	<u>\$ (18.1)</u>	<u>\$ 88.0</u>

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

As part of its acquisition of Envincio, LLC during the third quarter of fiscal 2014, the Company acquired approximately \$1.7 million of marketing related intangible assets and \$9.8 million of other intangible assets. See Note 4 – Acquisitions.

In fiscal 2015, the Company recognized a non-cash \$7.3 million impairment charge to certain indefinite-lived intangible assets as a result of increased competition in the marketplace and declining volume of sales. The fair value of the remaining \$15.0 million of indefinite-lived intangible assets that were impaired exceeded their carrying value at September 26, 2015.

The Company is currently amortizing its acquired intangible assets with definite lives over periods ranging from 1 to 25 years; over weighted average remaining lives of six years for marketing-related intangibles, 14 years for customer-related intangibles and 14 years for other acquired intangibles. Amortization expense for intangibles subject to amortization was approximately \$4.3 million, \$4.3 million and \$5.1 million, for fiscal 2015, 2014 and 2013, respectively, and is classified within operating expenses in the consolidated statements of operations. Estimated annual amortization expense related to acquired intangible assets in each of the succeeding five years is estimated to be approximately \$4 million per year from fiscal 2016 through fiscal 2020.

The Company evaluates long-lived assets, including amortizable and indefinite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

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The Company evaluates indefinite-lived intangible assets on an annual basis. For fiscal 2014 and 2013, the Company tested its indefinite-lived intangible assets and no impairment was indicated. Other factors indicating the carrying value of the Company's amortizable intangible assets may not be recoverable were not present in fiscal 2015, and accordingly, no impairment testing was performed on these assets.

11. Long-Term Debt

Long-term debt consists of the following:

	September 26, 2015	September 27, 2014
	(in thousands)	
Senior subordinated notes, net of unamortized discount of \$309 and \$471, interest at 8.25%, payable semi-annually, principal due March 2018	\$ 399,691	\$ 449,529
Asset-based revolving credit facility, interest at LIBOR plus a margin of 1.25% to 1.75% or Base Rate plus a margin of 0.25% to 0.75%, final maturity December 2018	0	0
Other notes payable	448	710
Total	400,139	450,239
Less current portion	(291)	(291)
Long-term portion	<u>\$ 399,848</u>	<u>\$ 449,948</u>

Senior Subordinated Notes

On March 8, 2010, the Company issued \$400 million aggregate principal amount of 8.25% senior subordinated notes due March 1, 2018 (the "2018 Notes"). On February 13, 2012, the Company issued an additional \$50 million aggregate principal amount of its 2018 Notes at a price of 98.501%, plus accrued interest from September 1, 2011, in a private placement.

The 2018 Notes required semiannual interest payments, which commenced on September 1, 2010. The 2018 Notes were unsecured senior subordinated obligations and were subordinated to all of the Company's existing and future senior debt, including the Company's Credit Facility. The obligations under the 2018 Notes were fully and unconditionally guaranteed on a senior subordinated basis by each of the Company's existing and future domestic restricted subsidiaries with certain exceptions. The guarantors were general unsecured senior subordinated obligations of the guarantors and were subordinated to all existing and future senior debt of the guarantors.

In March 2015, the Company redeemed \$50.0 million of its 2018 Notes at a price of 102.063% of the principal amount of the notes redeemed. In conjunction with this transaction, the Company recognized a charge in interest expense of approximately \$1.6 million in its second quarter of fiscal 2015 related to the payment of the call premium and the non-cash write-off of unamortized financing costs.

The Company could redeem some or all of the remaining 2018 Notes at any time after March 1, 2015 for 102.063% and on or after March 1, 2016 for 100%, plus accrued and unpaid interest. The holders of the 2018 Notes had the right to require the Company to repurchase all or a portion of the 2018 Notes at a purchase price equal to 101% of the principal amount of the notes repurchased, plus accrued and unpaid interest upon the occurrence of a change of control.

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The 2018 Notes contained customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions. The Company was in compliance with all financial covenants in the 2018 Notes indenture as of September 26, 2015.

Issuance of \$400 Million 6.125% Senior Notes

On November 9, 2015, the Company issued \$400 million aggregate principal amount of 6.125% senior notes due November 2023 (the “2023 Notes”). The 2023 Notes are unconditionally guaranteed on a senior basis by each of its existing and future domestic restricted subsidiaries which are borrowers under or guarantors of Central’s senior secured revolving credit facility. Central used the net proceeds from the offering to redeem its outstanding 2018 Notes. See Note 21 – Subsequent Event.

Asset Backed Loan Facility

On December 5, 2013, the Company entered into a credit agreement which provides up to a \$390 million principal amount senior secured asset-based revolving credit facility, with up to an additional \$200 million principal amount available with the consent of the Lenders if the Company exercises the accordion feature set forth therein (collectively, the “Credit Facility”). The Credit Facility matures on December 5, 2018 and replaced the Company’s prior revolving credit facility. The Company may borrow, repay and reborrow amounts under the Credit Facility until its maturity date, at which time all amounts outstanding under the Credit Facility must be repaid in full. As of September 26, 2015, there were no borrowings outstanding under the Credit Facility. There were no letters of credit outstanding under the Credit Facility as of September 26, 2015. There were other letters of credit of \$6.0 million outstanding as of September 26, 2015.

The Credit Facility is subject to a borrowing base, calculated using a formula based upon eligible receivables and inventory, minus certain reserves and subject to restrictions. The borrowing availability as of September 26, 2015 was \$307 million. Borrowings under the Credit Facility bear interest at an index based on LIBOR or, at the option of the Company, the Base Rate (defined as the highest of (a) the SunTrust prime rate, (b) the Federal Funds Rate plus 0.5% and (c) one-month LIBOR plus 1.00%), plus, in either case, an applicable margin based on the Company’s total outstanding borrowings. Such applicable margin for LIBOR-based borrowings fluctuates between 1.25%-1.75% (and was 1.25% at September 26, 2015) and such applicable margin for Base Rate borrowings fluctuates between 0.25%-0.75% (and was 0.25% at September 26, 2015). As of September 26, 2015, the applicable interest rate related to Base Rate borrowings was 3.5%, and the applicable interest rate related to LIBOR-based borrowings was 1.4%.

The Credit Facility contains customary covenants, including financial covenants which require the Company to maintain a minimum fixed charge coverage ratio of 1.00:1.00 upon reaching certain borrowing levels. The Credit Facility is secured by substantially all assets of the Company. The Company was in compliance with all covenants under the Credit Facility during the fiscal year ended September 26, 2015.

The Company incurred approximately \$3.1 million of costs in conjunction with this transaction, which included banking fees and legal expenses. These costs will be amortized over the term of the Credit Facility.

The Company recorded a non-cash charge of \$1.7 million for the three month period ended December 28, 2013 as part of interest expense, related to the write-off of unamortized deferred financing costs under the prior revolving credit facility.

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The scheduled principal repayments on long-term debt as of September 26, 2015 are as follows:

	<u>(in thousands)</u>
Fiscal year:	
2016	\$ 291
2017	110
2018	400,030
2019	5
2020	12
Thereafter	0
Total	<u>\$ 400,448</u> (1)

- (1) Debt repayments include an amount in excess of the carrying value of debt and reflect the unamortized portion of the original issue discount on the 2018 Notes of \$0.3 million as of September 26, 2015, which is amortizable until March 2018.

12. Commitments and Contingencies

Commitments

Letters of credit – The Company had \$6.0 million of outstanding letters of credit related to normal business transactions at September 26, 2015. These agreements require the Company to maintain specified amounts of cash as collateral in segregated accounts to support the letters of credit issued thereunder, which will affect the amount of cash the Company has available for other uses. The amount of cash collateral in these segregated accounts was \$13.2 million and is reflected in “Restricted cash” on the Consolidated Balance Sheets.

Purchase commitments – Production and purchase agreements (primarily for grass seed and grains) entered into in the ordinary course of business obligate the Company to make future purchases based on estimated yields. The terms of these contracts vary and have fixed prices or quantities. At September 26, 2015, estimated annual purchase commitments were \$111.1 million for fiscal 2016, \$39.2 million for fiscal 2017, \$24.4 million for fiscal 2018, \$15.4 million for fiscal 2019, \$6.8 million for fiscal 2020 and \$1.4 million thereafter.

Leases – The Company has operating lease agreements principally for office and warehouse facilities and equipment. Such leases have remaining terms of 1 to 7 years. Rental expense was \$23.1 million for fiscal 2015, \$21.3 million for fiscal 2014, and \$22.4 million for fiscal 2013.

Certain facility leases have renewal options and include escalation clauses. Minimum lease payments include scheduled rent increases pursuant to these escalation provisions.

Aggregate minimum annual payments on non-cancelable operating leases at September 26, 2015 are as follows:

	<u>(in thousands)</u>
Fiscal year:	
2016	\$ 19,163
2017	16,031
2018	9,470
2019	7,959
2020	4,487
Thereafter	1,025
Total	<u>\$ 58,135</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Contingencies

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

The Company has received notices from several states stating that they have appointed an agent to conduct an examination of the books and records of the Company to determine whether it has complied with state unclaimed property laws. In addition to seeking unclaimed property subject to escheat laws, the states may seek interest, penalties and other relief. The examinations are at an early stage and, as such, management is unable to determine the impact, if any, on the Company's financial position or results of operations.

The Company has experienced, and may in the future experience, issues with products that may lead to product liability, recalls, withdrawals, replacements of products, or regulatory actions by governmental authorities. The Company has not experienced recent issues with products the resolution of which management believes would have a material effect on the Company's financial position or results of operations.

13. Income Taxes

The provision for income tax expense (benefit) consists of the following:

	Fiscal Year Ended		
	September 26, 2015	September 27, 2014	September 28, 2013
	(in thousands)		
Current:			
Federal.	\$ 2,301	\$ (329)	\$ 52
State.	643	873	958
Foreign.	25	0	0
Total	2,969	544	1,010
Deferred:			
Federal.	14,843	4,171	(2,915)
State.	625	177	(687)
Foreign.	98	(847)	0
Total	15,566	3,501	(3,602)
Total	\$ 18,535	\$ 4,045	\$ (2,592)

A reconciliation of the statutory federal income tax rate to the Company's effective income tax rate is as follows:

	Fiscal Year Ended		
	September 26, 2015	September 27, 2014	September 28, 2013
Statutory federal income tax rate	35.0%	35.0%	(35.0)%
State income taxes, net of federal benefit	2.4	2.1	(5.2)
Other permanent differences	(0.5)	0.2	2.4
Adjustment of prior year accruals	(0.5)	(0.2)	1.8
Uncertain tax positions	0.0	0.4	3.7
Credits	(0.3)	(1.6)	(29.3)
Change in valuation allowances	0.0	(5.4)	(9.0)
Foreign rate differential	(0.1)	(1.3)	(3.6)
Effective income tax rate (benefit)	36.0%	29.2%	(74.2)%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred income taxes reflect the impact of “temporary differences” between asset and liability amounts for financial reporting purposes and such amounts as determined based on existing tax laws. The tax effect of temporary differences and carryforwards which give rise to deferred tax assets and liabilities are as follows:

	September 26, 2015		September 27, 2014	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Current:				
Allowance for doubtful accounts	\$ 7,054	\$ 0	\$ 9,262	\$ 0
Inventory write-downs	11,366	0	12,018	0
Prepaid expenses.	0	651	820	0
Nondeductible reserves	936	0	1,420	0
State taxes.	0	385	0	165
Employee benefits	9,411	0	7,816	0
Other.	2,754	0	3,233	0
Total	<u>31,521</u>	<u>1,036</u>	<u>34,569</u>	<u>165</u>
Noncurrent:				
Depreciation and amortization.	0	52,415	0	46,458
Equity income.	0	305	0	127
State net operating loss carryforward	5,032	0	5,167	0
Stock based compensation	3,422	0	5,263	0
State credits	2,348	0	2,352	0
Other.	2,463	0	7,281	0
Valuation allowance	(6,205)	0	(6,215)	0
Total.	<u>7,060</u>	<u>52,720</u>	<u>13,848</u>	<u>46,585</u>
Total.	<u>\$38,581</u>	<u>\$53,756</u>	<u>\$48,417</u>	<u>\$46,750</u>

The Company has state tax net operating losses of \$101.5 million which expire at various times between 2015 and 2035, and foreign losses of \$1.0 million, which do not expire. Pursuant to authoritative guidance, the benefit of stock options will only be recorded to stockholders’ equity when cash taxes payable are reduced.

The Company has state income tax credits of \$3.6 million, which expire at various times beginning in 2015 through 2031. In evaluating the Company’s ability to recover its deferred tax assets, the Company considers all available positive and negative evidence including past operating results, future taxable income, and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance against any deferred tax assets. The Company has determined there will be insufficient future separate state taxable income for the separate parent company to realize its deferred tax assets. Therefore, valuation allowances of \$6.2 million and \$6.2 million (net of federal impact) at September 26, 2015 and September 27, 2014, respectively, have been provided to reduce state deferred tax assets to amounts considered recoverable.

The Company classifies uncertain tax positions as non-current income tax liabilities unless expected to be paid within one year. The Company recognizes interest and/or penalties related to income tax matters as a component of pretax income. As of September 26, 2015 and September 27, 2014, accrued interest was less than \$0.1 million and no penalties were accrued related to uncertain tax positions.

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The following table, which excludes interest and penalties, summarizes the activity related to the Company's unrecognized tax benefits for fiscal years ended September 26, 2015 and September 27, 2014 (in thousands):

Balance as of September 28, 2013	\$ 364
Increases related to prior year tax positions	264
Increases related to current year tax positions	14
Decreases related to prior year tax positions	(166)
Settlements	(388)
Decreases related to lapse of statute of limitations	(1)
Balance as of September 27, 2014	\$ 87
Increases related to prior year tax positions	55
Increases related to current year tax positions	20
Decreases related to prior year tax positions	0
Settlements	(9)
Decreases related to lapse of statute of limitations	(15)
Balance as of September 26, 2015	<u>\$ 138</u>

As of September 26, 2015, unrecognized income tax benefits totaled approximately \$0.1 million and all of the unrecognized tax benefits would, if recognized, impact the Company's effective income tax rate.

The Company is principally subject to taxation by the United States and various states within the United States. The Company's tax filings in major jurisdictions are open to examination by tax authorities by the Internal Revenue Service from fiscal year ended 2012 forward and in various state taxing authorities generally from fiscal year ended 2011 forward.

The Company does not believe there will be any significant change in its unrecognized tax benefits within the next twelve months.

14. Stock-Based Compensation

The Company's 2003 Omnibus Equity Incentive Plan (the "2003 Plan"), as amended, provides for the grant of options and restricted stock to key employees, directors and consultants of the Company up to an aggregate of 5.8 million shares of common stock of the Company. The 2003 Plan is administered by the Compensation Committee of the Board of Directors, which is comprised only of independent directors, and which must approve individual awards to be granted, vesting and exercise of share conditions.

In connection with a dividend payable in the form of two shares of the Class A Common Stock for each outstanding share of Common Stock and Class B Common Stock on February 5, 2007, the 2003 Plan was amended to include 9,734,982 shares of Class A Common Stock authorized for issuance. As a result of recent amendments, there is a total of 5,800,000 shares of Common Stock, 19,734,982 shares of Class A Common Stock and 500,000 shares of Preferred Stock authorized under the 2003 Plan. If and when the Company issues any shares of Preferred Stock under the 2003 Plan, it will reduce the amount of Class A Common Stock available for future issuance in an amount equal to the number of shares of Class A Common Stock that are issuable upon conversion of such Preferred Stock.

The Company has a Nonemployee Director Stock Option Plan (the "Director Plan") which provides for the grant of options and restricted stock to nonemployee directors of the Company. The Director Plan, as amended,

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provides for the granting to each independent director of options to purchase a number of shares equal to \$200,000 divided by the fair market value of the Company's common stock on the date of each annual meeting of stockholders and a number of shares of restricted stock equal to \$20,000 divided by such fair market value.

As of September 26, 2015, there were approximately 1.5 million shares of Common Stock, 6.3 million shares of Class A Common Stock and no shares of Preferred Stock reserved for outstanding equity awards, and there were approximately 3.4 million shares of Common Stock, 10.3 million shares of Class A Common Stock and 0.5 million shares of Preferred Stock remaining for future awards.

Stock Option Awards

The Company recognized share-based compensation expense of \$8.3 million, \$7.7 million and \$15.9 million for the years ended September 26, 2015, September 27, 2014 and September 28, 2013, respectively, as a component of selling, general and administrative expenses. Share-based compensation expense in fiscal 2015, 2014 and 2013 consisted of \$3.3 million, \$2.8 million and \$2.7 million, respectively, for stock options, and \$3.1 million, \$3.0 million and \$11.2 million, respectively, for stock awards. Share-based compensation expense in fiscal 2015, 2014 and 2013 also includes \$1.9 million, \$1.9 million and \$2.0 million, respectively, for the Company's 401(k) matching contributions.

From fiscal 2008 to fiscal 2011, the Company granted stock options under its 2003 Plan that included performance targets and time-based vesting to key employees and executives. In March 2012, the Company eliminated all of the past and future performance goals relating to stock options granted from fiscal 2008 to fiscal 2011, except for the performance goals relating to the overall Company performance. The Company took this action because, as a result of the Company's reorganization around functional lines during 2011, the extent to which cumulative performance targets for segments or business units have been or may be achieved became difficult or impossible to measure and the changes underway within the Company were not contemplated when the Company granted the options. After the amendment, 20% of the shares covered by each award continue to be performance-based. The time vested component of the options did not change. Approximately 250 employees were affected by the modification, and no additional compensation cost was recorded.

The performance-based component of the options granted in fiscal 2008, 2009 and 2010 were 100%, 60% and 20% achieved, respectively, and the related expense was recorded over the estimated service period. The Company currently estimates the performance-based component of the options granted in fiscal 2011 is not probable of achievement and is not recording related expense. As of September 26, 2015, there were 3.3 million of unvested options, of which approximately 0.3 million are subject to performance based vesting criteria. To the extent Company goals are or are not achieved, the amount of stock-based compensation recognized in the future will be adjusted.

During fiscal 2015, the Company granted time-based stock options with an exercise price based on the closing fair market value on the date of the grant. The majority of the options granted in fiscal 2015 vest in four annual installments commencing approximately one year from the date of grant and expire approximately six years after the grant date.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option valuation model. Expected stock price volatilities are estimated based on the Company's historical volatility. The expected term of options granted is based on analyses of historical employee termination rates, option exercises and the contractual term of the option. The risk-free rates are based on U.S. Treasury yields, for notes with comparable terms as the option grants, in effect at the time of the grant. For purposes of this valuation model, no dividends have been assumed.

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The Company's calculations were made using the Black-Scholes option pricing model with the following weighted average assumptions: expected life from the date of grant, 3.6 years in fiscal 2015, 3.5 years in fiscal 2014 and 3.5 years in fiscal 2013; stock price volatility, 30.3% in fiscal 2015, 34.3% in fiscal 2014 and 34.8% in fiscal 2013; risk free interest rates, 1.3% in fiscal 2015, 1.6% in fiscal 2014 and 1.2% in fiscal 2013; and no dividends during the expected term.

The following table summarizes option activity for the period ended September 26, 2015:

	<u>Number of Shares (in thousands)</u>	<u>Weighted Average Exercise Price per Share</u>	<u>Weighted Average Remaining Contractual Life</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Outstanding at September 27, 2014	9,213	\$ 10.35		
Granted	1,361	\$ 10.58		
Exercised	(2,389)	\$ 8.86		
Cancelled or expired	(1,928)	\$ 11.86		
Outstanding at September 26, 2015	<u>6,257</u>	\$ 10.51	3 years	\$ 38,663
Exercisable at September 28, 2013	6,409	\$ 11.21	2 years	770
Exercisable at September 27, 2014	5,205	\$ 10.81	2 years	390
Exercisable at September 26, 2015	2,910	\$ 10.74	2 years	17,226
Expected to vest after September 26, 2015	2,783	\$ 10.32	4 years	\$ 17,822

The price of options to purchase shares of common stock and Class A common stock outstanding at September 26, 2015, September 27, 2014 and September 28, 2013 was \$6.43 to \$15.00 per share, \$6.43 to \$16.23 per share and \$4.60 to \$16.23 per share, respectively. The weighted average grant date fair value of options granted during the fiscal years ended September 26, 2015, September 27, 2014 and September 28, 2013 was \$2.51, \$1.93 and \$1.72, respectively. The total intrinsic value of options exercised during the fiscal years ended September 26, 2015, September 27, 2014 and September 28, 2013 was \$5.9 million, \$1.4 million and \$1.1 million, respectively.

As of September 26, 2015, there was \$4.8 million of total unrecognized compensation cost related to nonvested stock options, which is expected to be recognized over a remaining weighted average vesting period of two years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Restricted Stock Awards

As of September 26, 2015 and September 27, 2014, there were approximately 1.6 million shares of restricted stock awards outstanding. Awards granted in fiscal 2015 generally vest within five years from the date of grant. In fiscal 2014, approximately \$6.4 million of bonus amounts earned in fiscal 2013 were paid by granting approximately 570,000 restricted shares that vested immediately.

Restricted stock award activity during the three fiscal years in the period ended September 26, 2015 is summarized as follows:

	<u>Number of Shares (in thousands)</u>	<u>Weighted Average Grant Date Fair Value per Share</u>
Nonvested at September 29, 2012	785	\$ 9.53
Granted	552	\$ 9.26
Vested	(354)	\$ 9.60
Forfeited	(89)	\$ 9.37
Nonvested at September 28, 2013	894	\$ 9.35
Granted	1,021	\$ 7.98
Vested	(226)	\$ 9.92
Forfeited	(80)	\$ 8.93
Nonvested at September 27, 2014	1,609	\$ 8.43
Granted	493	\$ 10.55
Vested	(331)	\$ 8.63
Forfeited	(221)	\$ 8.84
Nonvested at September 26, 2015	<u>1,550</u>	\$ 9.00

The weighted average grant date fair value of restricted stock awards granted during the fiscal years ended September 26, 2015, September 27, 2014 and September 28, 2013 was \$10.55, \$7.98 and \$9.26, respectively. The aggregate fair value of restricted shares that vested was \$3.2 million, \$1.7 million and \$3.4 million for fiscal 2015, 2014 and 2013, respectively.

As of September 26, 2015, there was \$10.5 million of unrecognized compensation cost related to nonvested restricted stock awards, which is expected to be recognized over a weighted average period of two years.

15. Shareholders' Equity

At September 26, 2015, there were 80,000,000 shares of common stock (\$0.01 par value) authorized, of which 11,908,317 were outstanding, and 100,000,000 shares of non-voting Class A common stock (\$0.01 par value) authorized, of which 36,462,299 were outstanding. The preferences and relative rights of the Class A common stock are identical to common stock in all respects, except that the Class A common stock generally will have no voting rights unless otherwise required by Delaware law.

There are 3,000,000 shares of Class B stock (\$0.01 par value) authorized, of which 1,652,262 were outstanding at September 26, 2015 and September 27, 2014. The voting powers, preferences and relative rights of the Class B stock are identical to common stock in all respects except that (i) the holders of common stock are entitled to one vote per share and the holders of Class B stock are entitled to the lesser of ten votes per share or

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

49% of the total votes cast, (ii) stock dividends on common stock may be paid only in shares of common stock and stock dividends on Class B stock may be paid only in shares of Class B stock and (iii) shares of Class B stock have certain conversion rights and are subject to certain restrictions on ownership and transfer. Each share of Class B stock is convertible into one share of common stock, at the option of the holder. Additional shares of Class B stock may only be issued with majority approval of the holders of the common stock and Class B stock, voting as separate classes.

During fiscal 2011, the Company's Board of Directors authorized a \$100 million share repurchase program, in part, to minimize the dilutive impact of the Company's stock-based equity compensation programs over time. During the fiscal year ended September 26, 2015, the Company repurchased \$15.1 million of stock. In total, as of September 26, 2015, the Company had repurchased approximately 7.9 million shares for an aggregate price of approximately \$65.0 million under the share repurchase program.

16. Earnings Per Share

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings (loss) per share (EPS) computations:

	Fiscal Year Ended September 26, 2015			Fiscal Year Ended September 27, 2014			Fiscal Year Ended September 28, 2013		
	Net Income	Shares	Per Share	Net Income	Shares	Per Share	Net Income (Loss)	Shares	Per Share
	(in thousands, except per share amounts)								
Basic EPS:									
Net income (loss) available to common shareholders	\$31,971	48,562	\$ 0.66	\$8,804	48,880	\$0.18	\$(1,929)	48,094	\$(0.04)
Effect of dilutive securities:									
Options to purchase common stock		520	(0.01)		69	0		0	0
Restricted shares		556	(0.01)		448	0		0	0
Diluted EPS:									
Net income (loss) available to common shareholders	\$31,971	49,638	\$ 0.64	\$8,804	49,397	\$0.18	\$(1,929)	48,094	\$(0.04)

For fiscal 2015, 3.2 million options were not included in the computation of diluted earnings per share because the option exercise prices were greater than the average market price of the common shares and, therefore, the effect of including these options would be anti-dilutive.

For fiscal 2014, 9.7 million options were not included in the computation of diluted earnings per share because the option exercise prices were greater than the average market price of the common shares and, therefore, the effect of including these options would be anti-dilutive.

For fiscal 2013, 10.4 million options were not included in the computation of diluted earnings per share because the option exercise prices were greater than the average market price of the common shares and, therefore, the effect of including these options would be anti-dilutive. Regardless of exercise price, all outstanding stock options were excluded in the calculation due to the net loss recorded for the period ended September 28, 2013. In periods where net earnings are reported, these options may become dilutive if the average market price of our common stock exceeds the exercise price of the outstanding options.

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

17. Quarterly Financial Data – Unaudited

	Fiscal 2015			
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
	(in thousands, except per share amounts)			
Net sales	\$307,320	\$ 497,602	\$ 459,446	\$386,369
Gross profit	87,981	150,062	142,037	107,972
Net income (loss) attributable to Central Garden & Pet Company	(5,697)	23,237	18,800	(4,369) (1)
Net income (loss) per share:				
Basic	\$ (0.12)	\$ 0.48	\$ 0.39	\$ (0.09)
Diluted	\$ (0.12)	\$ 0.47	\$ 0.38	\$ (0.09)
Weighted average common shares outstanding:				
Basic	49,379	48,384	48,167	48,322
Diluted	49,379	49,439	49,290	48,322

	Fiscal 2014			
	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter
	(in thousands, except per share amounts)			
Net sales	\$290,521	\$ 501,611	\$ 437,987	\$374,238
Gross profit	79,741	147,596	119,131	107,556
Net income (loss) attributable to Central Garden & Pet Company	(12,708)	20,895	4,687 (2)	(4,070) (2)
Net income (loss) per share:				
Basic	\$ (0.26)	\$ 0.43	\$ 0.10	\$ (0.08)
Diluted	\$ (0.26)	\$ 0.43	\$ 0.09	\$ (0.08)
Weighted average common shares outstanding:				
Basic	48,368	48,688	49,148	49,324
Diluted	48,368	49,116	49,841	49,324

- (1) The Company recognized a \$7.3 million non-cash impairment charge to its indefinite-lived intangible assets as a result of increased competition and declining sales volume in its Pet segment during the fourth quarter of fiscal 2015.
- (2) The Company recognized a \$16.9 million charge related to certain products introduced in fiscal 2013 and a \$2.0 million gain on the sale of manufacturing plant assets in its Garden segment during the third quarter of fiscal 2014, as well as a \$2.9 million gain on the sale of manufacturing plant assets in its Garden segment in the fourth quarter of fiscal 2014.

18. Transactions with Related Parties

During fiscal 2015, 2014 and 2013, Tech Pac, a subsidiary of the Company, made purchases from Contract Packaging, Inc. (“CPI”), Tech Pac’s principal supplier and a minority 20% shareholder in Tech Pac. Tech Pac’s total purchases from CPI were approximately \$35.2 million, \$30.8 million and \$32.5 million for fiscal years 2015, 2014 and 2013, respectively. Amounts due to CPI as of September 26, 2015 and September 27, 2014 were \$0.6 million and \$0.6 million, respectively.

19. Business Segment Data

The Company’s chief operating decision-maker is its Chief Executive Officer. Operating segments are managed separately because each segment represents a strategic business that offers different products or services. The Company’s chief operating decision maker evaluates performance based on profit or loss from

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

operations. The Company's Corporate division is included in the following presentation since certain expenses of this division are not allocated separately to the two operating segments. Segment assets exclude cash equivalents, short-term investments, goodwill, and deferred taxes.

Management has determined that the Company has two operating segments which are also reportable segments based on the level at which the chief operating decision maker reviews the results of operations to make decisions regarding performance assessment and resource allocation. These operating segments are the Pet segment and the Garden segment. Substantially all of the Company's assets and operations relate to its business in the United States.

The Pet segment consists of Four Paws Products, TFH Publications, Kaytee, Aquatics, Interpet, IMS, Pets International, Breeder's Choice and Life Sciences. These businesses are engaged in the manufacturing, purchase, sale and delivery of internally and externally produced pet supplies, books and food principally to independent pet distributors, national and regional retail chains, grocery stores, mass merchants and bookstores. The Garden segment consists of Pennington Seed, Matthews Four Seasons, Grant's, AMBRANDS, Lilly Miller, the Pottery Group, Gulfstream and GKI/Bethlehem Lighting. Products manufactured, designed and sourced, or distributed are products found typically in the lawn and garden sections of mass merchandisers, warehouse-type clubs, home improvement centers and nurseries and include grass seed, bird feed, clay pottery, outdoor wooden planters and trellises, herbicides and insecticides. These products are sold directly to national and regional retail chains, independent garden distributors, grocery stores, nurseries and garden supply retailers.

The Corporate division includes expenses associated with corporate functions and projects, certain employee benefits, interest income, interest expense and intersegment eliminations.

The following table indicates each class of similar products which represented approximately 10% or more of the Company's consolidated net sales in the fiscal years presented (in millions).

<u>Category</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Pet supplies (excluding wild bird feed)	\$ 827.7	\$ 774.2	\$ 807.4
Garden controls and fertilizer products	286.3	262.5	274.9
Wild bird feed	193.2	202.1	210.8
Other garden supplies	181.4	182.5	183.5
Grass seed	162.1	183.1	177.0
Total	<u>\$ 1,650.7</u>	<u>\$ 1,604.4</u>	<u>\$ 1,653.6</u>

See Note 5 – Concentrations of Credit Risk and Significant Customers and Suppliers, for the Company's largest customers by segment.

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Financial information relating to the Company's business segments for each of the three most recent fiscal years is presented in the table below (in thousands):

	Fiscal Year Ended		
	September 26, 2015	September 27, 2014	September 28, 2013
Net sales:			
Pet segment	\$ 894,549	\$ 845,505	\$ 888,228
Garden segment	756,188	758,852	765,405
Total	<u>\$ 1,650,737</u>	<u>\$ 1,604,357</u>	<u>\$ 1,653,633</u>
Income (loss) from operations:			
Pet segment	\$ 98,798 (1)	\$ 88,077	\$ 95,451
Garden segment	60,145	41,020 (2)	8,286 (3)
Corporate	(67,508)	(72,884)	(63,582)
Total	91,435	56,213	40,155
Interest expense	(40,027)	(42,844)	(43,112)
Interest income	129	94	142
Other income (expense)	13	403	(677)
Income (loss) before income taxes and noncontrolling interest	51,550	13,866	(3,492)
Income tax expense (benefit)	18,535	4,045	(2,592)
Net income (loss) including noncontrolling interest	33,015	9,821	(900)
Net income attributable to noncontrolling interest	1,044	1,017	1,029
Net income (loss) attributable to Central Garden & Pet Company	<u>\$ 31,971</u>	<u>\$ 8,804</u>	<u>\$ (1,929)</u>
Assets:			
Pet segment	\$ 465,171	\$ 414,279	\$ 425,988
Garden segment	310,981	337,461	388,581
Corporate and eliminations	358,602	396,987	346,591
Total	<u>\$ 1,134,754</u>	<u>\$ 1,148,727</u>	<u>\$ 1,161,160</u>
Depreciation and amortization:			
Pet segment	\$ 15,885	\$ 17,256	\$ 15,753
Garden segment	5,988	6,793	6,410
Corporate	11,830	11,732	10,805
Total	<u>\$ 33,703</u>	<u>\$ 35,781</u>	<u>\$ 32,968</u>
Expenditures for long-lived assets:			
Pet segment	\$ 17,060	\$ 8,561	\$ 9,694
Garden segment	2,432	5,541	7,496
Corporate	2,538	3,071	7,982
Total	<u>\$ 22,030</u>	<u>\$ 17,173</u>	<u>\$ 25,172</u>

Noncontrolling interest is associated with the Garden segment.

- (1) Includes a \$7.3 million impairment charge to indefinite-lived intangible assets as a result of increased competition and declining sales volume.
- (2) Includes a \$16.9 million charge related to certain products introduced in fiscal and a \$4.9 million gain from the sale of manufacturing plant assets.
- (3) Includes goodwill impairment of \$7.7 million and an \$11.2 million charge related to certain products introduced in fiscal 2013.

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

20. Consolidating Condensed Financial Information of Guarantor Subsidiaries

Certain 100% wholly-owned subsidiaries of the Company (as listed below, collectively the “Guarantor Subsidiaries”) have guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest on the Company’s 2018 Notes. Certain subsidiaries and operating divisions are not guarantors of the Notes. Those subsidiaries that are guarantors and co-obligors of the Notes are as follows:

- Farnam Companies, Inc.
- Four Paws Products Ltd.
- Gulfstream Home & Garden, Inc.
- Kaytee Products, Inc.
- Matson, LLC
- New England Pottery, LLC
- Pennington Seed, Inc. (including Gro Tec, Inc. and All-Glass Aquarium Co., Inc.)
- Pets International, Ltd.
- T.F.H. Publications, Inc.
- Wellmark International (including B2E Corporation and B2E Biotech LLC)

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

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS					
Fiscal Year Ended September 26, 2015					
(in thousands)					
	<u>Parent</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ 494,143	\$ 100,127	\$ 1,136,958	\$ (80,491)	\$ 1,650,737
Cost of goods sold and occupancy	387,632	76,597	773,369	(74,913)	1,162,685
Gross profit	106,511	23,530	363,589	(5,578)	488,052
Selling, general and administrative expenses	126,223	18,329	257,643	(5,578)	396,617
Income (loss) from operations	(19,712)	5,201	105,946	0	91,435
Interest expense	(39,893)	(268)	134	0	(40,027)
Interest income	126	3	0	0	129
Other income (expense)	(372)	407	(22)	0	13
Income (loss) before taxes and equity in earnings of affiliates	(59,851)	5,343	106,058	0	51,550
Income tax expense (benefit)	(21,562)	2,089	38,008	0	18,535
Equity in earnings of affiliates	70,260	0	2,445	(72,705)	0
Net income including noncontrolling interest	31,971	3,254	70,495	(72,705)	33,015
Noncontrolling interest	0	1,044	0	0	1,044
Net income attributable to Central Garden & Pet Company	<u>\$ 31,971</u>	<u>\$ 2,210</u>	<u>\$ 70,495</u>	<u>\$ (72,705)</u>	<u>\$ 31,971</u>

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
Fiscal Year Ended September 27, 2014
(in thousands)

	<u>Parent</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ 460,781	\$ 109,453	\$ 1,103,926	\$ (69,803)	\$ 1,604,357
Cost of goods sold and occupancy	<u>370,492</u>	<u>87,028</u>	<u>757,217</u>	<u>(64,404)</u>	<u>1,150,333</u>
Gross profit	90,289	22,425	346,709	(5,399)	454,024
Selling, general and administrative expenses	<u>117,240</u>	<u>18,230</u>	<u>267,740</u>	<u>(5,399)</u>	<u>397,811</u>
Income (loss) from operations	(26,951)	4,195	78,969	0	56,213
Interest expense	(42,742)	(218)	116	0	42,844
Interest income	92	2	0	0	94
Other income (expense)	<u>186</u>	<u>583</u>	<u>(366)</u>	<u>0</u>	<u>403</u>
Income (loss) before taxes and equity in earnings of affiliates	(69,415)	4,562	78,719	0	13,866
Income tax expense (benefit)	(26,962)	756	30,251	0	4,045
Equity in earnings of affiliates	<u>51,257</u>	<u>0</u>	<u>1,506</u>	<u>(52,763)</u>	<u>0</u>
Net income loss including noncontrolling interest	8,804	3,806	49,974	(52,763)	9,821
Noncontrolling interest	<u>0</u>	<u>1,017</u>	<u>0</u>	<u>0</u>	<u>1,017</u>
Net income attributable to Central Garden & Pet Company	<u>\$ 8,804</u>	<u>\$ 2,789</u>	<u>\$ 49,974</u>	<u>\$ (52,763)</u>	<u>\$ 8,804</u>

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
Fiscal Year Ended September 28, 2013
(in thousands)

	<u>Parent</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ 453,001	\$ 88,822	\$ 1,186,328	\$ (74,518)	\$ 1,653,633
Cost of goods sold and occupancy	<u>364,120</u>	<u>73,068</u>	<u>821,524</u>	<u>(68,981)</u>	<u>1,189,731</u>
Gross profit	88,881	15,754	364,804	(5,537)	463,902
Selling, general and administrative expenses	<u>127,644</u>	<u>19,340</u>	<u>282,300</u>	<u>(5,537)</u>	<u>423,747</u>
Income (loss) from operations	(38,763)	(3,586)	82,504	0	40,155
Interest expense	(42,925)	(263)	76	0	43,112
Interest income	140	2	0	0	142
Other income (expense)	<u>(250)</u>	<u>398</u>	<u>(825)</u>	<u>0</u>	<u>(677)</u>
Income (loss) before taxes and equity in earnings of affiliates	(81,798)	(3,449)	81,755	0	(3,492)
Income tax expense (benefit)	(46,789)	(2,567)	46,764	0	(2,592)
Equity in earnings of affiliates	<u>33,080</u>	<u>0</u>	<u>(2,561)</u>	<u>(30,519)</u>	<u>0</u>
Net income (loss) including noncontrolling interest	(1,929)	(882)	32,430	(30,519)	(900)
Noncontrolling interest	<u>0</u>	<u>1,029</u>	<u>0</u>	<u>0</u>	<u>1,029</u>
Net income (loss) attributable to Central Garden & Pet Company	<u>\$ (1,929)</u>	<u>\$ (1,911)</u>	<u>\$ 32,430</u>	<u>\$ (30,519)</u>	<u>\$ (1,929)</u>

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

**CONSOLIDATING CONDENSED STATEMENTS OF
 COMPREHENSIVE INCOME**
Fiscal Year Ended September 26, 2015
 (in thousands)

	<u>Parent</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net income	\$31,971	\$ 3,254	\$ 70,495	\$ (72,705)	\$ 33,015
Other comprehensive loss:					
Unrealized loss on securities	(10)	0			(10)
Reclassification of realized loss on securities included in net income	20	0	0	0	20
Foreign currency translation	(1,078)	(537)	(380)	917	(1,078)
Total comprehensive income	30,903	2,717	70,115	(71,788)	31,947
Comprehensive income attributable to noncontrolling interests	0	1,044	0	0	1,044
Comprehensive income attributable to Central Garden & Pet Company	<u>\$30,903</u>	<u>\$ 1,673</u>	<u>\$ 70,115</u>	<u>\$ (71,788)</u>	<u>\$ 30,903</u>

**CONSOLIDATING CONDENSED STATEMENTS OF
 COMPREHENSIVE INCOME**
Fiscal Year Ended September 27, 2014
 (in thousands)

	<u>Parent</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net income	\$8,804	\$ 3,806	\$ 49,974	\$ (52,763)	\$ 9,821
Other comprehensive loss:					
Foreign currency translation	0	(200)	0	0	(200)
Unrealized loss on securities	(10)	0	0	0	(10)
Total comprehensive income	8,794	3,606	49,974	(52,763)	9,611
Comprehensive income attributable to noncontrolling interests	0	1,017	0	0	1,017
Comprehensive income attributable to Central Garden & Pet Company	<u>\$8,794</u>	<u>\$ 2,589</u>	<u>\$ 49,974</u>	<u>\$ (52,763)</u>	<u>\$ 8,594</u>

**CONSOLIDATING CONDENSED STATEMENTS OF
 COMPREHENSIVE INCOME**
Fiscal Year Ended September 28, 2013
 (in thousands)

	<u>Parent</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net income (loss)	\$(1,929)	\$ (882)	\$ 32,430	\$ (30,519)	\$ (900)
Other comprehensive loss:					
Foreign currency translation	0	(97)	0	0	(97)
Total comprehensive income (loss)	(1,929)	(979)	32,430	(30,519)	(997)
Comprehensive income attributable to noncontrolling interests	0	1,029	0	0	1,029
Comprehensive loss attributable to Central Garden & Pet Company	<u>\$(1,929)</u>	<u>\$ (2,008)</u>	<u>\$ 32,430</u>	<u>\$ (30,519)</u>	<u>\$ (2,026)</u>

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CONSOLIDATING CONDENSED BALANCE SHEET
September 26, 2015
(in thousands)

	<u>Parent</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Cash and cash equivalents	\$ 37,131	\$ 10,022	\$ 431	\$ 0	\$ 47,584
Restricted cash	13,157	0	0	0	13,157
Accounts receivable, net	51,376	6,775	149,251	0	207,402
Inventories	101,952	11,690	222,304	0	335,946
Prepaid expenses and other assets	23,807	848	25,076	0	49,731
Total current assets	227,423	29,335	397,062	0	653,820
Land, buildings, improvements and equipment, net	53,044	3,663	106,102	0	162,809
Goodwill	0	0	209,089	0	209,089
Other long term assets	33,988	3,662	77,519	(6,133)	109,036
Intercompany receivable	10,311	0	440,327	(450,638)	0
Investment in subsidiaries	1,052,755	0	0	(1,052,755)	0
Total	<u>\$ 1,377,521</u>	<u>\$ 36,660</u>	<u>\$ 1,230,099</u>	<u>\$ (1,509,526)</u>	<u>\$ 1,134,754</u>
LIABILITIES AND EQUITY					
Accounts payable	\$ 23,544	\$ 2,543	\$ 62,802	\$ 0	\$ 88,889
Accrued expenses and other liabilities	39,680	1,789	46,255	0	87,724
Current portion of long term debt	261	0	30	0	291
Total current liabilities	63,485	4,332	109,087	0	176,904
Long-term debt	399,783	0	65	0	399,848
Intercompany payable	407,197	43,441	0	(450,638)	0
Losses in excess of investment in subsidiaries	0	0	11,867	(11,867)	0
Other long-term obligations	1,770	0	55,985	(6,133)	51,622
Shareholders' equity attributable to Central Garden & Pet	505,286	(12,207)	1,053,095	(1,040,888)	505,286
Noncontrolling interest	0	1,094	0	0	1,094
Total equity	505,286	(11,113)	1,053,095	(1,040,888)	506,380
Total	<u>\$ 1,377,521</u>	<u>\$ 36,660</u>	<u>\$ 1,230,099</u>	<u>\$ (1,509,526)</u>	<u>\$ 1,134,754</u>

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CONSOLIDATING CONDENSED BALANCE SHEET
September 27, 2014
(in thousands)

	<u>Parent</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS					
Cash and cash equivalents	\$ 63,471	\$ 12,806	\$ 2,399	\$ 0	\$ 78,676
Restricted cash	14,283	0	0	0	14,283
Short term investments	9,990	0	0	0	9,990
Accounts receivable, net	41,235	8,268	144,226	0	193,729
Inventories	79,199	15,210	231,977	0	326,386
Prepaid expenses and other assets	26,092	816	21,580	0	48,488
Total current assets	234,270	37,100	400,182	0	671,552
Land, buildings, improvements and equipment, net	63,059	3,649	100,141	0	166,849
Goodwill	0	0	208,233	0	208,233
Other long term assets	25,230	4,244	83,713	(11,094)	102,093
Intercompany receivable	16,906	0	351,423	(368,329)	0
Investment in subsidiaries	983,413	0	0	(983,413)	0
Total	<u>\$ 1,322,878</u>	<u>\$ 44,993</u>	<u>\$ 1,143,692</u>	<u>\$ (1,362,836)</u>	<u>\$ 1,148,727</u>
LIABILITIES AND EQUITY					
Accounts payable	\$ 28,937	\$ 3,542	\$ 55,949	\$ 0	\$ 88,428
Accrued expenses and other liabilities	34,412	1,868	48,390	0	84,670
Total current liabilities	63,349	5,410	104,339	0	173,098
Long-term debt	449,855	0	93	0	449,948
Intercompany payable	323,315	45,014	0	(368,329)	0
Losses in excess of investment in subsidiaries	0	0	7,594	(7,594)	0
Other long-term obligations	1,636	0	48,686	(11,094)	39,228
Shareholders' equity attributable to Central Garden & Pet	484,723	(7,161)	982,980	(975,819)	484,723
Noncontrolling interest	0	1,730	0	0	1,730
Total equity	484,723	(5,431)	982,980	(975,819)	486,453
Total	<u>\$ 1,322,878</u>	<u>\$ 44,993</u>	<u>\$ 1,143,692</u>	<u>\$ (1,362,836)</u>	<u>\$ 1,148,727</u>

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
Fiscal Year Ended September 26, 2015
(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used) provided by operating activities	\$ (18,948)	\$ 7,372	\$ 105,744	\$ (6,719)	\$ 87,449
Additions to property, plant and equipment	(2,687)	(405)	(18,938)	0	(22,030)
Payments to acquire companies, net of expenses	(38,384)	0	0	0	(38,384)
Change in restricted cash and cash equivalents	1,126	0	0	0	1,126
Maturities of short term investments	9,997	0	0	0	9,997
Investment in short term investments	(17)	0	0	0	(17)
Other investing activities	(546)	0	0	0	(546)
Intercompany investing activities	6,595	0	(88,905)	82,310	0
Net cash (used) provided by investing activities	(23,916)	(405)	(107,843)	82,310	(49,854)
Repayments on revolving line of credit	(312,000)	0	0	0	(312,000)
Borrowings on revolving line of credit	312,000	0	0	0	312,000
Repayments of long-term debt	(50,262)	0	(27)	0	(50,289)
Proceeds from issuance of common stock	200	0	0	0	200
Excess tax benefits from stock-based awards	2,154	0	0	0	2,154
Repurchase of common stock	(18,497)	0	0	0	(18,497)
Payment of deferred financing costs	(258)	0	0	0	(258)
Distribution to parent	0	(6,719)	0	6,719	0
Distribution to noncontrolling interest	0	(1,680)	0	0	(1,680)
Intercompany financing activities	83,884	(1,574)	0	(82,310)	0
Net cash provided (used) by financing activities	17,221	(9,973)	(27)	(75,591)	(68,370)
Effect of exchange rates on cash	(697)	222	158	0	(317)
Net increase (decrease) in cash and cash equivalents	(26,340)	(2,784)	(1,968)	0	(31,092)
Cash and cash equivalents at beginning of year	63,471	12,806	2,399	0	78,676
Cash and cash equivalents at end of year	<u>\$ 37,131</u>	<u>\$ 10,022</u>	<u>\$ 431</u>	<u>\$ 0</u>	<u>\$ 47,584</u>

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
Fiscal Year Ended September 27, 2014
(in thousands)

	<u>Parent</u>	<u>Non-Guarantor Subsidiaries</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net cash (used) provided by operating activities	\$ (4,139)	\$ 7,420	\$ 125,720	\$ (2,534)	\$ 126,467
Additions to property, plant and equipment	(6,721)	(1,027)	(9,425)	0	(17,173)
Businesses acquired, net of cash acquired	0	0	(20,282)	0	(20,282)
Proceeds from disposal of plant and equipment	0	0	8,737	0	8,737
Change in restricted cash and cash equivalents	(14,283)	0	0	0	(14,283)
Maturities of short term investments	17,820	0	0	0	17,820
Investment in short term investments	(10,000)	0	0	0	(10,000)
Intercompany investing activities	(6,726)	0	(104,926)	111,652	0
Net cash (used) provided by investing activities	(19,910)	(1,027)	(125,896)	111,652	(35,181)
Repayments on revolving line of credit	(301,000)	0	0	0	(301,000)
Borrowings on revolving line of credit	278,000	0	0	0	278,000
Repayments of long-term debt	(243)	0	(124)	0	(367)
Proceeds from issuance of common stock	1,165	0	0	0	1,165
Excess tax benefits from stock-based awards	498	0	0	0	498
Repurchase of common stock	(2,332)	0	0	0	(2,332)
Payment of deferred financing costs	(3,090)	0	0	0	(3,090)
Distribution to parent	0	(2,534)	0	2,534	0
Distribution to noncontrolling interest	0	(633)	0	0	(633)
Intercompany financing activities	109,057	2,595	0	(111,652)	0
Net cash provided (used) by financing activities	82,055	(572)	(124)	(109,118)	(27,759)
Effect of exchange rates on cash	27	(18)	(16)	0	(7)
Net increase (decrease) in cash and cash equivalents	58,033	5,803	(316)	0	63,520
Cash and cash equivalents at beginning of year	5,438	7,003	2,715	0	15,156
Cash and cash equivalents at end of year	<u>\$ 63,471</u>	<u>\$ 12,806</u>	<u>\$ 2,399</u>	<u>\$ 0</u>	<u>\$ 78,676</u>

CENTRAL GARDEN & PET COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS
Fiscal Year Ended September 28, 2013
(in thousands)

	Parent	Non-Guarantor Subsidiaries	Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used) provided by operating activities	\$ (31,250)	\$ (11,632)	\$ 17,116	\$ (2,516)	\$ (28,282)
Additions to property, plant and equipment	(8,656)	(337)	(16,179)	0	(25,172)
Businesses acquired, net of cash acquired	0	0	(4,835)	0	(4,835)
Sale of short term investments	4,885	0	0	0	4,885
Intercompany investing activities	8,986	0	2,923	(11,909)	0
Net cash (used) provided by investing activities	5,215	(337)	(18,091)	(11,909)	(25,122)
Repayments on revolving line of credit	(368,000)	0	0	0	(368,000)
Borrowings on revolving line of credit	391,000	0	0	0	391,000
Repayments of long-term debt	(206)	0	(126)	0	(332)
Proceeds from issuance of common stock	613	0	0	0	613
Excess tax benefits from stock-based awards	388	0	0	0	388
Repurchase of common stock	(2,731)	0	0	0	(2,731)
Distribution to parent	0	(2,516)	0	2,516	0
Distribution to noncontrolling interest	0	(629)	0	0	(629)
Intercompany financing activities	(28,896)	16,987	0	11,909	0
Net cash provided (used) by financing activities	(7,832)	13,842	(126)	14,425	20,309
Effect of exchange rates on cash	36	(263)	3	0	(224)
Net increase (decrease) in cash and cash equivalents	(33,831)	1,610	(1,098)	0	(33,319)
Cash and cash equivalents at beginning of year	39,269	5,393	3,813	0	48,475
Cash and cash equivalents at end of year	<u>\$ 5,438</u>	<u>\$ 7,003</u>	<u>\$ 2,715</u>	<u>\$ 0</u>	<u>\$ 15,156</u>

21. Subsequent Events

Debt Refinancing

In November 2015, the Company issued \$400 million aggregate principal amount of 6.125% senior notes due November 2023 (the “2023 Notes”). The 2023 Notes are unconditionally guaranteed on a senior basis by each of the Company’s existing and future domestic restricted subsidiaries which are borrowers under or guarantors of the senior secured revolving credit facility. The Company used the net proceeds from the offering, together with available cash, to redeem its outstanding 8.25% senior subordinated notes due March 1, 2018 (the “2018 Notes”) and pay fees and expenses related to the offering. As a result of the Company’s redemption of the 2018 Notes, it will recognize a charge in its fiscal 2016 first quarter of approximately \$8.3 million related to the payment of the call premium, a one-time payment of overlapping interest expense for 30 days of approximately \$2.8 million and a \$3.2 million non-cash charge for the write-off of unamortized financing costs in interest expense. The Company expects its annual interest expense on the 2023 Notes going forward to be approximately \$8.5 million less than under the 2018 Notes.

DMC Acquisition

On December 1, 2015, the Company purchased the pet bedding and certain other assets of National Consumers Outdoors Corp., formerly known as Dallas Manufacturing Company (“DMC”), for a cash purchase price of \$61 million. This acquisition is expected to complement the Company’s existing dog and cat business.

[Table of Contents](#)**EXHIBIT INDEX**

Set forth below is a list of exhibits that are being filed or incorporated by reference into this Form 10-K:

<u>Exhibit Number</u>	<u>Exhibit</u>	<u>Incorporated by Reference</u>				<u>Filed Herewith</u>
		<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	<u>Filing Date</u>	
3.1	Fourth Amended and Restated Certificate of Incorporation, including the Certificate of Designation – Series A Convertible Preferred Stock and Certificate of Designation – Series B Convertible Preferred Stock.	10-K	001-33268	3.1	12/14/2006	
3.2	Amended and Restated By-laws of Central Garden & Pet Company, effective August 18, 2015.					X
4.1	Specimen Common Stock Certificate.	S-1	33-48070	4.1	5/21/1992	
4.2	Specimen Class A Common Stock Certificate.	8-A	001-33268	1	1/24/2007	
4.3	Indenture, dated as of March 8, 2010, by and between the Company and Wells Fargo Bank, National Association, as trustee.	8-K	001-33268	4.2	3/8/2010	
4.4	First Supplemental Indenture, dated as of March 8, 2010, by and among the Company, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, relating to 8.25% Senior Subordinated Notes due 2018.	8-K	001-33268	4.3	3/8/2010	
4.5	Second Supplemental Indenture, dated as of February 13, 2012, by and among the Company, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, relating to 8.25% Senior Subordinated Notes due 2018.	8-K	001-33268	4.1	2/13/2012	
4.6	Third Supplemental Indenture, dated as of November 9, 2015, by and among the Company, the guarantors named therein and Wells Fargo Bank, National Association, as trustee, relating to 6.125% Senior Notes due 2023.					X
10.1*	Form of Indemnification Agreement between the Company and Executive Officers and Directors.	S-1	33-48070	10.18	5/21/1992	
10.2	Credit Agreement dated December 5, 2013 among the Company, certain of the Company's domestic subsidiaries, as borrowers and guarantors, a syndicate of financial institutions party thereto, SunTrust Bank, as administrative agent and swingline lender, and SunTrust Robinson Humphrey, Inc., U.S. Bank National Association and Harris Bank as joint lead arrangers and bookrunners.	10-Q	001-33268	10.1	2/6/2014	

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Exhibit Number	Exhibit	Incorporated by Reference			Filed Herewith
		Form	File No.	Exhibit	
10.3	Amendment No. 1, dated November 3, 2015, to Credit Agreement dated December 5, 2013.	8-K	001-33268	10.1	11/9/2015
10.4*	2003 Omnibus Equity Incentive Plan, as amended and restated effective February 13, 2012.	8-K	001-33268	10.2	2/15/2012
10.5*	Form of Nonstatutory Stock Option Agreement for 2003 Omnibus Equity Incentive Plan.	10-K	000-20242	10.5.1	12/9/2004
10.6*	Form of Restricted Stock Agreement for 2003 Omnibus Equity Incentive Plan.	10-K	000-20242	10.5.2	12/9/2004
10.7*	Form of Performance-Based Non-Statutory Stock Option Agreement for 2003 Omnibus Equity Incentive Plan	10-K	001-33268	10.4.3	11/19/2010
10.8*	Nonemployee Director Equity Incentive Plan, as amended and restated effective December 10, 2008 (Incorporated by reference from Exhibit 10.5 to the Company's Form 10-Q for the fiscal quarter ended March 28, 2009).	10-Q	001-33268	10.5	5/7/2009
10.9*	Form of Nonstatutory Stock Option Agreement for Nonemployee Director Equity Incentive Plan.	10-Q	000-20242	10.6.1	2/3/2005
10.10*	Form of Restricted Stock Agreement for Nonemployee Director Equity Incentive Plan.	10-Q	000-20242	10.6.2	2/3/2005
10.11*	Employment Agreement dated as of February 27, 1998 between Pennington Seed, Inc. of Delaware and Brooks Pennington III.	10-K/A	000-20242	10.20	1/20/1999
10.12*	Modification and Extension of Employment Agreement dated as of February 27, 1998 between Pennington Seed, Inc. of Delaware and Brooks Pennington III, dated as of May 6, 2003.	10-Q	000-20242	10.7.1	8/8/2003
10.13*	Modification and Extension of Employment Agreement and Noncompetition Agreement, dated as of April 10, 2006, between the Company and Brooks M. Pennington III.	8-K	000-20242	10.1	4/14/2006
10.14*	Modification and Extension of Employment Agreement and Noncompetition Agreement, dated as of July 1, 2008, between the Company and Brooks M. Pennington III.	10-K	001-33268	10.7.2	11/26/2008
10.15*	Amendment of Employment Agreement and Non-Competition Agreement between the Company and Brooks M. Pennington III, dated March 20, 2012.	10-Q	001-33268	10.1	2/7/2013

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Exhibit Number	Exhibit	Incorporated by Reference			Filed Herewith	
		Form	File No.	Exhibit		Filing Date
10.16*	Modification and Extension of Employment Agreement and Noncompetition Agreement, dated as of March 1, 2014, between the Company and Brooks M. Pennington III.	10-Q	001-33268	10.1	2/5/2015	
10.17*	Form of Agreement to Protect Confidential Information, Intellectual Property and Business Relationships.	8-K	000-20242	10.1	10/14/2005	
10.18*	Form of Post-Termination Consulting Agreement.	8-K	000-20242	10.2	10/14/2005	
10.19*	Consulting Services Agreement between the Company and Gus Halas, dated January 15, 2013.	10-Q	001-33268	10.2	2/7/2013	
10.20*	Employment Agreement between the Company and John Ranelli, dated January 9, 2013.	10-Q	001-33268	10.3	2/7/2013	
10.21*	Amendment to Employment Agreement dated July 22, 2015 between the Company and John R. Ranelli.	8-K	001-33268	10.1	7/27/2015	
10.22*	Election for Additional Compensation and Release Agreement between the Company and Steven LaMonte, effective April 19, 2014	10-K	001-33268	10.22	12/11/2014	
10.23*	Employment Agreement between the Company and David Chichester, effective September 2, 2015.					X
10.24*	Employment Agreement between the Company and George A. Yuhas, effective March 1, 2011.					X
12	Statement re Computation of Ratios of Earnings to Fixed Charges.					X
14	Code of Ethics, updated May 2009	10-K	001-33268	14	12/13/2012	
21	List of Subsidiaries.					X
23	Consent of Independent Registered Public Accounting Firm.					X
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a).					X
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a).					X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.					X
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X

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<u>Exhibit Number</u>	<u>Exhibit</u>	<u>Incorporated by Reference</u>			<u>Filed Herewith</u>
		<u>Form</u>	<u>File No.</u>	<u>Exhibit</u>	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				X

* Management contract or compensatory plan or arrangement.

**AMENDED AND RESTATED BY-LAWS
OF
CENTRAL GARDEN & PET COMPANY**

(As of August 18, 2015)

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**AMENDED AND RESTATED BY-LAWS
OF
CENTRAL GARDEN & PET COMPANY**

ARTICLE I
OFFICES

Section 1. *Registered Office.*

The registered office of the Corporation in the State of Delaware shall be 1209 Orange Street, City of Wilmington, County of New Castle, State of Delaware. The name of the registered agent is The Corporation Trust Company. Such registered agent has a business office identical with such registered office.

Section 2. *Other Offices.*

The Corporation also may have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE II
STOCKHOLDERS

Section 1. *Stockholder Meetings.*

(a) *Time and Place of Meetings.* Meetings of the stockholders shall be held at such times and places, either within or without the State of Delaware, as may from time to time be fixed by the Board of Directors and stated in the notices or waivers of notice of such meetings.

(b) *Annual Meeting.* The annual meeting of the stockholders shall be held at 11:00 A.M. on the second Tuesday in May or on such other date and at such other time as may be designated by the Board of Directors, for the election of directors and the transaction of such other business properly brought before such annual meeting of the stockholders and within the powers of the stockholders.

(c) *Special Meetings.* Special meetings of the stockholders of the Corporation for any purpose or purposes may be called at any time only by the Chairman of the Board of Directors or the Board of Directors of the Corporation pursuant to a resolution adopted by a majority of the total number of authorized directors constituting the whole Board of Directors, or at the request in writing of stockholders owning not less than thirty-five percent (35%) of the voting power of the Corporation. Business transacted at any special meeting of the stockholders shall be limited to the purposes stated in the notice of such meeting.

(d) *Notice of Meetings.* Except as otherwise provided by law, the Certificate of Incorporation or these By-laws, written notice of each meeting of the stockholders shall be given not less than ten (10) days nor more than sixty (60) calendar days before the date of such meeting to each stockholder entitled to vote thereat, directed to such stockholder's address as it appears upon the books of the Corporation, such notice to specify the place, date, hour and, in the case of a special meeting, the purpose or purposes of such meeting. When a meeting of the stockholders is adjourned to another time and/or place, notice need not be given of such adjourned meeting if the time and place thereof are announced at the meeting of the stockholders at which the adjournment is taken, unless the adjournment is for more than thirty (30) days or unless after the adjournment a new record date is fixed for such adjourned meeting, in which event a notice of such adjourned meeting shall be given to each stockholder of record entitled to vote thereat. Notice of the time, place and purpose of any meeting of the stockholders may be waived in writing either before or after such meeting and will be waived by any stockholder by such stockholder's attendance thereat in person or by proxy. Any stockholder so waiving notice of such a meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

(e) *Quorum.* Except as otherwise required by law, the Certificate of Incorporation or these By-laws, the holders of not less than a majority of the shares entitled to vote at any meeting of the stockholders, present in person or by proxy, shall constitute a quorum and the affirmative vote of the majority of such quorum shall be deemed the act of the stockholders. If a quorum shall fail to attend any meeting of the stockholders, the presiding officer of such meeting may adjourn such meeting from time to time to another place, date or time, without notice other than announcement at such meeting, until a quorum is present or represented. At such adjourned meeting at which a quorum is present or represented, any business may be transacted that might have been transacted at the meeting of the stockholders as originally noticed. The foregoing notwithstanding, if a notice of any adjourned special meeting of the stockholders is sent to all stockholders entitled to vote thereat which states that such adjourned special meeting will be held with those present in person or by proxy constituting a quorum, then, except as otherwise required by law, those present at such adjourned special meeting of the stockholders shall constitute a quorum and all matters shall be determined by a majority of the votes cast at such special meeting.

Section 2. *Determination of Stockholders Entitled to Notice and to Vote.*

To determine the stockholders entitled to notice of any meeting of the stockholders or to vote thereat, the Board of Directors may fix in advance a record date as provided in Article VII, Section 1 of these By-laws, or if no record date is fixed by the Board of Directors, a record date shall be determined as provided by law.

Section 3. *Voting.*

(a) Except as otherwise required by law, the Certificate of Incorporation or these By-laws, each stockholder present in person or by proxy at a meeting of the stockholders shall be entitled to one vote for each full share of stock registered in the name of such stockholder at the time fixed by the Board of Directors or by law as the record date for the determination of stockholders entitled to vote at such meeting.

(b) Every stockholder entitled to vote at a meeting of the stockholders may do so either in person or by one or more agents authorized by a written proxy executed by the person or such stockholder's duly authorized agent whether by manual signature, typewriting, telegraphic transmission or otherwise.

(c) Voting may be by voice or by ballot as the presiding officer of the meeting of the stockholders shall determine. On a vote by ballot, each ballot shall be signed by the stockholder voting, or by such stockholder's proxy, and shall state the number of shares voted.

(d) In advance of any meeting of the stockholders, the Board of Directors may appoint one or more persons as inspectors of election ("Inspectors") to act at such meeting. If Inspectors are not so appointed, or if an appointed Inspector fails to appear or fails or refuses to act at a meeting of the stockholders, the presiding officer of any such meeting may, and at the request of any stockholder or such stockholder's proxy shall, appoint Inspectors at such meeting. Such Inspectors shall take charge of the ballots at such meeting. After the balloting thereat on any question, the Inspectors shall count the ballots cast thereon and make a written report to the secretary of such meeting of the results thereof. An Inspector need not be a stockholder of the Corporation and any officer of the Corporation may be an Inspector on any question other than a vote for or against such officer's election to any position with the Corporation or of any other questions in which such officer may be directly interested. If there are three Inspectors, the determination report or certificate of two such Inspectors shall be effective as if unanimously made by all Inspectors.

Section 4. *List of Stockholders.*

The officer who has charge of the stock ledger of the Corporation shall prepare and make available, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote thereat, arranged in alphabetical order, showing the address of and the number of shares registered in the name of each such stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to such meeting, during ordinary business hours, for a period of at least ten (10) days prior to such meeting, either at a place within the city where such meeting is to be held and which place shall be specified in the notice of such meeting, or, if not so specified, at the place where such meeting is to be held. The list also shall be produced and kept at the time and place of the meeting of the stockholders during the whole time thereof, and may be inspected by any stockholder who is present.

Section 5. *Action By Consent of Stockholders.*

Except as otherwise restricted by law or the Certificate of Incorporation, any action required or permitted to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

ARTICLE III
BOARD OF DIRECTORS

Section 1. *General Powers.*

Unless otherwise provided by law, the Certificate of Incorporation or these By-laws, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Corporation shall be managed by, the Board of Directors.

Section 2. *Election of Directors.*

(a) *Number, Qualification and Term of Office.* The authorized number of directors of the Corporation shall be fixed from time to time by the Board of Directors, but shall not be less than three (3). The exact number of directors shall be determined from time to time, either by a resolution or By-law provision duly adopted by the Board of Directors. Except as otherwise required by law, the Certificate of Incorporation or these By-laws, each of the directors of the Corporation shall be elected at the annual meeting of the stockholders and each director so elected shall hold office until such director's successor is elected or until such director's death, resignation or removal. Directors need not be stockholders.

(b) *Vacancies.* No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director. Unless otherwise restricted by law or by the certificate of Incorporation, newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation removal or other cause may be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by the stockholders. Any director elected in accordance with the preceding sentence shall hold office until the next annual meeting of the stockholders and until such director's successor shall have been elected, or until such director's death, resignation or removal.

(c) *Resignation.* Any director may resign from the Board of Directors at any time by giving written notice thereof to the Chairman of the Board, the President or the Secretary of the Corporation. Any such resignation shall take effect at the time specified therein, or, if the time when such resignation shall become effective shall not be so specified, then such resignation shall take effect immediately upon its receipt by the Secretary; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(d) *Removal.* Except as provided in the Certificate of Incorporation, any director of the Corporation may be removed from office with or without cause, but only by the affirmative vote of the holders of not less than a majority of the outstanding capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

Section 3. *Meetings of the Board of Directors.*

(a) *Regular Meetings.* Regular meetings of the Board of Directors shall be held without call at the following times:

- (i) at such times as the Board of Directors shall from time to time by resolution determine; and
- (ii) immediately following the adjournment of any annual or special meeting of the stockholders.

Notice of all such regular meetings hereby is dispensed with.

(b) *Special Meetings.* Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors, by the President, by any Vice President, by the Board of Directors or by any two (2) directors. Notice of the time and place of special meetings of the Board of Directors shall be given by the Secretary or an Assistant Secretary of the Corporation, or by any other officer authorized by the Board of Directors. Such notice shall be given to each director personally or by mail, messenger, telephone, teletype, telegraph or any other form of recorded communication at such director's business or residence address. Notice by mail shall be deposited in the United States mail postage prepaid, not later than the third day prior to the date filed for such special meeting. Notice by telephone, teletype or telegraph shall be sent, and notice given personally or by messenger or any other form of recorded communication shall be delivered, at least twenty-four (24) hours prior to the time set for such special meeting. Notice of a special meeting of the Board of Directors need not contain a statement of the purpose of such special meeting.

(c) *Adjourned Meetings.* A majority of directors present at any regular or special meeting of the Board of Directors or any committee thereof, whether or not constituting a quorum, may adjourn any meeting from time to time until a quorum is present or otherwise. Notice of the time and place of holding any adjourned meeting shall not be required if the time and place are fixed at the meeting adjourned.

(d) *Place of Meetings.* Meetings of the Board of Directors, both regular and special, may be held at any place within or without the state of Delaware which has been designated in the notice of the meeting or, if not stated in the notice or if there is no notice, designated by resolution of the Board of Directors. In the absence of any such designation, meetings of the Board of Directors shall be held at the Corporation's principal executive office.

(e) *Participation by Telephone.* Members of the Board of Directors or any committee thereof may participate in any meeting of the Board of Directors or committee through the use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another, and such participation shall constitute presence in person at such meeting.

(f) *Quorum.* At all meetings of the Board of Directors or any committee thereof, a majority of the total number of directors then in office or such committee, shall

constitute a quorum for the transaction of business and the act of a majority of the directors present at any such meeting at which there is a quorum shall be the act of the Board of Directors or any committee thereof, except as may be otherwise specifically provided by law, the Certificate of Incorporation or these By-laws. A meeting of the Board of Directors or any committee thereof at which a quorum initially is present may continue to transact business notwithstanding the withdrawal of directors so long as any action is approved by at least a majority of the required quorum for such meeting.

(g) *Waiver of Notice.* The transactions of any meeting of the Board of Directors or any committee thereof, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present signs a written waiver of notice, or a consent to hold such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting. Notice of a special meeting will be automatically waived by any director's attendance or participation at such meeting.

Section 4. *Action without Meeting.*

Any action required or permitted to be taken by the Board of Directors at any meeting thereof or at any meeting of a committee thereof may be taken without a meeting if all members of the Board of Directors or such committee thereof consent thereto in writing and the writing or writings are filed with the minutes of the proceedings of the Board of Directors or such committee thereof.

Section 5. *Compensation of Directors.*

Unless otherwise restricted by law, the Certificate of Incorporation or these By-laws, the Board of Directors shall have the authority to fix the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of committees of the Board of Directors may be allowed like compensation for attending committee meetings.

Section 6. *Committees of the Board.*

(a) *Committees.* The Board of Directors may, by resolution adopted by a majority of the Board of Directors, designate one or more committees of the Board of Directors, each committee to consist of one or more directors. Each such committee, to the extent permitted by law, the Certificate of Incorporation and these By-laws, shall have and may exercise such of the powers of the Board of Directors in the management and affairs of the Corporation as may be prescribed by the resolutions creating such committee. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of a committee, the member or

members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. The Board of Directors shall have the power, at any time for any such reason, to change the members of any such committee, to fill vacancies, and to discontinue any such committee.

(b) *Minutes of Meetings.* Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when required.

(c) *Limits on Authority of Committees.* No committee shall have the power or authority in reference to amending the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution or resolutions providing for the issuance of shares of stock adopted by the Board of Directors as provided in Section 151(a) of the General Corporation Law of the State of Delaware, fix the designations and any of the preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation, or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of stock or authorize the increase or decrease of the shares of any series), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending any provision of these By-laws; nor, unless the resolutions establishing such committee or the Certificate of Incorporation expressly so provide, shall have the power or authority to declare a dividend, to authorize the issuance of stock, to adopt a certificate of ownership and merger, or to fill vacancies in the Board of Directors.

ARTICLE IV OFFICERS

Section 1. *Officers.*

(a) *Number.* The officers of the Corporation shall be chosen by the Board of Directors and shall include a Chairman of the Board of Directors, a President, Vice Presidents (including any Executive, Senior and/or First Vice President as the Board of Directors may determine from time to time), a Secretary and a Treasurer. The Board of Directors also may appoint one or more Assistant Secretaries or Assistant Treasurers and such other officers and agents with such powers and duties as it shall deem necessary. Any Vice President may be given such specific designation as may be determined from time to time by the Board of Directors. Any number of offices may be held by the same person, unless otherwise required by law, the Certificate of Incorporation or these By-laws.

(b) *Election and Term Office.* The officers shall be elected annually by the Board of Directors at its regular meeting following the annual meeting of the stockholders and each officer shall hold office until the next annual election of officers and until such officer's successor is elected, or until such officer's death, resignation or removal. Any officer may be removed at any time, with or without cause, by a vote of the majority of the Board of Directors. Any vacancy occurring in any office may be filled by the Board of Directors.

(c) *Delegation of Authority.* The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

Section 2. *Chairman of the Board of Directors.*

Subject to the provisions of these By-laws, the Chairman of the Board of Directors shall have all powers that are delegated to him or her by the Board of Directors, including without limitation, the power to sign all stock certificates, contracts and other instruments of the Corporation that are authorized. The Chairman of the Board of Directors shall preside at meetings of the stockholders and the Board of Directors. In the Chairman's absence, the Interim Chairman, if any has been appointed, shall preside at the meetings of the stockholders and the Board of Directors. If no Interim Chairman has been appointed, the Lead Director shall preside at meetings of the stockholders and the Board of Directors in the Chairman's absence, or in the Lead Director's absence, the President shall preside.

Section 3. *President.*

Unless otherwise designated by the Board of Directors, the President shall be the chief executive officer of the Corporation. Subject to the provisions of these By laws and to the direction of the Board of Directors, he or she shall have the responsibility for the general management of the business and affairs of the Corporation and shall perform all duties and have all powers that are commonly incident to the office of chief executive or that are delegated to him or her by the Board of Directors. He or she shall have power to sign all stock certificates, contracts and other instruments of the Corporation that are authorized and shall have general supervision and direction of all of the duties, employees and agents of the Corporation.

Section 4. *Vice Presidents.*

The Vice Presidents shall have such powers and perform such duties as from time to time may be prescribed for them, respectively, by the Board of Directors or by the President.

Section 5. *Secretary and Assistant Secretaries.*

The Secretary shall record or cause to be recorded, in books provided for the purpose, minutes of the meetings of the stockholders, the Board of Directors and all committees of the Board of Directors; see that all notices are duly given in accordance with the provisions of these By-laws as required by law; be custodian of all corporate records (other than financial) and of the seal of the Corporation, and have authority to affix the seal to all documents requiring it and attest to the same; give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors; and, in general, shall perform all duties incident to the office of Secretary and such other duties as may, from time to time, be assigned to him by the Board of Directors or by the President. At the request of the Secretary, or in the Secretary's absence or disability, any Assistant Secretary shall perform any of the duties of the Secretary and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Secretary.

Section 6. *Treasurer and Assistant Treasurers.*

The Treasurer shall keep or cause to be kept the books of account of the Corporation and shall render statements of the financial affairs of the Corporation in such form and as often as required by the Board of Directors or the President. The Treasurer shall perform all other duties commonly incident to his office and shall perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. At the request of the Treasurer, or in the Treasurer's absence or disability, any Assistant Treasurer may perform any of the duties of the Treasurer and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Treasurer. Except where by law the signature of the Treasurer is required, each of the Assistant Treasurers shall possess the same power as the Treasurer to sign all certificates, contracts, obligations and other instruments of the Corporation.

ARTICLE V
INDEMNIFICATION AND INSURANCE

Section 1. *Actions Against Directors and Officers.*

The Corporation shall indemnify to the fullest extent permitted by, and in the manner permissible under, the laws of the State of Delaware any person made, or threatened to be made, a party to an action or proceeding, whether criminal, civil, administrative or investigative (a "Proceeding"), by reason of the fact that such person or such person's testator or intestate is or was a director or officer of the Corporation or any predecessor of the Corporation, or served any other enterprise as a director or officer at the request of the Corporation or any predecessor of the Corporation (the "Indemnitee"), including without limitation, all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the Indemnitee in connection with such Proceeding.

In furtherance and not in limitation of the foregoing provisions, all reasonable expenses incurred by or on behalf of the Indemnitee in connection with any Proceeding shall be advanced to the Indemnitee by the Corporation within 20 calendar days after the receipt by the Corporation of a statement or statements from the Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the expenses incurred by the Indemnitee and, if required by law at the time of such advance, shall include or be accompanied by an undertaking by or on behalf of the Indemnitee to repay the amounts advanced if it should ultimately be determined that the Indemnitee is not entitled to be indemnified against such expenses pursuant to this Article V.

Section 2. *Contract.*

The provisions of Section 1 of this Article V shall be deemed to be a contract between the Corporation and each director and officer who serves in such capacity at any time

while such By-law is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts.

Section 3. *Nonexclusivity.*

The rights of indemnification provided by this Article V shall not be deemed exclusive of any other rights to which any director or officer of the Corporation may be entitled apart from the provisions of this Article V.

Section 4. *Indemnification of Employee and Agents.*

The Board of Directors in its discretion shall have the power on behalf of the Corporation to indemnify any person, other than a director or officer, made a party to any action, suit or proceeding-by reason of the fact that such person or such person's testator or intestate, is or was an employee or agent of the Corporation.

Section 5. *Insurance.*

Upon a resolution or resolutions duly adopted by the Board of Directors of the Corporation, the Corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation against any liability asserted against such person and incurred by him in any capacity, or arising out of his capacity as such, whether or not the Corporation would have the power to indemnify such person against such liability under the provisions of applicable law, the Certificate of Incorporation or these By-laws.

ARTICLE VI
CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. *Certificates for Shares.*

Unless otherwise provided by a resolution of the Board of Directors, the shares of the Corporation shall be represented by a certificate. The certificates of stock of the Corporation shall be numbered and shall be entered in the books of the Corporation as they are issued. They shall exhibit the holder's name and number of shares and shall be signed by or in the name of the Corporation by (a) the Chairman of the Board of Directors, the President or any Vice President and (b) the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary. Any or all of the signatures on a certificate may be facsimile. In case any officer of the Corporation, transfer agent or registrar who has signed, or whose facsimile signature has been placed upon such certificate, shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, such certificate may nevertheless be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issuance.

Section 2. *Transfer.*

Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 3. *Record Owner.*

The Corporation shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof, and, accordingly, shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person, whether or not it shall have express or other notice thereof, save as expressly provided by the laws of the State of Delaware.

Section 4. *Lost Certificates.*

The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

ARTICLE VII
MISCELLANEOUS

Section 1. *Record Date.*

(a) In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of the stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor less than ten (10) days prior to the date of such meeting nor more than sixty (60) days prior to any other action. If not fixed by the Board of Directors, the record date shall be determined as provided by law.

(b) A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders shall apply to any adjournments of the meeting, unless the Board of Directors fixes a new record date for the adjourned meeting.

(c) Holders of stock on the record date are entitled to notice and to vote or to receive the dividend, distribution or allotment of rights or to exercise the rights, as the case may

be, notwithstanding any transfer of any shares on the books of the Corporation after the record date, except as otherwise provided by agreement or by law, the Certificate of Incorporation or these By-laws.

Section 2. *Execution of Instruments.*

The Board of Directors may, in its discretion, determine the method and designate the signatory officer of officers, or other persons, to execute any corporate instrument or document or to sign the corporate name without limitation, except where otherwise provided by law, the Certificate of Incorporation or these By-laws. Such designation may be general or confined to specific instances.

Section 3. *Voting of Securities Owned by the Corporation.*

All stock and other securities of other corporations held by the Corporation shall be voted, and all proxies with respect thereto shall be executed, by the person so authorized by resolution of the Board of Directors, or, in the absence of such authorization, by the President.

Section 4. *Corporate Seal.*

The Corporation shall have a corporate seal in such form as shall be prescribed and adopted by the Board of Directors.

Section 5. *Construction and Definitions.*

Unless the context requires otherwise, the general provisions, rules of construction and definitions in the General Corporation Law of the State of Delaware shall govern the construction of these By-laws.

Section 6. *Amendments.*

These By-laws may be altered, amended or repealed or new By-laws may be adopted by the stockholders at any meeting or by the Board of Directors.

CENTRAL GARDEN & PET COMPANY,
as Issuer

THE GUARANTORS PARTY HERETO, as Guarantors

AND

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

6.125% SENIOR NOTES DUE 2023

THIRD SUPPLEMENTAL INDENTURE DATED AS OF

November 9, 2015

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EXHIBITS

Exhibit A	Form of Note
Exhibit B	Form of Guarantee

This THIRD SUPPLEMENTAL INDENTURE, dated as of November 9, 2015 (this "*Third Supplemental Indenture*"), is by and among Central Garden & Pet Company, a Delaware corporation (such corporation and any successor as defined in the Base Indenture (as defined below), the "*Company*"), the Guarantors (as defined below) and Wells Fargo Bank, National Association, as trustee (such institution and any successor as defined in the Base Indenture, the "*Trustee*").

WITNESSETH:

WHEREAS, the Company has previously executed and delivered an Indenture, dated as of March 8, 2010 (the "*Base Indenture*"), with the Trustee providing for the issuance from time to time of one or more series of the Company's senior debt securities;

WHEREAS, Section 301 of the Base Indenture provides that the Company and the Trustee may enter into an indenture supplemental to the Base Indenture to establish the form or terms of Securities (as defined in the Base Indenture) of any series as permitted by Section 301 and Section 901 of the Base Indenture;

WHEREAS, the Company is entering into this Third Supplemental Indenture to establish the form and terms of the Notes (as defined below), and the Guarantors are entering into this Third Supplemental Indenture to establish the form and the terms of the Guarantee (as defined below);

WHEREAS, the Base Indenture is incorporated herein by reference and the Base Indenture, as supplemented and amended by this Third Supplemental Indenture, is herein called the "*Indenture*" as that term is defined in the Base Indenture; and

WHEREAS, all conditions necessary to authorize the execution and delivery of this Third Supplemental Indenture and to make it a valid and binding obligation of the Company and the Guarantors have been done or performed.

NOW, THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the Company, the Guarantors and the Trustee agree as follows for the benefit of each other and for the equal and ratable benefit of the Holders of the Notes.

ARTICLE 1

ESTABLISHMENT; DEFINITIONS AND INCORPORATION BY REFERENCE

SECTION 1.01. Establishment.

(a) There is hereby established a new series of Securities to be issued under this Indenture, to be designated as the Company's 6.125% Senior Notes due 2023 (the "*Notes*").

(b) There is to be authenticated and delivered on the date hereof \$400.0 million aggregate principal amount of Notes issued on the date hereof (the "*Initial Notes*").

(c) The Notes shall be issued in the form of one or more permanent Notes in substantially the form set out in Exhibit A hereto.

(d) Each Note shall be dated the date of authentication thereof and shall bear interest from the date of original issuance thereof or from the most recent date to which interest has been paid or duly provided for.

(e) With respect to the Notes (and any Guarantees endorsed thereon) only, the Base Indenture shall be supplemented pursuant to Sections 201, 301 and 901 thereof to establish the terms of the Notes (and any Guarantees endorsed thereon) as set forth in this Third Supplemental Indenture, including as follows:

(i) the provisions of Article IV of the Base Indenture are deleted and replaced in their entirety by the provisions of Section 8.06 of this Third Supplemental Indenture;

- (ii) the provisions of Article VIII of the Base Indenture are deleted and replaced in their entirety by the provisions of Article 5 of this Third Supplemental Indenture;
- (iii) the provisions of Article IX of the Base Indenture are deleted and replaced in their entirety by the provisions of Article 9 of this Third Supplemental Indenture;
- (iv) the provisions of Article X of the Base Indenture are deleted and replaced in their entirety by the provisions of Article 4 of this Third Supplemental Indenture;
- (v) the provisions of Article XIV of the Base Indenture are deleted and replaced in their entirety by the provisions of Article 8 of this Third Supplemental Indenture;
- (vi) the provisions of Article XIII of the Base Indenture are deleted and replaced in their entirety by the provisions of Article 3 of this Third Supplemental Indenture;
- (vii) the provisions in Sections 501 and 502 of the Base Indenture are deleted and replaced in their entirety by the provisions of Sections 6.01 and 6.02 of this Third Supplemental Indenture;
- (viii) the provisions in Section 703 of the Base Indenture are deleted and replaced in their entirety by the provisions of Section 4.03 of this Third Supplemental Indenture;
- (ix) the provisions of Article XII of the Base Indenture shall not be applicable to the Notes;
- (x) the provisions of Article XVI of the Base Indenture shall be applicable to the Notes as specified in Section 10.01 of this Third Supplemental Indenture; and
- (xi) the form of the securities representing the Notes required to be established pursuant to Article II of the Base Indenture shall be established in accordance with Article 2 of this Third Supplemental Indenture.

To the extent that the provisions of this Third Supplemental Indenture conflict with any provision of the Base Indenture, the provisions of this Third Supplemental Indenture shall govern and be controlling, solely with respect to the Notes (and any Guarantees endorsed thereon).

(f) The Notes shall rank pari passu in right of payment with all of the Company's existing and future Senior Debt, including the Debt Facility and the Guarantees shall rank pari passu in right of payment with all existing and future Senior Debt of each Guarantor, including guarantees of the Debt Facility.

(g) Unless otherwise expressly specified, references in this Third Supplemental Indenture to specific Article numbers or Section numbers refer to Articles and Sections contained in this Third Supplemental Indenture, and not the Base Indenture or any other document.

SECTION 1.02. Definitions.

(a) All capitalized terms used herein and not otherwise defined below shall have the meanings ascribed thereto in the Base Indenture.

(b) The following are definitions used in this Third Supplemental Indenture and to the extent that a term is defined both herein and in the Base Indenture, unless otherwise specified, the definition in this First Supplemental Indenture shall govern solely with respect to the Notes (and any Guarantee endorsed thereon).

“Acquired Indebtedness” means Indebtedness (i) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary of the Company or at the time it merges or consolidates with or into the Company or any of its Subsidiaries or (ii) that is assumed in connection with the acquisition of assets from such Person, including Indebtedness incurred by such Person in connection with, or in anticipation or contemplation of, such Person becoming a Restricted Subsidiary of the Company or such acquisition, merger or consolidation. Acquired Indebtedness shall be deemed to have been incurred, with respect to clause (i) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (ii) of the preceding sentence, on the date of consummation of such acquisition of assets.

“Additional Notes” means, subject to the Company’s compliance with Section 4.07, additional principal amounts of Notes (other than the Initial Notes) issued under, and subject to, the terms of this Indenture after the Issue Date (other than pursuant to Sections 304, 305, 306 or 1107 of the Base Indenture), as part of the same series as the Initial Notes whether or not they bear the same “CUSIP” number.

“Affiliate” means, with respect to any specified Person, any other Person who, directly or indirectly, through one or more intermediaries controls, or is controlled by, or is under common control with, such specified Person. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative of the foregoing. Notwithstanding the foregoing, no Person (other than the Company or any Subsidiary of the Company) in whom a Securitization Entity makes an Investment in connection with a Qualified Securitization Transaction shall be deemed to be an Affiliate of the Company or any of its Subsidiaries solely by reason of such Investment.

“Agent” means any Registrar, Custodian or Paying Agent.

“Applicable Premium” means, with respect to any Notes on any Redemption Date, the greater of:

- (1) 1.0% of the principal amount of the Note; or
- (2) the excess, if any, of:
 - (a) the present value at such Redemption Date of (i) the redemption price of the Notes at November 15, 2018 (such redemption price being set forth in Section 3.03 hereof), plus (ii) all required interest payments due on such Note through November 15, 2018 (excluding accrued but unpaid interest to the Redemption Date), computed using a discount rate equal to the Treasury Rate, as of such Redemption Date plus 50 basis points; over
 - (b) the principal amount of such Note.

Calculation of the Applicable Premium shall be made by the Company or on the Company’s behalf by such person as it shall designate. The Trustee shall have no duty to calculate (or verify any calculation of) the Applicable Premium.

“Asset Acquisition” means (a) an Investment by the Company or any Restricted Subsidiary of the Company in any other Person pursuant to which such Person shall become a Restricted Subsidiary of the Company, or shall be merged with or into the Company or any Restricted Subsidiary of the Company, or (b) the acquisition by the Company or any Restricted Subsidiary of the Company of the assets of any Person (other than a Restricted Subsidiary of the Company) other than in the ordinary course of business.

“Asset Sale” means any direct or indirect sale, issuance, conveyance, transfer, lease (other than operating leases entered into in the ordinary course of business), assignment or other transfer for value (including, without limitation, dispositions pursuant to any consolidation or merger) by the Company or any of its Restricted Subsidiaries to any Person other than the Company or a Restricted Subsidiary of the Company of:

- (1) any Capital Stock of any Restricted Subsidiary of the Company, or

- (2) any other property or assets of the Company or any Restricted Subsidiary of the Company other than in the ordinary course of business;

provided, however, that Asset Sales or other dispositions shall not include:

- (a) a transaction or series of related transactions for which the Company or its Restricted Subsidiaries receive aggregate consideration of less than \$25.0 million;
- (b) the sale, lease, conveyance, disposition or other transfer of all or substantially all of the assets of the Company as permitted under Section 5.01 hereof or any disposition that constitutes a Change of Control;
- (c) the sale or discount, in each case without recourse, of accounts receivable arising in the ordinary course of business, but only in connection with the compromise or collection thereof;
- (d) disposals or replacements of obsolete equipment in the ordinary course of business;
- (e) the sale, lease, conveyance, disposition or other transfer by the Company or any Restricted Subsidiary of assets or property to one or more Restricted Subsidiaries in connection with Investments permitted under Section 4.05 hereof or pursuant to any Permitted Investment;
- (f) sales or contributions of accounts receivable, equipment and related assets (including contract rights) of the type specified in the definition of “Qualified Securitization Transaction” to a Securitization Entity for the fair market value thereof, including cash in an amount at least equal to 75% of the fair market value thereof as determined in accordance with GAAP (for the purposes of this clause (f), Purchase Money Notes shall be deemed to be cash);
- (g) a Restricted Payment that is permitted by Section 4.05 hereof;
- (h) sales, dispositions of cash or Cash Equivalents in the ordinary course of business;
- (i) the creation of a Permitted Lien (but not the sale or other disposition of the property subject to such Permitted Lien); and
- (j) the license of patents, trademarks, copyrights and know-how to third Persons in the ordinary course of business.

“**Bankruptcy Law**” means Title 11, U.S. Code or any similar federal or state law for the relief of debtors, or the law of any other jurisdiction relating to bankruptcy, insolvency, winding up, liquidation, reorganization or the relief of debtors.

“**beneficial owner**” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “**beneficially owns**” and “**beneficially owned**” have a corresponding meaning.

“**Board of Directors**” means

- (1) with respect to a corporation, the board of directors of the corporation;
- (2) with respect to a partnership, the board of directors of the general partner of the partnership; and
- (3) with respect to any other Person, the board or committee of such Person serving a similar function.

“**Board Resolution**” means, with respect to any Person, a resolution of such Person duly adopted by the Board of Directors of such Person and in full force and effect.

“**Borrowing Base**” means, as of any date, an amount equal to:

- (1) 85% of the face amount of all accounts receivable owned by the Company and its Subsidiaries as of the end of the most recent fiscal quarter preceding such date, except accounts receivable that (x) have a scheduled due date more than 120 days after their original invoice date or (y) are unpaid more than 120 days past their original invoice date or 60 days past their due date; plus
- (2) the lesser of (x) 85% of the NOLV Percentage of the book value of all inventory owned by the Company and its Subsidiaries as of the end of the most recent fiscal quarter preceding such date (other than inventory consisting of work-in-process) and (y) 80% of the book value of all inventory owned by the Company and its Subsidiaries as of the end of the most recent fiscal quarter preceding such date (other than inventory consisting of work-in-process); plus.
- (3) the least of (x) \$30,000,000, (y) 85% of the NOLV Percentage of all inventory owned by the Company and its Subsidiaries as of the end of the most recent fiscal quarter preceding such date consisting of work-in-process and (z) 80% of the book value of all inventory owned by the Company and its Subsidiaries as of the end of the most recent fiscal quarter preceding such date consisting of work-in-process; minus
- (4) applicable reserves;

provided, however, that the maximum aggregate amount of eligible Canadian collateral that may be included in determining the Borrowing Base shall not, as of any date of determination, exceed 25% of the aggregate amount of all accounts receivable and inventory owned by the Company and its Subsidiaries as of the end of the most recent fiscal quarter preceding such date.

“**Business Day**” means each day other than a Saturday, a Sunday or a day on which the Trustee or banking institutions are not required to be open in the State of New York.

“**Capital Stock**” means:

- (1) with respect to any Person that is a corporation, any and all shares, interests, participations or other equivalents (however designated and whether or not voting) of corporate stock, including each class of Common Stock and Preferred Stock, of such Person and
- (2) with respect to any Person that is not a corporation, any and all partnership or other equity interests of such Person,

in either case, excluding any debt securities convertible or exchangeable into such equity.

“**Capitalized Lease Obligations**” means, as to any Person, the obligations of such Person under a lease that are required to be classified and accounted for as capital lease obligations under GAAP and, for purposes of this definition, the amount of such obligations at any date shall be the capitalized amount of such obligations at such date, determined in accordance with GAAP.

“**Cash Equivalents**” means:

- (1) marketable direct obligations issued by or unconditionally guaranteed by, the U.S. Government or the Government of a Member State or issued by any agency thereof and backed by the full faith and credit of the United States of America or a Member State, in each case maturing within one year from the date of acquisition thereof;

- (2) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within one year from the date of acquisition thereof and, at the time of acquisition, having one of the three highest ratings obtainable from either S&P or Moody's;
- (3) commercial paper maturing no more than one year from the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 from S&P or at least P-1 from Moody's;
- (4) certificates of deposit or bankers' acceptances maturing within one year from the date of acquisition thereof issued by any bank organized under the laws of the United States of America or any state thereof or the District of Columbia or any U.S. branch of a foreign bank or by a bank organized under the laws of any foreign country recognized by the United States of America, in each case having at the date of acquisition thereof combined capital and surplus of not less than \$250.0 million (or the foreign currency equivalent thereof);
- (5) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clause (1) above entered into with any bank meeting the qualifications specified in clause (4) above; and
- (6) investments in money market funds which invest substantially all their assets in securities of the types described in clauses (1) through (5) above.

"**Certificated Note**" means a certificated Note registered in the name of the Holder thereof and issued in accordance with Section 203 of the Base Indenture, in substantially the form of Exhibit A hereto, except that such Note shall not bear the Global Note Legend and shall not have the "Schedule of Increases or Decreases in the Global Note" attached thereto.

"**Change of Control**" means the occurrence of one or more of the following events:

- (1) any sale, lease, exchange, assignment, conveyance or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company and its Restricted Subsidiaries, taken as a whole (other than a disposition of assets as an entirety or virtually as an entirety to a wholly-owned Restricted Subsidiary), to any Person or group of related Persons for purposes of Sections 13(d) and 14(d) of the Exchange Act (a "Group"), other than to the Permitted Holders;
- (2) the approval by the holders of Capital Stock of the Company of any plan or proposal for the liquidation or dissolution of the Company (whether or not otherwise in compliance with the provisions of this Indenture); or
- (3) any Person or Group (other than the Permitted Holders) shall become the beneficial owner, directly or indirectly, of shares representing more than 50% of the total ordinary voting power represented by the issued and outstanding Capital Stock of the Company.

"**Clearstream Banking**" means Clearstream Banking, société anonyme, or its nominee.

"**Company**" shall have the meaning set forth in the preamble to this Indenture.

"**Common Stock**" of any Person means any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock, whether outstanding on the Issue Date or issued after the Issue Date, and includes, without limitation, all series and classes of such common stock.

"**Consolidated EBITDA**" means, with respect to any Person, for any period, the sum (without duplication) of such Person's:

- (1) Consolidated Net Income;

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- (2) to the extent Consolidated Net Income has been reduced thereby:
- (a) all income tax expense of such Person and its Restricted Subsidiaries determined in accordance with GAAP;
 - (b) Consolidated Interest Expense;
 - (c) Consolidated Non-cash Charges less any non-cash items increasing Consolidated Net Income for such period, all as determined on a consolidated basis for such Person and its Restricted Subsidiaries in accordance with GAAP;
 - (d) [RESERVED];
 - (e) any expenses or charges related to any Equity Offering, Permitted Investment, acquisition, disposition, recapitalization or the incurrence of Indebtedness permitted to be incurred by this Indenture, including a Refinancing thereof, and any amendment or modification to the terms of any such transaction;
 - (f) any write-offs, write-downs or other non-cash charges, excluding any such charge that represents an accrual or reserve for a cash expenditure for a future period;
 - (g) the amount of any expense related to minority interests; and
 - (h) the amount of any earn out payments, contingent consideration or deferred purchase price of any kind in conjunction with acquisitions, excluding any such amount that represents an accrual or reserve for a cash expenditure for a future period; and
- (3) decreased by (without duplication) non-cash gains increasing Consolidated Net Income of such Person for such period, excluding any gains that represent the reversal of any accrual of, or cash reserve for, anticipated cash charges in any prior period (other than such cash charges that have been added back to Consolidated Net Income in calculating Consolidated EBITDA in accordance with this definition).

“Consolidated Fixed Charge Coverage Ratio” means, with respect to any Person, the ratio of Consolidated EBITDA of such Person during the four full fiscal quarters (the **“Four-Quarter Period”**) ending prior to the date of the transaction giving rise to the need to calculate the Consolidated Fixed Charge Coverage Ratio for which internal financial statements are available (the **“Transaction Date”**) to Consolidated Fixed Charges of such Person for the Four-Quarter Period. In addition to and without limitation of the foregoing, for purposes of this definition, **“Consolidated EBITDA”** and **“Consolidated Fixed Charges”** shall be calculated after giving effect on a pro forma basis for the period of such calculation to:

- (1) the incurrence or repayment of any Indebtedness or the issuance of any Designated Preferred Stock of such Person or any of its Restricted Subsidiaries (and the application of the proceeds thereof) giving rise to the need to make such calculation and any incurrence or repayment of other Indebtedness or the issuance or redemption of other Preferred Stock (and the application of the proceeds thereof), occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date, as if such incurrence or repayment or issuance or redemption, as the case may be (and the application of the proceeds thereof), had occurred on the first day of the Four-Quarter Period;
- (2) any Asset Sales or other dispositions or Asset Acquisitions (including, without limitation, any Asset Acquisition giving rise to the need to make such calculation as a result of such Person or one of its Restricted Subsidiaries (including any Person who becomes a Restricted Subsidiary as a result of the Asset Acquisition) incurring, assuming or otherwise being liable for Acquired Indebtedness and also

including any Consolidated EBITDA attributable to the assets which are the subject of the Asset Acquisition or Asset Sale or other disposition), investments, mergers, consolidations and disposed operations (as determined in accordance with GAAP) occurring during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date, as if such Asset Sale or other disposition or Asset Acquisition (including the incurrence or assumption of any such Acquired Indebtedness), investment, merger, consolidation or disposed operation occurred on the first day of the Four-Quarter Period. If such Person or any of its Restricted Subsidiaries directly or indirectly guarantees Indebtedness of a third Person, the preceding sentence shall give effect to the incurrence of such guaranteed Indebtedness as if such Person or any Restricted Subsidiary of such Person had directly incurred or otherwise assumed such other Indebtedness that was so guaranteed; and

- (3) any designation of a Restricted Subsidiary as an Unrestricted Subsidiary and any designation of an Unrestricted Subsidiary as a Restricted Subsidiary, in either case during the Four-Quarter Period or at any time subsequent to the last day of the Four-Quarter Period and on or prior to the Transaction Date.

Furthermore, in calculating “Consolidated Fixed Charges” for purposes of determining the denominator (but not the numerator) of this “Consolidated Fixed Charge Coverage Ratio”:

- (1) interest on outstanding Indebtedness determined on a fluctuating basis as of the Transaction Date and which will continue to be so determined thereafter shall be deemed to have accrued at a fixed rate per annum equal to the rate of interest on such Indebtedness in effect on the Transaction Date; and
- (2) notwithstanding clause (1) of this paragraph, interest on Indebtedness determined on a fluctuating basis, to the extent such interest is covered by agreements relating to Interest Swap Obligations, shall be deemed to accrue at the rate per annum resulting after giving effect to the operation of such agreements.

For purposes of this definition, whenever pro forma effect is to be given to an acquisition of assets, the amount of income or earnings relating thereto and the amount of Consolidated Interest Expense associated with any Indebtedness incurred in connection therewith, the pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Company. In addition, any such pro forma calculation may include adjustments appropriate, in the reasonable determination of the Company as set forth in an Officers’ Certificate, to reflect operating expense reductions reasonably expected to result from any acquisition or merger within a reasonable period of time.

“**Consolidated Fixed Charges**” means, with respect to any Person for any period, the sum of, without duplication:

- (1) Consolidated Interest Expense; plus
- (2) the product of (x) the amount of all cash dividend payments on any series of Preferred Stock of non-Guarantor Subsidiaries payable to a party other than the Company or a Wholly Owned Subsidiary times (y) a fraction, the numerator of which is one and the denominator of which is one minus the then current effective consolidated federal, state and local income tax rate of such Person, expressed as a decimal (as estimated in good faith by the chief financial officer of the Company, which estimate shall be conclusive).

“**Consolidated Interest Expense**” means, with respect to any Person for any period, the sum of, without duplication:

- (1) the aggregate of all cash and non-cash interest expense (net of interest income) with respect to all outstanding Indebtedness of such Person and its Restricted Subsidiaries, including the net costs or benefits associated with Interest Swap Obligations, for such period determined on a consolidated basis in conformity with GAAP, but excluding (i) amortization or write-off of debt issuance costs, deferred financing or liquidity fees, commissions, fees and expenses, (ii) any expensing of bridge, commitment and other financing fees, and (iii) commissions and discounts related to any Qualified Securitization Transaction;

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- (2) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period;
 - (3) the interest component of Capitalized Lease Obligations paid, accrued and/or scheduled to be paid or accrued by such Person and its Restricted Subsidiaries during such period as determined on a consolidated basis in accordance with GAAP;
 - (4) dividends declared and paid in cash or Disqualified Stock in respect of Disqualified Stock, excluding dividends payable in Qualified Stock; and
 - (5) interest accruing on any Indebtedness of any other Person (other than a Subsidiary) to the extent such Indebtedness is guaranteed by (or secured by the assets of) the Company or any Restricted Subsidiary and such Indebtedness is accelerated or any payment is actually made in respect of such Guarantee.

“*Consolidated Net Income*” means, for any period, the aggregate net income (or loss) of the Company and its Restricted Subsidiaries for such period on a consolidated basis, determined in accordance with GAAP; *provided* that there shall be excluded therefrom to the extent otherwise included, without duplication:

- (1) gains and losses from Asset Sales (without regard to the \$25.0 million limitation set forth in the definition thereof) and the related tax effects according to GAAP;
- (2) the net income (or loss) from disposed or discontinued operations or any net gains or losses on disposal of disposed or discontinued operations, and the related tax effects according to GAAP;
- (3) the net income of any Restricted Subsidiary of the Company (other than a Guarantor) to the extent that the declaration of dividends or similar distributions by that Restricted Subsidiary of the Company of that income is not at the date of determination wholly permitted without any prior governmental approval (which has not been obtained) or, directly or indirectly, by the operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule, or governmental regulation applicable to that Restricted Subsidiary or its stockholders, unless such restriction with respect to the payment of dividends or similar distributions has been legally waived; *provided* that Consolidated Net Income of the Company will be increased by the amount of dividends or other distributions or other payments actually paid in cash (or to the extent converted into cash) to the Company or a Restricted Subsidiary thereof in respect of such period, to the extent not already included therein;
- (4) the net loss of any Person, other than the Company or a Restricted Subsidiary of the Company;
- (5) any non-cash compensation charges and deferred compensation charges (other than any Consolidated Non-cash Charges), including any arising from existing stock options resulting from any merger or recapitalization transaction; *provided, however*, that Consolidated Net Income for any period shall be reduced by any cash payments made during such period by such Person in connection with any such deferred compensation (but only to the extent that the Company incurred a non-cash compensation or deferred compensation charge after the Issue Date relating to such deferred compensation, and such charge was excluded from Consolidated Net Income in accordance with this clause (5)), whether or not such reduction is in accordance with GAAP;
- (6) all extraordinary, unusual or non-recurring charges, gains and losses (including, without limitation, all restructuring costs, facilities relocation costs, acquisition integration costs and fees, including cash severance payments made in connection with acquisitions, and any expense or charge related to the repurchase of Capital Stock or warrants or options to purchase Capital Stock), and the related tax effects according to GAAP;

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- (7) inventory purchase accounting adjustments and amortization and impairment charges resulting from other purchase accounting adjustments in connection with acquisition transactions; and
 - (8) the net income of any Person, other than a Restricted Subsidiary of the Company, except to the extent of cash dividends or distributions paid to the Company or a Restricted Subsidiary of the Company by such Person.

“**Consolidated Non-cash Charges**” means, with respect to any Person, for any period, the aggregate depreciation, depletion, amortization and other non-cash charges, impairments and expenses of such Person and its Restricted Subsidiaries reducing Consolidated Net Income of such Person and its Restricted Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP (excluding any such charges that require an accrual of or a reserve for cash payments for any future period).

“**Corporate Trust Office of the Trustee**” shall be at the address of the Trustee specified in Section 11.02 hereof, or such other address as to which the Trustee may give notice to the Company.

“**Currency Agreement**,” with respect to any specified Person, means any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect such specified Person against fluctuations in currency values, so long as any such agreement has been entered into in the ordinary course of business and not for purposes of speculation.

“**Custodian**” means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.02(a) as Custodian with respect to the Notes, which shall hold the Notes for and on behalf of the Depositary, and any and all successors thereto appointed as custodian hereunder and having become such pursuant to the applicable provisions of this Indenture.

“**Debt Facility**” means the Credit Agreement dated as of December 5, 2013, as amended as of November 3, 2015, among the Company, certain of the Company’s domestic subsidiaries, as borrowers and guarantors, a syndicate of financial institutions party thereto, SunTrust Bank, as administrative agent and swingline lender, and SunTrust Robinson Humphrey, Inc. and U.S. Bank National Association as joint lead arrangers and bookrunners, together with the related instruments, documents and agreements thereto (including, without limitation, any notes, letters of credit, guarantee agreements and security documents), and any amendments, supplements, modifications, extensions, replacements, renewals, restatements, refundings or refinancings thereof and any indentures or credit facilities or commercial paper facilities with banks or other institutional lenders or investors that extend, replace, refund, refinance, renew or defease any part of the loans, notes, other credit facilities or commitments thereunder, including any such replacement, refunding or refinancing facility or indenture that increases the amount borrowable thereunder or alters the maturity thereof (*provided* that such increase shall be subject to Section 4.07 hereof).

“**Default**” means an event or condition the occurrence of which is, or with the lapse of time or the giving of notice or both would be, an Event of Default.

“**Depositary**” means, with respect to the Notes issuable or issued in whole or in part in global form, the Person specified in Section 2.02(b) hereof as the Depositary with respect to the Notes, which shall hold the Notes for and on behalf of the Depositary and any and all successors thereto appointed as depositary hereunder and having become such pursuant to the applicable provisions of this Indenture.

“**Designated Non-cash Consideration**” means the fair market value of any non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is designated as Designated Non-cash Consideration pursuant to an Officers’ Certificate executed by the principal financial officer and any of the other executive officers of the Company or such Restricted Subsidiary at the time of such Asset Sale. Any particular item of Designated Non-cash Consideration will cease to be considered to be outstanding once it has been sold for cash or Cash Equivalents.

“**Designated Preferred Stock**” means Preferred Stock that is so designated as Designated Preferred Stock (other than Disqualified Capital Stock) pursuant to an Officers’ Certificate executed by the principal financial officer and any of the other executive officers of the Company, on the issuance date thereof, the cash proceeds of which are excluded from the calculation set forth in clause (iii)(B) of Section 4.05(a) hereof.

“Disqualified Capital Stock” means, with respect to any Person, any Capital Stock which by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable at the option of the holder) or upon the happening of any event:

- (1) matures or is mandatorily redeemable (other than redeemable only for Capital Stock of such Person which is not itself Disqualified Stock) pursuant to a sinking fund obligation or otherwise;
- (2) is convertible or exchangeable at the option of the holder for Indebtedness or Disqualified Stock (excluding Capital Stock which is convertible or exchangeable solely at the option of the Company or a Restricted Subsidiary (it being understood that upon such conversion or exchange it shall be an incurrence of such Indebtedness or Disqualified Capital Stock)); or
- (3) is mandatorily redeemable or must be purchased upon the occurrence of certain events or otherwise, in whole or in part;

in each case on or prior to the final maturity date of the Notes; *provided, however*, that any Capital Stock that would not constitute Disqualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to purchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the final maturity date of the Notes shall not constitute Disqualified Capital Stock if:

- (i) the “asset sale” or “change of control” provisions applicable to such Capital Stock are not more favorable to the holders of such Capital Stock than the terms applicable to the Notes and described in Sections 4.08 and 4.11 hereof and such purchase or redemption complies with Section 4.05 hereof; and
- (ii) any such requirement only becomes operative after compliance with such terms applicable to the Notes, including the purchase of any Notes tendered pursuant thereto.

The amount of any Disqualified Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were redeemed, repaid or repurchased on any date on which the amount of such Disqualified Stock is to be determined pursuant to this Indenture; *provided, however*, that if such Disqualified Capital Stock could not be required to be redeemed, repaid or repurchased at the time of such determination, the redemption, repayment or repurchase price will be the book value of such Disqualified Capital Stock as reflected in the most recent internal financial statements of such Person.

“Domestic Restricted Subsidiary” means any direct or indirect Restricted Subsidiary of the Company that is incorporated under the laws of the United States of America, any State thereof or the District of Columbia.

“Equity Offering” means any offering of Qualified Capital Stock of the Company, other than (1) public offerings with respect to the Company’s Qualified Capital Stock registered on Form S-4 or S-8, (2) an issuance to any Subsidiary or (3) any offering of Qualified Capital Stock issued in connection with a transaction that constitutes a Change of Control.

“ERISA” means the Employee Retirement Income Security Act of 1974 and all regulations issued pursuant thereto.

“Euroclear” means Euroclear Bank S.A./N.V.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, or any successor statute or statutes thereto.

“**Existing Indenture**” means the indenture, dated as of March 8, 2010, as supplemented from time to time, among the Company, the Guarantors party thereto and Wells Fargo Bank, National Association, as trustee, providing for the issuance of the Existing Senior Subordinated Notes.

“**Existing Senior Subordinated Notes**” means the Company’s outstanding \$400.0 million 8.25% Senior Subordinated Notes due 2018 and the related guarantees issued under the Existing Indenture.

“**fair market value**” means, with respect to any asset or property, the price which could be negotiated in an arm’s-length, free market transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction. Fair market value shall be determined by the Board of Directors of the Company acting reasonably and in good faith.

“**Foreign Restricted Subsidiary**” means any Restricted Subsidiary of the Company that is not a Domestic Restricted Subsidiary.

“**GAAP**” means generally accepted accounting principles in the United States set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States of America, as in effect as of the Issue Date.

“**Global Note**” means the global Note representing the Notes in registered global form substantially in the form of Exhibit A hereto issued in accordance with Article 2 hereof.

“**Global Note Legend**” means the legend set forth in the forms of Note attached hereto as Exhibit A, which is required to be placed on all Global Notes issued under this Indenture.

“**Guarantee**” means:

- (1) the guarantee of the Notes by Domestic Restricted Subsidiaries of the Company in accordance with the terms of this Indenture; and
- (2) the guarantee of the Notes by any Restricted Subsidiary required under the terms of Section 4.13 hereof.

“**Guarantor**” means any Restricted Subsidiary that provides a Guarantee of the Notes, under this Indenture and its permitted successors and assigns; *provided* that upon the release or discharge of such Restricted Subsidiary from its Guarantee in accordance with this Indenture, such Restricted Subsidiary shall cease to be a Guarantor.

“**Hedging Agreement**” means, with respect to any Person, any agreement with respect to the hedging of price risk associated with the purchase of commodities used in the business of such Person, so long as any such agreement has been entered into in the ordinary course of business and not for purposes of speculation.

“**Holder**” means a Person in whose name a Note is registered.

“**Indebtedness**” means with respect to any Person, at any date of determination, without duplication:

- (1) all Obligations of such Person for borrowed money;
- (2) all Obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all Capitalized Lease Obligations of such Person;

- (4) all Obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale obligations and all Obligations under any title retention agreement (but excluding trade accounts payable and other accrued liabilities arising in the ordinary course of business);
- (5) all Obligations for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction;
- (6) guarantees and other contingent obligations in respect of Indebtedness referred to in clauses (1) through (5) above and clause (8) below;
- (7) all Obligations of any other Person of the type referred to in clauses (1) through (6) which are secured by any Lien on any property or asset of such Person, the amount of such Obligation being deemed to be the lesser of the fair market value of such property or asset and the amount of the Obligation so secured;
- (8) all Obligations under Currency Agreements and Interest Swap Obligations of such Person; and
- (9) all Disqualified Capital Stock issued by such Person, or, with respect to any non-Guarantor Subsidiary, any Preferred Stock, with the amount of Indebtedness represented by such Disqualified Capital Stock or Preferred Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price, but excluding accrued dividends, if any, if and to the extent any of the preceding items (other than letters or credit) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP.

Notwithstanding the foregoing, the term "Indebtedness" will exclude:

- (i) in connection with the purchase by the Company or any Restricted Subsidiary of any business, post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 60 days thereafter;
- (ii) any liability for federal, state, local or other taxes;
- (iii) worker's compensation claims, self-insurance obligations, performance, surety, appeal and similar bonds and completion guarantees provided in the ordinary course of business;
- (iv) obligations arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business, *provided* that such Indebtedness is extinguished within two Business Days of its incurrence; and
- (v) any Indebtedness defeased or called for redemption.

For purposes hereof, the "maximum fixed repurchase price" of any Disqualified Capital Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Capital Stock as if such Disqualified Capital Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Capital Stock, such fair market value shall be determined reasonably and in good faith by the Board of Directors of the issuer of such Disqualified Capital Stock. For the purposes of calculating the amount of Indebtedness of a Securitization Entity outstanding as of any date, the face or notional amount of any interest in receivables or equipment that is outstanding as of such date shall be deemed to be Indebtedness of the Securitization Entity but any such interests held by Affiliates of such Securitization Entity shall be excluded for purposes of such calculation.

“**Indirect Participant**” means a Person who holds a beneficial interest in a Global Note through a Participant.

“**Initial Notes**” shall have the meaning set forth in Section 1.01(b) hereof.

“**Interest Payment Dates**” shall have the meaning set forth in paragraph 1 of the Notes.

“**Interest Swap Obligations**” means the obligations of any Person pursuant to any arrangement with any other Person, whereby directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same notional amount and shall include, without limitation, interest rate swaps, options, caps, floors, collars and similar agreements.

“**Investment**” means, with respect to any Person, any direct or indirect loan or other extension of credit (including, without limitation, a guarantee) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition by such Person of any Capital Stock, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any Person. “Investment” shall exclude extensions of trade credit by the Company and its Restricted Subsidiaries in accordance with normal trade practices of the Company or such Restricted Subsidiary, as the case may be. Except as otherwise provided herein, the amount of an Investment shall be its fair market value at the time the Investment is made and without giving effect to subsequent changes in its fair market value.

“**Investment Grade Rating**” means a rating equal to or higher than Baa3 (or the equivalent) by Moody’s and BBB- (or the equivalent) by S&P, or an equivalent rating by any other Rating Agency.

“**Issue Date**” means November 9, 2015.

“**Legal Holiday**” means a Saturday, Sunday or a day on which banking institutions in the city of New York, the city in which the Corporate Trust Office of the Trustee is located or any other place of payment on the Notes are authorized by law, regulation or executive order to remain closed.

“**Lien**” means any lien, mortgage, deed of trust, pledge, security interest, charge, preference, priority or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof and any agreement to give any security interest); *provided* that in no event shall an operating lease be deemed to constitute a Lien.

“**Marketable Securities**” means publicly traded debt or equity securities that are listed for trading on a national securities exchange and that were issued by a corporation whose debt securities are rated in one of the three highest rating categories by either S&P or Moody’s.

“**Moody’s**” means Moody’s Investors Service, Inc. and any successor to its rating agency business.

“**Net Cash Proceeds**” means, with respect to any Asset Sale, the proceeds in the form of cash or Cash Equivalents including payments in respect of deferred payment obligations when received in the form of cash or Cash Equivalents (other than the portion of any such deferred payment constituting interest) received by the Company or any of its Restricted Subsidiaries from such Asset Sale net of:

- (1) reasonable out-of-pocket expenses and fees relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees and sales commissions and title and recording tax expenses);
- (2) all Federal, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Sale;

- (3) appropriate amounts to be provided by the Company or any Restricted Subsidiary, as the case may be, as a reserve, in accordance with GAAP against any liabilities associated with such Asset Sale and retained by the Company or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale;
- (4) all distributions and other payments required to be made to minority interest holders in Restricted Subsidiaries as a result of such Asset Sale; and
- (5) all payments made on any Indebtedness which is secured by any assets subject to such Asset Sale, in accordance with the terms of any Lien upon or other security agreement of any kind with respect to such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Sale, or by applicable law, be repaid out of the proceeds from such Asset Sale.

“**NOLV Percentage**” shall mean the fraction, expressed as a percentage, (a) the numerator of which is the amount equal to the value that is estimated to be recoverable in an orderly liquidation of inventory that is the subject of a qualified appraisal, as determined from time to time in a qualified appraisal, net of all liquidation costs, discounts and expenses and (b) the denominator of which is the applicable value of the inventory that is the subject of such qualified appraisal.

“**Obligations**” means all obligations for principal, premium, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

“**Officer**” means the Chairman of the Board, Chief Executive Officer, the President, the Chief Financial Officer, the Treasurer, Executive Vice President, Senior Vice President, the principal accounting officer, the Secretary, or any Assistant Secretary, any Executive Vice President, Senior Vice President or Vice President of the Company.

“**Officers’ Certificate**” means a certificate, in form and substance reasonably satisfactory to the Trustee, signed by two Officers of the Company, at least one of whom shall be the principal executive officer, the Treasurer, Executive Vice President, Senior Vice President, the principal accounting officer, or principal financial officer of the Company, and delivered to the Trustee.

“**Opinion of Counsel**” means a written opinion from legal counsel (which Opinion of Counsel shall reasonably be acceptable to the Trustee and shall meet the requirements of Section 102 of the Base Indenture hereof). Counsel may be an employee of or counsel to the Company or other counsel reasonably acceptable to the Trustee.

“**Participant**” means, with respect to any Depository, a Person who is a participant of or has an account with such Depository (and, with respect to DTC, shall include Euroclear and Clearstream Banking).

“**Paying Agent**” means Wells Fargo Bank, National Association, until it resigns or is replaced in accordance with Section 2.02 and thereafter means its successor.

“**Permitted Business**” means any business (including stock or assets) that derives a majority of its revenues from the business engaged in by the Company and its Restricted Subsidiaries on the Issue Date, any other business in the consumer products industry and/or activities that are reasonably similar, ancillary or related to, or a reasonable extension, development or expansion of, the businesses in which the Company and its Restricted Subsidiaries are engaged on the Issue Date or any business in the consumer products industry.

“**Permitted Holders**” means (i) William E. Brown, (ii) the spouse or lineal descendants of William E. Brown or (iii) any corporation, limited liability company, partnership, trust or other entity, the controlling equity interests in which are held by or for the benefit of William E. Brown and/or his spouse or lineal descendants.

“*Permitted Indebtedness*” means, without duplication, each of the following:

- (1) Indebtedness under the Notes (other than any Additional Notes) and the related Guarantees;
- (2) Indebtedness of the Company or any of its Restricted Subsidiaries incurred pursuant to the Debt Facility in an aggregate principal amount at any time outstanding not to exceed the greater of:
 - (i) \$40.0 million less:
 - (A) the aggregate amount of Indebtedness of Securitization Entities at the time outstanding in excess of \$100.0 million;
 - (B) the amount of all mandatory principal payments actually made by the Company or any such Restricted Subsidiary since the Issue Date with the Net Cash Proceeds of an Asset Sale in respect of term loans under the Debt Facility (excluding any such payments to the extent refinanced at the time of payment and any payments on the term loans as a result of this offering); and
 - (C) further reduced by any repayments of revolving credit borrowings under the Debt Facility with the Net Cash Proceeds of an Asset Sale that are accompanied by a corresponding commitment reduction thereunder; and
 - (ii) *provided* that the Company has an asset-based Debt Facility, the Borrowing Base as of the date of such incurrence.
- (3) other Indebtedness of the Company and its Restricted Subsidiaries outstanding on the Issue Date and not described in clauses (1) and (2) above and clauses (5), (6) and (9) below;
- (4) Interest Swap Obligations of the Company or any of its Restricted Subsidiaries covering Indebtedness of the Company or any of its Restricted Subsidiaries; *provided* that any Indebtedness to which any such Interest Swap Obligations correspond is otherwise permitted to be incurred under this Indenture; *provided, further,* that such Interest Swap Obligations are entered into, in the reasonable judgment of the Company, to protect the Company or any of its Restricted Subsidiaries from fluctuation in interest rates on its outstanding Indebtedness;
- (5) Indebtedness of the Company or any Restricted Subsidiary under Hedging Agreements and Currency Agreements;
- (6) the incurrence by the Company or any of its Restricted Subsidiaries of intercompany Indebtedness between or among the Company and any such Restricted Subsidiaries; *provided, however,* that
 - (a) if the Company or any Guarantor is the obligor on such Indebtedness owing to a non-Guarantor, such Indebtedness must be expressly subordinated to the prior payment in full in cash of all Obligations with respect to the Notes, and
 - (b) (1) any subsequent issuance or transfer of Capital Stock that results in any such Indebtedness being held by a person other than the Company or a Restricted Subsidiary thereof and (2) any sale or other transfer of any such Indebtedness to a Person that is not either the Company or a Restricted Subsidiary thereof (other than in either case by way of granting a Lien permitted under this Indenture or in connection with the exercise of remedies by a secured creditor) shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, that was not permitted by this clause (6);

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- (7) Indebtedness (including Capitalized Lease Obligations) incurred by the Company or any of its Restricted Subsidiaries to finance the purchase, lease or improvement of property (real or personal), plant, or equipment (whether through the direct purchase of assets or the Capital Stock of any person owning such assets) in an aggregate principal amount outstanding not to exceed \$75.0 million;
 - (8) Refinancing Indebtedness (other than Refinancing Indebtedness with respect to Indebtedness incurred pursuant to clauses (2), (6), (7), (10), (11), (12), (14), (15) and (16) of this definition);
 - (9) guarantees by the Company and its Restricted Subsidiaries of each other's Indebtedness; *provided* that such Indebtedness is permitted to be incurred under this Indenture;
 - (10) Indebtedness arising from agreements of the Company or a Restricted Subsidiary of the Company providing for indemnification, adjustment of purchase price, earn out or other similar obligations, in each case, incurred or assumed in connection with the disposition or acquisition of any business, assets or a Restricted Subsidiary of the Company, other than guarantees of Indebtedness incurred by any Person acquiring of all or any portion of such business, assets or Restricted Subsidiary for the purpose of financing such acquisition; *provided* that in the case of a disposition, the maximum assumable liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by the Company and its Restricted Subsidiaries in connection with such disposition;
 - (11) obligations in respect of performance and surety bonds and completion guarantees provided by the Company or any Restricted Subsidiary of the Company in the ordinary course of business;
 - (12) (i) the incurrence by a Securitization Entity of Indebtedness in a Qualified Securitization Transaction that is nonrecourse to the Company or any Subsidiary of the Company (except for Standard Securitization Undertakings); and (ii) the incurrence of Indebtedness in a Qualified Securitization Transaction;
 - (13) Indebtedness incurred in connection with the acquisition of a Permitted Business or as a result of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary; *provided* that on the date of the incurrence of such Indebtedness, after giving effect to the incurrence thereof and the use of proceeds therefrom, either
 - (a) the Company would be permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Consolidated Fixed Charge Coverage Ratio or
 - (b) the Consolidated Fixed Charge Coverage Ratio of the Company would be (x) equal to or greater than 1.75 to 1 and (y) greater than the Consolidated Fixed Charge Coverage Ratio of the Company immediately prior to the incurrence of such Indebtedness;
 - (14) additional Indebtedness of the Company and its Restricted Subsidiaries (which amount may, but need not, be incurred in whole or in part under a credit facility) in an aggregate principal amount that does not exceed \$75.0 million at any one time outstanding;
 - (15) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within five Business Days of incurrence; and
 - (16) Indebtedness of the Company or any of its Restricted Subsidiaries represented by letters of credit for the account of the Company or such Restricted Subsidiary, as the case may be, issued in the ordinary course of business of the Company or such Restricted Subsidiary, in order to provide security for workers' compensation claims or payment obligations in connection with

self- insurance or similar requirements in the ordinary course of business and other Indebtedness with respect to workers' compensation claims, self-insurance obligations, performance, surety and similar bonds and completion guarantees provided by the Company or any Restricted Subsidiary of the Company in the ordinary course of business.

For purposes of determining compliance with Section 4.07 hereof, in the event that an item of Indebtedness meets the criteria of more than one of the categories of Permitted Indebtedness described in clauses (1) through (16) above or is entitled to be incurred pursuant to the Consolidated Fixed Charge Coverage Ratio provisions of such covenant, the Company shall, in its sole discretion, divide and classify (or later redivide and reclassify) such item of Indebtedness in any manner that complies with such covenant; *provided* that all Indebtedness incurred under clause (2) of the definition of Permitted Indebtedness shall be deemed incurred under clause (2) of the definition of Permitted Indebtedness and not the Consolidated Fixed Charge Coverage Ratio provisions of Section 4.07 or clause (3) of the definition of Permitted Indebtedness and may not later be reclassified. In addition, for purposes of compliance with Section 4.07 hereof: (1) if obligations in respect of letters of credit are incurred pursuant to a Debt Facility and relate to other Indebtedness, then such letters of credit shall be treated as incurred pursuant to clause (2) of the definition of Permitted Indebtedness and such other Indebtedness shall not be included and (2) except as provided above, guarantees of, or obligations in respect of letters of credit relating to, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included. Accrual of interest, accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Capital Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Capital Stock or Preferred Stock will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Capital Stock or Preferred Stock for purposes of Section 4.07 hereof.

For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar-equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred, in the case of term Indebtedness, or first committed, in the case of revolving credit Indebtedness; *provided* that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. Notwithstanding any other provision of Section 4.07 hereof, the maximum amount of Indebtedness that the Company may incur pursuant to Section 4.07 shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

"Permitted Investments" means:

- (1) Investments by the Company or any Restricted Subsidiary of the Company in any Restricted Subsidiary of the Company (other than a Restricted Subsidiary of the Company in which an Affiliate of the Company that is not a Restricted Subsidiary of the Company holds a minority interest) (whether existing on the Issue Date or created thereafter) or any other Person (including by means of any transfer of cash or other property) if as a result of such Investment such other Person shall become a Restricted Subsidiary of the Company (other than a Restricted Subsidiary of the Company in which an Affiliate of the Company that is not a Restricted Subsidiary of the Company holds a minority interest) or that will merge with or consolidate into the Company or a Restricted Subsidiary of the Company and Investments in the Company by the Company or any Restricted Subsidiary of the Company, in each case, other than a Securitization Entity;
- (2) Investments in cash and Cash Equivalents;

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- (3) loans and advances (including payroll, travel and similar advances) to employees and officers of the Company and its Restricted Subsidiaries for bona fide business purposes incurred in the ordinary course of business or consistent with past practice or to fund such person's purchase of Capital Stock of the Company pursuant to compensatory plans approved by the Board of Directors in good faith;
 - (4) Currency Agreements, Hedging Agreements and Interest Swap Obligations entered into in the ordinary course of business and otherwise in compliance with this Indenture;
 - (5) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers or in good faith settlement of delinquent obligations of such trade creditors or customers;
 - (6) Investments received in compromise or resolution of litigation, arbitration or other disputes with persons who are not Affiliates;
 - (7) Investments made by the Company or its Restricted Subsidiaries as a result of consideration received in connection with an Asset Sale made in compliance with Section 4.08 hereof;
 - (8) Investments existing on the Issue Date;
 - (9) accounts receivable or notes receivable created or acquired in the ordinary course of business;.
 - (10) guarantees by the Company or a Restricted Subsidiary of the Company permitted to be incurred under this Indenture;
 - (11) additional Investments having an aggregate fair market value, taken together with all other Investments made pursuant to this clause (11) that are at that time outstanding, not to exceed the greater of (A) \$75.0 million and (B) 7.5% of the Company's Total Assets;
 - (12) any Investment by the Company or a Subsidiary of the Company in a Securitization Entity or any Investment by a Securitization Entity in any other Person in connection with a Qualified Securitization Transaction; *provided* that any Investment in a Securitization Entity is in the form of a Purchase Money Note or an equity interest;
 - (13) purchases or redemptions of Indebtedness of the Company and its Restricted Subsidiaries (other than Subordinated Indebtedness);
 - (14) Investments the payment for which consists exclusively of Qualified Capital Stock of the Company;
 - (15) any Investment in any Person to the extent it consists of prepaid expenses, negotiable instruments held for collection and lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business; and
 - (16) the redemption or repurchase of the Existing Senior Subordinated Notes.

"Permitted Liens" means:

- (1) Liens in favor of the Company or any Restricted Subsidiary (other than a Securitization Entity);
- (2) Liens on property of a Person existing at the time such Person is merged with or into or consolidated with the Company or any of its Restricted Subsidiaries; *provided* that such Liens were in existence prior to the contemplation of such merger or consolidation and do not extend to any assets other than those of the Person merged into or consolidated with the Company or the Restricted Subsidiary;

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- (3) Liens on property (including Capital Stock) existing at the time of acquisition of the property by the Company or any of its Restricted Subsidiaries *provided* that such Liens were in existence prior to the contemplation of such acquisition and do not extend to any property other than that acquired;
 - (4) Liens to secure the performance of statutory obligations, surety or appeal bonds, performance bonds or other obligations of a like nature incurred in the ordinary course of business;
 - (5) Liens to secure Indebtedness (including Capitalized Lease Obligations) permitted by clause (7) and (13) of the definition of "Permitted Indebtedness" *provided* that Liens securing Indebtedness permitted to be incurred pursuant to clause (13) are solely on acquired property or the assets of the acquired entity, as the case may be;
 - (6) Liens existing on the Issue Date (other than Liens in favor of the lenders under the Debt Facility);
 - (7) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded, *provided* that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor;
 - (8) Liens on (i) the assets of a Securitization Entity securing Indebtedness owing by any Securitization Entity pursuant to any Qualified Securitization Transaction and (ii) any right, title and interest of any originator in any equipment or assets transferred or intended to be transferred by such originator pursuant to the documents entered into in connection with a Qualified Securitization Transaction;
 - (9) (i) Liens securing Indebtedness permitted to be incurred under any Debt Facility, including any letter of credit facility relating thereto, that was permitted by clause (2) of the definition of Permitted Indebtedness and (ii) other Liens securing Indebtedness so long as on a pro forma basis after giving effect to the incurrence of such Indebtedness, the Secured Net Leverage Ratio (calculated assuming all the commitments relating to the revolving credit tranche of any Debt Facility have been fully drawn; *provided, however,* that if any such commitments are subject to a borrowing base, the Secured Net Leverage Ratio will be calculated assuming all commitments subject to such borrowing base have been fully drawn) would not exceed 3.00 to 1.00;
 - (10) Liens upon specific items of inventory or other goods and proceeds of any Persons securing such Person's obligations in respect of bankers' acceptances issued or created for the account of such Person to facilitate the purchase, shipment or storage of such inventory or other goods;
 - (11) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business for amounts which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;
 - (12) any pledges or deposits in the ordinary course of business in connection with workers' compensation, employment and unemployment insurance and other social security legislation, other than any Lien imposed by ERISA;
 - (13) deposits to secure the performance of bids, trade contracts and leases (other than Indebtedness), statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, or arising as a result of process payments under government contracts to the extent required or imposed by applicable laws, all to the extent incurred in the ordinary course of business;

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- (14) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the real property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person conducted and proposed to be conducted at such real property;
 - (15) financing statements with respect to a lessor's rights in and to personal property leased to such Person in the ordinary course of such Person's business;
 - (16) Liens granted by a Subsidiary in favor of a licensor under any intellectual property license agreement entered into by such Subsidiary, as licensee, in the ordinary course of such Subsidiary's business; *provided* that (i) such Liens do not encumber any property other than the intellectual property licensed by such Subsidiary pursuant to the applicable license agreement and the property manufactured or sold by such Subsidiary utilizing such intellectual property and (ii) the value of the property subject to such Liens does not, at any time, exceed \$10.0 million;
 - (17) Liens securing the Notes and the Guarantees;
 - (18) Liens securing Refinancing Indebtedness in respect of Indebtedness secured by Liens permitted by clauses (2) and (6) of this definition; *provided* that such Liens do not extend to any property other than the property which secured the Indebtedness so Refinanced;
 - (19) Liens securing trust funds deposited with the trustee under the Existing Indenture in an amount required to, and solely for the purpose of, discharging the Existing Indenture in accordance with the terms thereof; and
 - (20) Liens securing Indebtedness or other Obligations of the Company or any Restricted Subsidiary of the Company with respect to Obligations that do not exceed \$50.0 million at any time outstanding.

"Person" means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Preferred Stock" of any Person means any Capital Stock of such Person that has preferential rights to any other Capital Stock of such Person with respect to dividends or redemptions or upon liquidation.

"Productive Assets" means assets (including Capital Stock) that are used or usable by the Company and its Restricted Subsidiaries in Permitted Businesses.

"Purchase Money Note" means a promissory note of a Securitization Entity evidencing a line of credit, which may be irrevocable, from the Company or any Subsidiary of the Company in connection with a Qualified Securitization Transaction to a Securitization Entity, which note shall be repaid from cash available to the Securitization Entity other than amounts required to be established as reserves pursuant to agreements, amounts paid to investors in respect of interest and principal and amounts paid in connection with the purchase of newly generated receivables.

"Qualified Capital Stock" means any Capital Stock that is not Disqualified Capital Stock.

"Qualified Proceeds" means assets that are used or useful in, or Capital Stock of any Person engaged in, a Permitted Business; *provided* that the fair market value of any such assets or Capital Stock shall be determined by the Board of Directors of the Company in good faith.

“Qualified Securitization Transaction” means any transaction or series of transactions that may be entered into by the Company or any of its Restricted Subsidiaries pursuant to which the Company or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to:

- (1) a Securitization Entity (in the case of a transfer by the Company or any of its Restricted Subsidiaries); and
- (2) any other Person (in the case of a transfer by a Securitization Entity),

or may grant a security interest in any accounts receivable or equipment (whether now existing or arising or acquired in the future) of the Company or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all collateral securing such accounts receivable and equipment, all contracts and contract rights and all guarantees or other obligations in respect of such accounts receivable and equipment, proceeds of such accounts receivable and equipment and other assets (including contract rights) which are customarily transferred or in respect of which security interests are customarily granted in connection with assets securitization transactions involving accounts receivable and equipment.

“Rating Agencies” means Moody’s and S&P or if Moody’s or S&P or both shall not make a rating on the notes publicly available, a nationally recognized statistical rating agency or agencies, as the case may be, selected by the Company that shall be substituted for Moody’s or S&P or both, as the case may be.

“Refinance” means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in exchange or replacement for, such security or Indebtedness in whole or in part. **“Refinanced”** and **“Refinancing”** shall have correlative meanings.

“Refinancing Indebtedness” means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Restricted Subsidiaries (other than intercompany Indebtedness); *provided that*:

- (1) the principal amount (or accreted value, if applicable) of such Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all Required Premiums and expenses incurred in connection therewith);
- (2) such Refinancing Indebtedness has a final maturity date the same as or later than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;
- (3) if the Indebtedness being refinanced is subordinated in right of payment to the Notes or the Guarantees, such Refinancing Indebtedness is subordinated in right of payment to the Notes or the Guarantees on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced defeased or refunded; and
- (4) Refinancing Indebtedness shall not include Indebtedness of a non-Guarantor Subsidiary that refinances Indebtedness of the Company or a Guarantor.

“Registrar” means the “Security Registrar” as defined in Section 305 of the Base Indenture.

“Regular Record Date” for the interest payable on any Interest Payment Date, means the applicable date specified as a “Record Date” on the face of the Note.

“**Responsible Officer**,” when used with respect to the Trustee, means any officer (including any Vice President, Assistant Vice President, Assistant Treasurer or Trust Officer) within the Corporate Trust Department of the Trustee (or any successor group of the Trustee) with direct responsibility for the administration of this Indenture and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his or her knowledge of and familiarity with the particular subject.

“**Restricted Subsidiary**” of any Person means any Subsidiary of such Person which at the time of determination is not an Unrestricted Subsidiary.

“**S&P**” means Standard & Poor’s Ratings Services and any successor to its rating agency business.

“**Sale and Leaseback Transaction**” means any direct or indirect arrangement with any Person or to which any such Person is a party providing for the leasing to the Company or a Restricted Subsidiary of any property, whether owned by the Company or any Restricted Subsidiary at the Issue Date or later acquired, which has been or is to be sold or transferred by the Company or such Restricted Subsidiary to such Person or to any other Person from whom funds have been or are to be advanced by such Person on the security of such property.

“**SEC**” means the U.S. Securities and Exchange Commission.

“**Secured Debt**” means any Indebtedness of the Company or any of its Restricted Subsidiaries secured by a Lien.

“**Secured Net Leverage Ratio**” means, with respect to any Person as of any date of determination, the ratio of (x) the total Secured Debt of such Person and its Restricted Subsidiaries as of the end of the most recent Four-Quarter Period for which internal financial statements are available (on a pro forma basis reflecting any incurrence of Indebtedness and repayment of Indebtedness made on such date), less the aggregate amount of unrestricted cash and cash equivalents on such determination date, to (y) the Consolidated EBITDA of such Person for the then most recent Four-Quarter Period for which internal financial statements are available, in each case, with such pro forma adjustments to the amount of total Secured Debt and Consolidated EBITDA as are appropriate and consistent with the pro forma adjustment provisions set forth in the definition of Consolidated Fixed Charge Coverage Ratio.

“**Securities Act**” means the Securities Act of 1933, as amended.

“**Securitization Entity**” means a Wholly Owned Subsidiary of the Company (or another Person in which the Company or any Restricted Subsidiary of the Company makes an Investment and to which the Company or any Restricted Subsidiary of the Company transfers accounts receivable or equipment and related assets) which engages in no activities other than in connection with the financing of accounts receivable or equipment and which is designated by the Board of Directors of the Company (as provided below) as a Securitization Entity:

- (1) no portion of the Indebtedness or any other Obligations (contingent or otherwise) of which:
 - (a) is guaranteed by the Company or any Restricted Subsidiary of the Company (excluding guarantees of Obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings);
 - (b) is recourse to or obligates the Company or any Restricted Subsidiary of the Company in any way other than pursuant to Standard Securitization Undertakings; or
 - (c) subjects any property or asset of the Company or any Restricted Subsidiary of the Company, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;
- (2) with which neither the Company nor any Restricted Subsidiary of the Company has any material contract, agreement, arrangement or understanding (except in connection with a Purchase Money Note or Qualified Securitization Transaction) other than on terms no less favorable to the

Company or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Company, other than fees payable in the ordinary course of business in connection with servicing receivables of such entity other than pursuant to Standard Securitization Undertakings; and

- (3) to which neither the Company nor any Restricted Subsidiary of the Company has any obligations to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results other than pursuant to Standard Securitization Undertakings.

Any such designation by the Board of Directors of the Company shall be evidenced to the Trustee by filing with the Trustee a certified copy of the Board Resolution of the Company giving effect to such designation and an Officers' Certificate certifying that such designation complied with foregoing conditions.

“**Senior Debt**” means the principal of, premium, if any, and interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed or allowable claim under applicable law) on any Indebtedness of the Company or any Guarantor, whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, in the case of any particular Indebtedness, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such Indebtedness shall be subordinate or *pari passu* in right of payment to the Notes or the Guarantees, as the case may be. Without limiting the generality of the foregoing, “Senior Debt” shall also include the principal of, premium, if any, and interest (including any interest accruing subsequent to the filing of a petition of bankruptcy at the rate provided for in the documentation with respect thereto, whether or not such interest is an allowed claim under applicable law) on, and all other amounts owing in respect of

- (x) all monetary obligations of every nature of the Company or any Guarantor under the Debt Facility, including, without limitation, obligations to pay principal and interest, reimbursement obligations under letters of credit, fees, expenses and indemnities (and guarantees thereof);
- (y) all Interest Swap Obligations (and guarantees thereof); and
- (z) all obligations (and guarantees thereof) under Currency Agreements and Hedging Agreements, in each case whether outstanding on the Issue Date or thereafter incurred.

Notwithstanding the foregoing, “Senior Debt” shall not include:

- (i) any Indebtedness of the Company or a Guarantor owed to the Company or to a Subsidiary of the Company;
- (ii) any Indebtedness of the Company or any Guarantor owed to, or guaranteed by the Company or any Guarantor on behalf of, any shareholder, director, officer or employee of the Company or any Subsidiary of the Company (including, without limitation, amounts owed for compensation) other than a shareholder who is also a lender (or an Affiliate of a lender) under the Debt Facility;
- (iii) any amounts payable or other liability to trade creditors (including guarantees thereof or instruments evidencing such liabilities but excluding secured purchase money obligations);
- (iv) Indebtedness represented by Disqualified Capital Stock;
- (v) any liability for Federal, state, local or other taxes owed or owing by the Company or any of the Guarantors;
- (vi) that portion of any Indebtedness incurred in violation of this Indenture provisions set forth in Section 4.07 hereof;

- (vii) Indebtedness which, when incurred and without respect to any election under Section 1111(b) of Title 11, United States Code, is without recourse to the Company or any of the Guarantors, as applicable; and
- (viii) any Indebtedness which is, by its express terms, subordinated in right of payment to any other Indebtedness of the Company or any of the Guarantors.

“**Significant Subsidiary**” with respect to any Person, means any Restricted Subsidiary of such Person that satisfies the criteria for a “significant subsidiary” set forth in Rule 1-02(w) of Regulation S-X under the Securities Act.

“**Standard Securitization Undertakings**” means representations, warranties, covenants and indemnities entered into by the Company or any subsidiary of the Company which are reasonably customary, as determined in good faith by the Board of Directors of the Company in an accounts receivable or equipment transaction.

“**Stated Maturity**” means, with respect to any installment of interest or principal (including any sinking fund payment) on any series of Indebtedness, the date on which payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for their payment.

“**Subordinated Indebtedness**” means any Indebtedness of the Company or a Restricted Subsidiary if the instrument creating or evidencing such Indebtedness or pursuant to which such Indebtedness is outstanding expressly provides that such Indebtedness is subordinated or junior in right of payment to the Notes or the Guarantee of such Restricted Subsidiary, as the case may be, including the Existing Senior Subordinated Notes.

“**Subsidiary**” with respect to any Person, means:

- (i) any corporation of which the outstanding Capital Stock having at least a majority of the votes entitled to be cast in the election of directors under ordinary circumstances shall at the time be owned, directly or indirectly, by such Person; or
- (ii) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time, directly or indirectly, owned by such Person.

“**TIA**” means the Trust Indenture Act of 1939 (15 U.S.C. §§ 77aaa-77bbb) and the rules and regulations thereunder as in effect on the date which this Indenture is qualified under the TIA, and, to the extent required by law, as amended.

“**Total Assets**” means, as of any date, the total consolidated assets of the Company and its Restricted Subsidiaries, as set forth on the Company’s most recently available internal consolidated balance sheet as of such date.

“**Total Net Leverage Ratio**” means, with respect to any Person as of any date of determination, the ratio of (x) the total Indebtedness of such Person and its Restricted Subsidiaries as of the end of the most recent Four-Quarter Period for which internal financial statements are available (on a pro forma basis reflecting any incurrence of Indebtedness and repayment of Indebtedness made on such date), less the aggregate amount of unrestricted cash and cash equivalents on such determination date, to (y) the Consolidated EBITDA of such Person for the then most recent Four-Quarter Period for which internal financial statements are available, in each case, with such pro forma adjustments to the amount of total Indebtedness and Consolidated EBITDA as are appropriate and consistent with the pro forma adjustment provisions set forth in the definition of Consolidated Fixed Charge Coverage Ratio.

“**Treasury Rate**” means, at the time of computation, the yield to maturity of United States Treasury Securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15(519) which has become publicly available at least two Business Days prior to the Redemption Date or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to

the period from the Redemption Date to November 15, 2018; *provided, however*, that if the period from the Redemption Date to November 15, 2018 is not equal to the constant maturity of a United States Treasury Security for which a weekly average yield is given, the Treasury Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of United States Treasury Securities for which such yields are given, except that if the period from the Redemption Date to November 15, 2018 is less than one year, the weekly average yield on actually traded United States Treasury Securities adjusted to a constant maturity of one year shall be used.

“*Unrestricted Subsidiary*” of any Person means:

- (1) any Subsidiary of such Person that at the time of determination shall be or continue to be designated an Unrestricted Subsidiary by the Board of Directors of such Person in the manner provided below;
- (2) Tech Pac, L.L.C.; and
- (3) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Company may designate any Subsidiary (including any newly-acquired or newly-formed Subsidiary) to be an Unrestricted Subsidiary unless such Subsidiary owns any Capital Stock of, or owns or holds any Lien on any property of, the Company or any other Subsidiary of the Company that is not a Subsidiary of the Subsidiary to be so designated or another Unrestricted Subsidiary; *provided* that:

- (1) the Company certifies to the Trustee that such designation complies with Section 4.05 hereof; and
- (2) each Subsidiary to be so designated and each of its Subsidiaries has not at the time of designation, and does not thereafter, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable with respect to any Indebtedness pursuant to which the lender has recourse to any of the assets of the Company or any of its Restricted Subsidiaries.

The Board of Directors of the Company may designate any Unrestricted Subsidiary to be a Restricted Subsidiary only if (x) immediately after giving effect to such designation, the Company is able to incur at least \$1.00 of additional Indebtedness in compliance with Section 4.07 hereof covenant and (y) immediately before and immediately after giving effect to such designation, no Default or Event of Default shall have occurred and be continuing. Any such designation by the Board of Directors of the Company shall be evidenced by a Board Resolution giving effect to such designation and an Officers’ Certificate certifying that such designation complied with the foregoing provisions.

Actions taken by an Unrestricted Subsidiary will not be deemed to have been taken, directly or indirectly, by the Company or any Restricted Subsidiary.

“*U.S. Government Securities*” means securities that are (1) direct obligations of the United States for the timely payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States the timely payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank (as defined in Section 3(a)(2) of the Securities Act), as custodian with respect to any such U.S. Government Securities or a specific payment of principal of or interest on any such U.S. Government Securities held by such custodian for the account of the holder of such depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Securities or the specific payment of principal of or interest on the U.S. Government Securities evidenced by such depository receipt.

“*Weighted Average Life to Maturity*” means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (1) the then outstanding aggregate principal amount of such Indebtedness; into
- (2) the sum of the total of the products obtained by multiplying;
 - (a) the amount of each then remaining installment, sinking fund, serial maturity or other required payment of principal, including payment at final maturity, in respect thereof; by
 - (b) the number of years (calculated to the nearest one-twelfth) which will elapse between such date and the making of such payment.

“*Wholly Owned Subsidiary*” of any Person means any Restricted Subsidiary of such Person of which all the outstanding voting securities (other than in the case of a Restricted Subsidiary that is incorporated in a jurisdiction other than a State in the United States of America or the District of Columbia, directors’ qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) are owned by such Person or any Wholly Owned Subsidiary of such Person.

SECTION 1.03. Other Definitions.

<u>Term</u>	<u>Defined in Section</u>
Affiliate Transaction	4.09
Asset Sale Offer	4.08
Asset Sale Offer Amount	4.08
Asset Sale Offer Payment Date	4.08
Asset Sale Offer Trigger Date	4.08
Change of Control Offer	4.11
Change of Control Payment	4.11
Change of Control Payment Date	4.11
Covenant Defeasance	8.03
Covenant Suspension Event	4.15
DTC	2.01(b)
Events of Default	6.01
Four-Quarter Period	1.02(b)
incur	4.07
Legal Defeasance	8.02
Notes	1.01(a)
Offer Amount	3.05(b)
Offer Period	3.05(b)
Offer to Purchase	3.05(a)
Pari Passu Debt	4.08
Purchase Date	3.05(b)
Redemption Date	2.03(d)
Restricted Payment	4.05
Reversion Date	4.15(a)
Surviving Entity	5.01(a)(i)
Surviving Guarantor Entity	5.01(b)(i)
Suspended Covenants	4.15(a)
Suspension Date	4.15(a)
Suspension Period	4.15(a)
Trustee	Preamble; 8.05

SECTION 1.04. Incorporation by Reference of Trust Indenture Act.

- (a) Whenever this Third Supplemental Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

(b) The following TIA terms used in this Third Supplemental Indenture have the following meanings: “*indenture securities*” means the Notes and the Guarantees;

“*indenture security holder*” means a Holder;

“*indenture to be qualified*” means this Indenture;

“*indenture trustee*” or “*institutional trustee*” means the Trustee; and

“*obligor*” on the Notes means the Company, each Guarantor, and any successor obligor upon the Notes.

(c) All other terms used in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by SEC rule under the TIA and not otherwise defined herein have the meanings so assigned to them either in the TIA, by another statute or SEC rule, as applicable.

SECTION 1.05. Rules of Construction.

(a) Unless the context otherwise requires:

(i) a term has the meaning assigned to it;

(ii) an accounting term not otherwise defined herein has the meaning assigned to it in accordance with GAAP;

(iii) “or” is not exclusive;

(iv) words in the singular include the plural, and in the plural include the singular;

(v) all references in this instrument to “Articles,” “Sections” and other subdivisions are to the designated Articles, Sections and subdivisions of this instrument as originally executed;

(vi) the words “herein,” “hereof” and “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(vii) “including” means “including without limitation”;

(viii) provisions apply to successive events and transactions; and

(ix) references to sections of or rules under the Securities Act, the Exchange Act or the TIA shall be deemed to include substitute, replacement or successor sections or rules adopted by the SEC from time to time thereunder.

ARTICLE 2

THE NOTES

Pursuant to Section 201 of the Base Indenture, the provisions of this Article 2 establish the form of the Notes under this Third Supplemental Indenture, and to the extent that any provisions of this Article 2 are duplicative, or in contradiction with, the Base Indenture, the provisions of this Article 2 shall govern the Notes.

SECTION 2.01. Form and Dating.

(a) General. The Notes shall be issued in series of senior unsecured notes consisting of 6.125% Senior Notes due 2023. The Notes and the Trustee’s certificate of authentication shall be substantially in the form of Exhibit A attached hereto, which is hereby incorporated in and expressly made part of this Indenture. The Notes may have

notations, legends or endorsements required by law, stock exchange rule or usage in addition to those set forth on Exhibit A. The Notes shall be dated the date of authentication. The Notes shall be in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The terms and provisions contained in the Notes shall constitute, and are hereby expressly made, a part of this Indenture and the Company, the Guarantors and the Trustee, by their execution and delivery of this Third Supplemental Indenture, expressly agree to such terms and provisions and to be bound thereby. However, to the extent any provision of the Notes conflicts with the express provisions of this Third Supplemental Indenture, the provisions of this Third Supplemental Indenture shall govern and be controlling.

(b) Book-Entry Provisions. This Section 2.01(b) shall only apply to Global Notes. Notes issued in global form will be substantially in the form of Exhibit A attached hereto (including the Global Note Legend thereon and the “Schedule of Increases or Decreases in the Global Note” attached thereto). Each Global Note shall be registered in the name of The Depository Trust Company (“**DTC**”) or its nominee and deposited with a custodian for DTC, duly executed by the Company and authenticated by the Trustee as hereinafter provided. Participants and Indirect Participants shall have no rights under this Indenture with respect to any Global Note held on their behalf by a Depository or by the Trustee as the custodian for such Depository or under such Global Note, and such Depository shall be treated by the Company, the Trustee and any Agent of the Company or the Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any Agent of the Company or the Trustee from giving effect to any written certification, proxy or other authorization furnished by a Depository or impair, as between a Depository and its Participants or Indirect Participants, the Applicable Procedures or the operation of customary practices of such Depository governing the exercise of the rights of a holder of a beneficial interest in any Global Note. The Company has entered into a letter of representations with DTC in the form provided by DTC and the Trustee and each Agent are hereby authorized to act in accordance with such letter and applicable DTC procedures.

(c) Certificated Notes. Except as otherwise provided herein, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of Certificated Notes.

For greater certainty, the provisions of this Section 2.01(c) are subject to the requirements relating to notations, legends or endorsements on Notes required by law, stock exchange rule, or agreements to which any the Company is subject, if any.

(d) Euroclear and Clearstream Banking Procedures Applicable. The provisions of the “Operating Procedures of the Euroclear System” and “Terms and Conditions Governing Use of Euroclear” and the “General Terms and Conditions of Clearstream Banking” and “Customer Handbook” of Clearstream Banking will be applicable to transfers of beneficial interests in the Global Notes that are held by Participants through Euroclear or Clearstream Banking.

SECTION 2.02. Registrar and Paying Agent.

(a) The Company initially appoints Wells Fargo Bank, National Association, as (i) Registrar and Paying Agent in connection with the Notes and (ii) the Custodian with respect to the Global Notes. The Company may change any Paying Agent or Registrar without notice to any Holder. If the Company fails to appoint or maintain another entity as Registrar or Paying Agent, the Trustee shall act as such. The Company or any of its Restricted Subsidiaries may act as Paying Agent or Registrar. All Agents appointed under this Indenture shall be appointed pursuant to agency agreements among the Company, the Trustee and the Agent, as applicable. The obligations of any Registrar as Paying Agent shall be several and not joint.

(b) The Company initially appoints DTC to act as Depository with respect to the Global Notes.

SECTION 2.03. Outstanding Notes.

(a) The Notes outstanding at any time are all the Notes authenticated by the Trustee except for those cancelled by it, those delivered to it for cancellation, those reductions in the interest in a Global Note effected by the Trustee in accordance with the provisions hereof, and those described in this Section 2.03 as not outstanding. Except as set forth in Section 2.04 hereof, a Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Note.

(b) If a Note is replaced pursuant to Section 306 of the Base Indenture, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Note is held by a protected purchaser (as defined in Section 8-303 of the Uniform Commercial Code).

(c) If the principal amount of any Note is considered paid under Section 4.01 hereof, it ceases to be outstanding and interest on it ceases to accrue.

(d) If a Paying Agent (other than the Company, a Subsidiary or an Affiliate of any thereof) segregates and holds in trust, in accordance with this Indenture, on a date of redemption (a "**Redemption Date**") or maturity date, money sufficient to pay all principal, premium, if any, and interest payable on that date with respect to the Notes payable on that date, then on and after that date such Notes shall be deemed to be no longer outstanding and shall cease to accrue interest.

(e) For purposes of determining whether the Holders of the requisite principal amount of Notes have taken any action as herein described, the principal amount of the Notes as of (i) if a record date has been set with respect to the taking of such action, such date or (ii) if no such record date has been set, the date the taking of such action by the Holders of such requisite principal amount is certified to the Trustee by the Company.

SECTION 2.04. Treasury Notes.

In determining whether the Holders of the required principal amount of Notes have concurred in any direction, amendment, supplement, waiver or consent, Notes owned by the Company, or by any Affiliate of the Company, shall be considered as though not outstanding, except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, amendment, supplement, waiver or consent, only Notes that a Responsible Officer of the Trustee actually knows are so owned shall be so disregarded.

SECTION 2.05. Additional Notes.

The Company shall be entitled, subject to its compliance with Section 4.07 hereof, to issue Additional Notes under this Indenture in an unlimited aggregate principal amount which shall have identical terms as the Initial Notes, other than with respect to the issue date, the issue price, the first payment of interest and the date from which interest will accrue and will constitute part of the same series; *provided* that if any Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, such Additional Notes will be issued as a separate series under this Indenture and will have a separate CUSIP number and ISIN from the Notes. The Initial Notes and any Additional Notes shall be treated as a single class for all purposes under this Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase.

With respect to any Additional Notes, the Company shall set forth in a resolution of its Board of Directors and an Officers' Certificate, a copy of each which shall be delivered to the Trustee, the following information:

- (a) the aggregate principal amount of such Additional Notes to be authenticated and delivered pursuant to this Indenture; and
- (b) the issue price, the issue date and the CUSIP, ISIN and/or Common Code number(s) of such Additional Notes.

ARTICLE 3

REDEMPTION AND PREPAYMENT

SECTION 3.01. Redemption in Part.

If less than all of the Notes are to be redeemed or purchased in an offer to purchase at any time, selection of such series for redemption or purchase will be made by the Trustee on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and appropriate and with respect to Global Notes, in accordance with the applicable procedures of DTC. In the event of partial redemption, the particular Notes to be redeemed shall be selected, unless otherwise provided herein, not less than 30 nor more than 60 days prior to the Redemption Date by the Trustee from the outstanding Notes not previously called for redemption.

The Trustee shall promptly notify the Company in writing of the Notes selected for redemption and, in the case of any Note selected for partial redemption, the principal amount thereof to be redeemed. No Notes of a principal amount of \$2,000 or less shall be redeemed in part, except that if all of the Notes of a Holder are to be redeemed, the entire outstanding amount of the Notes held by such Holder shall be redeemed. Except as provided in the preceding sentence, provisions of this Third Supplemental Indenture that apply to Notes called for redemption also apply to portions of Notes called for redemption.

SECTION 3.02. Notice of Redemption.

Subject to the provisions of Section 3.05 hereof, at least 30 days but not more than 60 days before a Redemption Date, the Company shall mail or cause to be mailed or otherwise delivered to each Holder in accordance with the applicable procedures of DTC, a notice of redemption to each Holder whose Notes are to be redeemed at its registered address.

The notice shall identify the Notes to be redeemed (including the CUSIP, ISIN or Common Code number) and shall state:

- (a) the Redemption Date;
- (b) the redemption price;
- (c) if any Note is being redeemed in part, the portion of the principal amount of such Note to be redeemed and that, after the Redemption Date upon surrender of such Note, a new Note or Notes in principal amount equal to the unredeemed portion shall be issued upon cancellation of the original Note;
- (d) the name and address of the applicable Paying Agent;
- (e) that Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;
- (f) that, unless the Company defaults in making such redemption payment, interest on Notes called for redemption ceases to accrue on and after the Redemption Date;
- (g) the paragraph of the Notes and Section of this Indenture pursuant to which the Notes called for redemption are being redeemed;
- (h) the condition, if any, that such redemption is subject to; and
- (i) that no representation is made as to the correctness or accuracy of the CUSIP, ISIN and/or Common Code number, if any, listed in such notice or printed on the Notes.

At the Company's request, the Trustee shall give the notice of redemption in the Company's name and at its expense *provided, however*, that the Company gives the Trustee the notice to be given at least five Business Days prior notice of such request (unless a shorter period shall be satisfactory to the Trustee).

Any redemption notice may, at the Company's discretion, be subject to one or more conditions precedent, including completion of an Equity Offering or other corporate transaction. At the Company's request, the Trustee shall give notice that any such condition precedent has not been satisfied, *provided, however*, that the Company has provided the Trustee the notice to be given at least one Business Day prior to the Redemption Date.

SECTION 3.03. Optional Redemption.

(a) At any time prior to November 15, 2018, the Company may redeem the Notes at its option, in whole or in part, at a redemption price equal to 100% of the aggregate principal amount of Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the Redemption Date, subject to the rights of Holders on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date.

(b) On or after November 15, 2018, the Company may redeem the Notes at its option, in whole or in part, at the following redemption prices (expressed, as percentages of the principal amount thereof), plus accrued and unpaid interest, if any, to the Redemption Date, subject to the rights of Holders on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date, if redeemed during the 12-month period commencing on November 15 of the years set forth below:

<u>Year</u>	<u>Percentage</u>
2018	104.594%
2019	103.063%
2020	101.531%
2021 and thereafter	100.000%

(c) Notwithstanding the provisions of subparagraphs (a) and (b) of this Section 3.03, at any time prior to November 15, 2018, the Company may at its option on one or more occasions redeem Notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes (which includes Additional Notes, if any) originally issued at a redemption price (expressed, as a percentage of principal amount) of 106.125%, plus accrued and unpaid interest, if any, to the Redemption Date, with the net cash proceeds from one or more Equity Offerings; *provided, however*, that

(1) at least 65% of the aggregate principal amount of the Notes (which includes Additional Notes, if any) originally issued under this Indenture remains outstanding immediately after the occurrence of each such redemption (excluding Notes held, directly or indirectly, by the Company or any of its Affiliates); and

(2) each such redemption occurs within 90 days of the date of the closing of the related Equity Offering.

(d) Any prepayment pursuant to this Section 3.03 shall be made pursuant to the provisions of Sections 3.01 through 3.02 hereof and applicable sections of Article XI of the Base Indenture.

SECTION 3.04. Mandatory Redemption.

Except as set forth in Section 4.08 and 4.11 hereof, the Company shall not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

SECTION 3.05. Offer to Purchase.

(a) In the event that, pursuant to Section 4.08 or 4.11 hereof, the Company shall be required to commence an offer to all Holders to purchase Notes and, at the Company's option, holders of other pari passu Indebtedness (each an "*Offer to Purchase*"), it shall follow the procedures specified below.

(b) The Offer to Purchase shall remain open for a period of 20 Business Days following its commencement and no longer, except to the extent that a longer period is required by applicable law (the "*Offer Period*"). No later than five Business Days after the termination of the Offer Period (the "*Purchase Date*"), the Company shall purchase the principal amount of Notes required to be purchased pursuant to Section 4.08 or 4.11 hereof (the "*Offer Amount*") or, if less than the Offer Amount has been tendered, all Notes tendered in response to the Offer to Purchase. Payment for any Notes so purchased shall be made in the same manner as interest payments are made.

If the Purchase Date is on or after a Regular Record Date and on or before the related Interest Payment Date, any accrued and unpaid interest shall be paid to the Person in whose name a Note is registered at the close of business on such Regular Record Date, and no additional interest shall be payable to Holders who tender Notes pursuant to the Offer to Purchase.

Upon the commencement of the Offer to Purchase, the Company shall send or otherwise deliver in accordance with the applicable procedures of DTC a notice to each of the Holders, which shall not be later than 30 days after the Company becomes obligated to make an Offer to Purchase with a copy to the Trustee. The notice shall contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase. The Offer to Purchase shall be made to all Holders. The notice, which shall govern the terms of the Offer to Purchase, shall state:

(1) that the Offer to Purchase is being made pursuant to this Section 3.05 and Section 4.08 or 4.11 hereof, as the case may be, and the length of time the Offer to Purchase shall remain open;

(2) the Offer Amount (including information as to any other *pari passu* Indebtedness included in the Offer to Purchase), the purchase price and the Purchase Date, which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed or otherwise delivered in accordance with the applicable procedures of DTC;

(3) that any Note not tendered or accepted for payment shall continue to accrete or accrue interest;

(4) that, unless the Company defaults in making such payment, any Note accepted for payment pursuant to the Offer to Purchase shall cease to accrue interest after the Purchase Date;

(5) that Holders electing to have a Note purchased pursuant to an Offer to Purchase may only elect to have all of such Note purchased and may not elect to have only a portion of such Note purchased;

(6) that Holders electing to have a Note purchased pursuant to any Offer to Purchase shall be required to surrender the Note, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, or transfer by book-entry transfer, to the Company, a Depositary, if appointed by the Company, or a Paying Agent at the address specified in the notice at least three days before the Purchase Date;

(7) that Holders shall be entitled to withdraw their election if the Company, the applicable Depositary or the applicable Paying Agent, as the case may be, receives, not later than the expiration of the Offer Period, facsimile transmission or letter or book entry transmission setting forth the name of the Holder, the principal amount of the Note the Holder delivered for purchase and a statement that such Holder is withdrawing his election to have such Note purchased;

(8) that, in the case of an Offer to Purchase, if the aggregate principal amount of Notes tendered by Holders into an Offer to Purchase exceeds the Offer Amount, the Trustee shall select the Notes to be purchased on a *pro rata* basis, by lot or by such method as the Trustee shall deem fair and appropriate (with such adjustments as may be deemed appropriate by the Company so that only Notes in denominations of \$1,000, or integral multiples thereof, shall be purchased *provided* that no Notes of a principal amount of less than \$2,000 shall be redeemed in part); and

(9) that Holders whose Notes were purchased only in part shall be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered (or transferred by book-entry transfer).

In the case of an Offer to Purchase, no later than the date upon which written notice of an Offer to Purchase is delivered to the Trustee as provided above, the Company shall deliver to the Trustee an Officers' Certificate as to the allocation of the Net Proceeds from the Asset Sale pursuant to which such Offer to Purchase is being made and the compliance of such allocation with the provisions of Section 4.08 hereof. On such date, the Company shall deposit with the Trustee or with the applicable Paying Agent an amount equal to the Offer Amount to be held for payment in accordance with the provisions of this Section.

On or before the Purchase Date, the Company shall, to the extent lawful, accept for payment, in accordance with clause (8) above, the Offer Amount of Notes or portions thereof tendered pursuant to the Offer to Purchase, or if less than the Offer Amount has been tendered, all Notes tendered, and shall deliver to the Trustee an Officers' Certificate stating that such Notes or portions thereof were accepted for payment by the Company in accordance with the terms of this Section 3.05. The Company, the applicable Depository or the applicable Paying Agent, as the case may be, shall promptly (but in any case not later than five days after the Purchase Date) mail or deliver to each tendering Holder an amount equal to the purchase price of the Notes tendered by such Holder and accepted by the Company for purchase, and the Company shall promptly issue a new Note, and the Trustee, upon written request from the Company, shall authenticate and mail or deliver by book entry transfer such new Note to such Holder, in a principal amount equal to any unpurchased portion of the Note surrendered. Any Note not so accepted shall be promptly mailed or delivered by the Company to the Holder thereof. The Company shall publicly announce the results of the Offer to Purchase on the Purchase Date.

Other than as specifically provided in this Section 3.05 any purchase pursuant to this Section 3.05 shall be made pursuant to the provisions of Section 3.01 through 3.02 hereof and applicable sections of Article XI of the Base Indenture.

ARTICLE 4

COVENANTS

SECTION 4.01. Payment of Notes.

The Company shall pay or cause to be paid the principal of, premium, if any, interest on, the Notes on the dates and in the manner provided in the Notes and in this Indenture. With respect to certificated notes, presentation is due at maturity. Principal, premium, if any, and interest shall be considered paid on the date due if the applicable Paying Agent, if other than the Company or a Restricted Subsidiary thereof, holds as of 10:00 a.m. Eastern Time on the due date (or such other time as the Company and the Paying Agent may mutually agree from time to time), money deposited by the Company in immediately available funds and designated for and sufficient to pay all principal, premium, if any, and interest then due and the Paying Agent is not prohibited from paying such money to the Holders on that date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 4.02. Maintenance of Office or Agency.

(a) The Company shall maintain an office or agency (which may be an office or drop facility of the Trustee or an affiliate of the Trustee or Registrar) where Notes may be presented or surrendered for registration of transfer or for exchange and where notices and demands to or upon the Company in respect of the Notes and this Indenture may be served. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

(b) The Company may also from time to time designate one or more other offices or agencies where the Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designations. The Company shall give prompt written notice to the Trustee of any such designation or rescission and of any change in the location of any such other office or agency.

(c) The Company hereby designates the Corporate Trust Office of the Trustee, as one such office, drop facility or agency of the Company in accordance with Section 4.02(a).

SECTION 4.03. Reports.

(a) Whether or not required by the rules and regulations of the SEC, so long as any Notes are outstanding, the Company will furnish to the Trustee and Holders (i) all quarterly and annual financial information that would be required to be contained in a filing with the SEC on Forms 10-Q (or any successor or comparable form) and 10-K (or any successor or comparable form) if the Company were required to file such forms, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" that describes the financial condition and results of operations of the Company and its consolidated Subsidiaries and, with respect to the annual information only, a report thereon by the Company's certified independent accountants; and (ii) all current information that would be required to be filed with the SEC on Form 8-K (or any successor or comparable form) if the Company were required to file such reports, in each case, within the time periods specified in the SEC's rules and regulations that are then applicable to the Company (or if the Company is not then subject to the reporting requirements of the Exchange Act, then the time periods for filings applicable to a filer that is not an "accelerated filer" as defined in such rules and regulations). For so long as the Notes are outstanding, whether or not required by the rules and regulations of the SEC, the Company shall file a copy of all such information and reports (including the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act) with the SEC for public availability within the time periods specified in the SEC's rules and regulations (unless the SEC will not accept such a filing) and make such information available to securities analysts and prospective investors.

(b) The Company shall at all times comply with TIA § 314(a).

(c) Each report or document required to be furnished or delivered pursuant to this Indenture shall be deemed to have been so furnished or delivered on the date on which the Company posts such document on its website at www.central.com, or when such document is posted on the SEC's website at www.sec.gov; *provided* that the Company shall either (i) deliver paper copies of all such documents or (ii) provide copies of all such documents by electronic delivery to the Trustee or any Holder that requests the Company to deliver copies of all such documents until a request to cease delivering copies of all such documents is given by the Trustee or such Holder.

(d) Delivery of such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such reports shall not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants under this Indenture or the Notes (as to which the Trustee shall have no duty to monitor or confirm and shall be entitled to rely exclusively on Officers' Certificates). The Trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, the Company's compliance with the covenants or with respect to any reports or other documents filed with the SEC or EDGAR or any website under this Indenture.

SECTION 4.04. Compliance Certificate.

(a) The Company and each Guarantor shall deliver to the Trustee, within 120 days after the end of each fiscal year, a brief certificate (that need not comply with Section 10(b) of the Base Indenture) from the principal executive officer, principal financial officer or principal accounting officer as to his or her knowledge of the Company's compliance with all conditions and covenants under this Indenture and, if the Company is in default, specifying all such defaults and the nature and status thereof of which he or she may have knowledge. For purposes of this Section 4.04, such compliance shall be determined without regard to any period of grace or requirement of notice under this Indenture.

(b) So long as any of the Notes are outstanding, the Company shall deliver to the Trustee, within 45 days after any Officer becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default unless such Default or Event of Default has been cured before the end of the 45-day period and what action the Company is taking or proposes to take with respect thereto.

SECTION 4.05. Restricted Payments.

(a) The Company shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly:

(1) declare or pay any dividend or make any distribution on or in respect of shares of the Company's or any Restricted Subsidiary's Capital Stock to holders of such Capital Stock (other than dividends or distributions payable in Qualified Capital Stock of the Company and dividends or distributions payable to the Company or a Restricted Subsidiary and other than *pro rata* dividends or other distributions made by a Subsidiary that is not a Wholly Owned Subsidiary to minority stockholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation));

(2) purchase, redeem or otherwise acquire or retire for value any Capital Stock of the Company or of any direct or indirect parent of the Company or of a Restricted Subsidiary of the Company or any warrants, rights or options to purchase or acquire shares of any class of such Capital Stock;

(3) purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, any Indebtedness of the Company, or of any Guarantor, that is subordinate or junior in right of payment to the Notes or any Guarantee, as applicable (other than (x) any Indebtedness permitted under clause (6) of the definition of Permitted Indebtedness and (y) the purchase, defeasance, redemption, prepayment, decrease or other acquisition or retirement of such Indebtedness purchased in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case due within one year of such purchase, defeasance, redemption, prepayment, decrease or other acquisition or retirement); or

(4) make any Investment (other than Permitted Investments)

(each of the foregoing actions set forth in clauses (1), (2), (3) and (4) being referred to as a '**Restricted Payment**'); unless, at the time of such Restricted Payment and immediately after giving effect thereto:

(i) no Default or an Event of Default shall have occurred and be continuing;

(ii) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable Four-Quarter Period, have been permitted to incur at least \$1.00 of additional Indebtedness pursuant to the Consolidated Fixed Charge Coverage Ratio test set forth in Section 4.07; and

(iii) the aggregate amount of Restricted Payments (including such proposed Restricted Payment) made subsequent to the Issue Date (other than Restricted Payments made pursuant to clauses (2), (3), (4), (5), (7) and (8) of Section 4.05(b)) is less than the sum of, without duplication, the following:

(A) 50% of the cumulative Consolidated Net Income (or if cumulative Consolidated Net Income shall be a loss, minus 100% of such loss) of the Company earned during the period (treated as one accounting period) from the beginning of the Company's fiscal quarter in which the Issue Date occurs to the end of the Company's most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal financial statements are available; plus

(B) 100% of the aggregate net cash proceeds and the fair market value of property other than cash that would constitute Marketable Securities or a Permitted Business received by the Company from any Person (other than a Subsidiary of the Company) from the issuance and sale subsequent to the Issue Date of Qualified Capital Stock of the Company (other than Designated Preferred Stock); plus

(C) the amount by which Indebtedness of the Company is reduced on the Company's balance sheet upon the conversion or exchange subsequent to the Issue Date of any

Indebtedness of the Company for Qualified Capital Stock of the Company (less the amount of any cash, or the fair value of any other property, distributed by the Company upon such conversion or exchange); *provided, however*, that the foregoing amount shall not exceed the net cash proceeds received by the Company or any Restricted Subsidiary from the sale of such Indebtedness; plus

(D) an amount equal to the sum of (I) 100% of the aggregate net proceeds (including the fair market value of property other than cash that would constitute Marketable Securities or a Permitted Business) received by the Company or any Restricted Subsidiary since the Issue Date (A) from any sale or other disposition of any Investment (other than a Permitted Investment) in any Person (including an Unrestricted Subsidiary) made by the Company and its Restricted Subsidiaries and (B) representing the return of capital or principal (excluding dividends and distributions otherwise included in Consolidated Net Income) with respect to such Investment, and (II) the portion (proportionate to the Company's equity interest in an Unrestricted Subsidiary) of the fair market value of the net assets of an Unrestricted Subsidiary at the time such Unrestricted Subsidiary is designated a Restricted Subsidiary; *provided, however*, that, in the case of item (II), the foregoing sum shall not exceed, in the case of any Unrestricted Subsidiary, the amount of Investments (excluding Permitted Investments) previously made (and treated as a Restricted Payment) by the Company or any Restricted Subsidiary in such Unrestricted Subsidiary; plus

(E) \$75.0 million.

(b) Notwithstanding the foregoing, the provisions set forth in Section 4.05(a) shall not prohibit:

(1) the payment of any dividend or the consummation of any irrevocable redemption within 60 days after the date of declaration of such dividend or notice of such redemption if the dividend or payment of the redemption price, as the case may be, would have been permitted on the date of declaration or notice;

(2) any Restricted Payment made out of the net cash proceeds of the substantially concurrent sale of, or made by exchange for, Qualified Capital Stock of the Company (other than Capital Stock issued or sold to a Subsidiary of the Company or an employee stock ownership plan or to a trust established by the Company or any of its Subsidiaries for the benefit of their employees and other than Designated Preferred Stock) or a substantially concurrent cash capital contribution received by the Company from its shareholders; *provided, however*, that the net cash proceeds from such sale or such cash capital contribution (to the extent so used for such Restricted Payment) shall be excluded from the calculation of amounts under clause (iii)(B) of Section 4.05(a);

(3) the defeasance, redemption, repurchase or other acquisition of any Indebtedness of the Company or a Guarantor that is subordinate or junior in right of payment to the Notes or the applicable Guarantee through the application of net proceeds of a substantially concurrent sale for cash (other than to a Subsidiary of the Company) of Refinancing Indebtedness that is subordinate or junior in right of payment to the Notes or the applicable Guarantee;

(4) the redemption, repurchase, or other acquisition or retirement for value of any Capital Stock of the Company, in each case in connection with the repurchase provisions of employee stock option or stock purchase agreements or other agreements to compensate management employees, or upon the death, disability, retirement, severance or termination of employment of management employees; *provided* that all such redemptions or repurchases pursuant to this clause (4) shall not exceed in any fiscal year \$5.0 million (with unused amounts in any calendar year carried over to succeeding calendar years subject to a maximum of \$15.0 million in any calendar year; *provided* that amounts in any calendar year may be increased by an amount not to exceed the net cash proceeds received by the Company or any of its Restricted Subsidiaries from the sale of the Company's Capital Stock (other than Disqualified Capital Stock) to any member of the management or the Board of Directors of the Company or any Restricted Subsidiary);

- thereof;
- (5) repurchases of Capital Stock deemed to occur upon the exercise of stock options if such Capital Stock represents a portion of the exercise price obligations;
- (6) repurchases of Capital Stock deemed to occur upon the exercise of stock options or the vesting of restricted stock grants to satisfy tax withholding obligations;
- (7) additional Restricted Payments since the Issue Date in an aggregate amount not to exceed \$40.0 million;
- (8) payments of regularly scheduled or accrued dividends on Disqualified Capital Stock issued in compliance with Section 4.07 hereof to the extent such dividends are included in the definition of "Consolidated Interest Expense";
- (9) the purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of any Obligations of the Company that are subordinate or junior in right of payment to the Notes (i) at a purchase price not greater than 101% of the principal amount of such Obligations in the event of a Change of Control in accordance with provisions similar to Section 4.11 hereof or (ii) at a purchase price not greater than 100% of the principal amount thereof with provisions similar to Section 4.08 hereof *provided* that, prior to or simultaneously with such purchase, repurchase, redemption, defeasance or other acquisition or retirement, the Company has made the Change of Control Offer or Asset Sale Offer, as applicable, as provided in such covenant with respect to the Notes and has completed the repurchase or redemption of all Notes validly tendered for payment in connection with such Change of Control Offer or Asset Sale Offer;
- (10) the payment of any dividend by a Restricted Subsidiary of the Company to the holders of its Equity Interests on *pro rata* basis and the redemption, purchase, cancellation or other retirement of equity interests in a Restricted Subsidiary;
- (11) the redemption, repurchase or other acquisition or retirement of the Existing Senior Subordinated Notes; and
- (12) any Restricted Payment; *provided* that, immediately after giving pro forma effect thereto (including the application of the proceeds thereof), the Company would have had a Total Net Leverage Ratio of less than or equal to 3.25 to 1.00;

provided, however, that at the time and after giving effect to, any Restricted Payment permitted under clause (12), no Default shall have occurred and be continuing or would occur as a consequence thereof.

(c) The Board of Directors of the Company may designate any Restricted Subsidiary of the Company to be an Unrestricted Subsidiary as specified in the definition of "Unrestricted Subsidiary." For purposes of making such determination, all outstanding Investments by the Company and its Restricted Subsidiaries (except to the extent repaid in cash) in the Subsidiary so designated shall be deemed to be Restricted Payments at the time of the designation and shall reduce the amount available for Restricted Payments under Section 4.05(a) hereof. All of those outstanding Investments shall be deemed to constitute Investments in an amount equal to the fair market value of the Investments at the time of such designation. Such designation shall only be permitted if the Restricted Payment would be permitted at the time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary.

(d) For purposes of determining compliance with this Section 4.05, in the event that a Restricted Payment (or a portion thereof) meets the criteria of more than one of the types of Restricted Payments described above or as a Permitted Investment, the Company, in its sole discretion, may divide and classify (or later reclassify) such Restricted Payment (or a portion thereof) in any manner in compliance with this Section 4.05, and following such reclassification such Restricted Payment or Permitted Investment shall be treated as having been made pursuant to only the clause or clauses of this Section 4.05 to which such Restricted Payment or Permitted Investment has been reclassified.

SECTION 4.06. Dividend and Other Payment Restrictions Affecting Subsidiaries

The Company shall not, and shall not cause or permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary of the Company to:

- (a) pay dividends or make any other distributions on or in respect of its Capital Stock;
- (b) make loans or advances or pay any Indebtedness or other obligation owed to the Company or any Guarantor; or
- (c) sell, lease or transfer any of its property or assets to the Company or any Guarantor,

except, with respect to clauses (a), (b) and (c), for such encumbrances or restrictions existing under or by reason of:

- (1) applicable law, rule, regulation or order;
- (2) this Indenture, the Notes and the Guarantees;
- (3) non-assignment provisions of any contract or any lease of any Restricted Subsidiary of the Company entered into in the ordinary course of business;
- (4) any instrument governing Acquired Indebtedness, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired; *provided* that such Acquired Indebtedness was permitted by the terms of this Indenture to be incurred;
- (5) the Debt Facility in effect on the Issue Date or any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof; *provided* that any restrictions imposed pursuant to any such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing are either (i) contained in, or not materially more restrictive than those contained in, the Debt Facility in effect prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing or (ii) ordinary and customary with respect to syndicated bank loans in the market at the time such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing are entered into;
- (6) agreements existing on the Issue Date to the extent and in the manner such agreements are in effect on the Issue Date;
- (7) restrictions on the transfer of assets subject to any Lien permitted under this Indenture imposed by the holder of such Lien;
- (8) restrictions imposed by any agreement to sell assets or Capital Stock to any Person pending the closing of such sale which is not prohibited by this Indenture;
- (9) any agreement or instrument governing Capital Stock of any Person that is acquired;
- (10) any Purchase Money Note or other Indebtedness or other contractual requirements in connection with a Qualified Securitization Transaction;
- (11) other Indebtedness outstanding on the Issue Date or permitted to be incurred under this Indenture; *provided* that any such restrictions are ordinary and customary with respect to the type of Indebtedness being incurred;

(12) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(13) any encumbrances or restrictions imposed by any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (1) through (4) and (6) through (11) above; *provided* that such amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Company's Board of Directors (evidenced by a Board Resolution) whose judgment shall be conclusively binding, either (i) not materially more restrictive with respect to such dividend and other payment restrictions than those contained in the dividend or other payment restrictions prior to such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing or (ii) ordinary and customary with respect to such instruments or obligations at the time such amendment, modification, restatement, renewal, increase, supplement, refunding, replacement or refinancing are entered into;

(14) encumbrances or restrictions contained in any instrument governing Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Capital Stock was incurred or issued in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(15) customary provisions in joint venture, asset sale, stock purchase and merger agreements and other similar agreements; and

(16) customary provisions in leases, licenses and other agreements entered into in the ordinary course of business.

SECTION 4.07. Incurrence of Indebtedness.

The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee, acquire, become liable, contingently or otherwise, with respect to, or otherwise become responsible for payment of (collectively, "*incur*") any Indebtedness (other than Permitted Indebtedness); *provided, however*, that the Company and any of its Restricted Subsidiaries may incur Indebtedness (including, without limitation, Acquired Indebtedness), in each case if on the date of the incurrence of such Indebtedness, after giving effect to the incurrence thereof, the Company's Consolidated Fixed Charge Coverage Ratio for its most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred would have been at least 2.0 to 1.0; *provided, further*, that the amount of Indebtedness that may be incurred pursuant to the foregoing by Restricted Subsidiaries that are not Guarantors shall not exceed \$50.0 million at any one time outstanding.

The Company shall not, and shall not permit any Guarantor to, directly or indirectly, incur any Indebtedness (including Acquired Indebtedness) that is subordinated or junior in right of payment to any Indebtedness of the Company or such Guarantor, as the case may be, unless such Indebtedness is expressly subordinated in right of payment to the Notes or such Guarantor's Guarantee to the extent and in the same manner as such Indebtedness is subordinated to other Indebtedness of the Company or such Guarantor, as the case may be.

Unsecured Indebtedness shall not be treated as subordinated or junior to the Secured Debt merely because it is unsecured and Senior Debt shall not be treated as subordinated or junior to any other Senior Debt merely because it has a junior priority with respect to the same collateral.

SECTION 4.08. Asset Sales.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(i) the Company or the applicable Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value of the assets sold or otherwise disposed of (as determined in good faith by the Board of Directors of the Company);

(ii) at least 75% of the consideration received by the Company or the Restricted Subsidiary, as the case may be, from such Asset Sale shall be in the form of cash or Cash Equivalents; *provided* that the amount of:

(A) any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet) of the Company or any such Restricted Subsidiary (other than liabilities that are by their terms subordinated to the Notes or the Guarantees) that are assumed by the transferee of any such assets and from which the Company and all Restricted Subsidiaries have been validly released by all creditors in writing;

(B) any notes or other obligations received by the Company or any such Restricted Subsidiary from such transferee that are converted by the Company or such Restricted Subsidiary into cash within 180 days of the receipt thereof (to the extent of the cash received);

(C) any Designated Non-cash Consideration received by the Company or any of its Restricted Subsidiaries in such Asset Sale having an aggregate fair market value, taken together with all other Designated Non-cash Consideration received pursuant to this clause (C) that is at that time outstanding, not to exceed the greater of (x) \$75.0 million and (y) 7.5% of Total Assets at the time of the receipt of such Designated Non-cash Consideration (with the fair market value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value); and

(D) any Productive Assets,

shall, in each of clauses (A), (B), (C) and (D) above, be deemed to be cash for the purposes of this Section 4.08(a); and

(iii) upon the consummation of an Asset Sale, the Company shall apply, or cause such Restricted Subsidiary to apply, the Net Cash Proceeds relating to such Asset Sale within 365 days of receipt thereof:

(A) to prepay any Obligations under the Debt Facility or Obligations under Senior Debt that are secured by a Lien, which Lien is permitted by this Indenture and, in the case of any such Indebtedness under any revolving credit facility, effect a corresponding reduction in the availability under such revolving credit facility (or, if required by the Debt Facility, effect a permanent reduction in the availability under such revolving credit facility regardless of the fact that no prepayment is required in order to do so (in which case no prepayment should be required)),

(B) to prepay the Obligations under other Senior Debt and, in the case of any such Indebtedness under any revolving credit facility, effect a corresponding reduction in the availability under such revolving credit facility; *provided* that to the extent the Company prepaid Obligations under Senior Debt other than the Notes, the Company shall equally and ratably reduce Obligations under the Notes as provided under Section 3.03 hereof, through open-market purchases (to the extent such purchases are at or above 100% of the principal amount thereof) or by making an offer (in accordance with the procedures set forth below for an Asset Sale Offer) to all Holders to purchase their Notes at 100% of the principal amount thereof, plus the amount of accrued but unpaid interest, if any, on the amount of Notes that would otherwise be prepaid,

(C) to prepay Indebtedness of a Restricted Subsidiary that is not a Guarantor, other than Indebtedness owed to the Company, a Guarantor or another Restricted Subsidiary,

(D) to reinvest in Productive Assets *provided* that this requirement shall be deemed satisfied if the Company or such Restricted Subsidiary by the end of such 365-day period has entered into a binding agreement under which it is contractually committed to reinvest in Productive Assets and such investment is consummated within 120 days from the date on which such binding agreement is entered into and, with respect to the amount of such investment, the reference to the 366th day after an Asset Sale in the second following sentence shall be deemed to be a reference to the 121st day after the date on which such binding agreement is entered into (but only if such 121st day occurs later than such 366th day)), and

(E) a combination of prepayment and investment permitted by the foregoing clauses (iii)(A), (iii)(B), (iii)(C), (iii)(D) and (iii)(E).

Pending the final application of any such Net Cash Proceeds, the Company or such Restricted Subsidiary may temporarily reduce Indebtedness under a revolving credit facility, if any, or otherwise invest such Net Cash Proceeds in Cash Equivalents. On the 366th day after an Asset Sale or such earlier date, if any, as the Board of Directors of the Company or of such Restricted Subsidiary determines by Board Resolution not to apply the Net Cash Proceeds relating to such Asset Sale as set forth in clauses (iii)(A), (iii)(B), (iii)(C), (iii)(D) or (iii)(E) above (the "**Asset Sale Offer Trigger Date**"), such aggregate amount of Net Cash Proceeds that have not been applied as set forth in clauses (iii)(A), (iii)(B), (iii)(C) (iii)(D) or (iii)(E) above on or before such Asset Sale Offer Trigger Date (each an "**Asset Sale Offer Amount**") shall be applied by the Company or such Restricted Subsidiary to make an offer to purchase (the "**Asset Sale Offer**") on a date (the "**Asset Sale Offer Payment Date**") not less than 30 nor more than 60 days following the applicable Asset Sale Offer Trigger Date, from all Holders and holders of any other Indebtedness of the Company or a Restricted Subsidiary ranking pari passu with the Notes requiring the making of such an offer (the "**Pari Passu Debt**") on a *pro rata* basis, the maximum amount of Notes and such other Pari Passu Debt that may be purchased with the Asset Sale Offer Amount at a price equal to 100% of their principal amount, plus accrued and unpaid interest thereon, if any, to the date of purchase (or, in respect of such other Pari Passu Debt, such lesser price, if any, as may be provided for by the terms of such Pari Passu Debt), in accordance with the procedures (including *pro rating* in the event of oversubscription and calculation of the principal amount of Notes denominated in different currencies) set forth in this Indenture.

(b) If at any time any non-cash consideration (including any Designated Non-cash Consideration) received by the Company or any Restricted Subsidiary of the Company, as the case may be, in connection with any Asset Sale is converted into or sold or otherwise disposed of for cash (other than interest received with respect to any such non-cash consideration), then such conversion or disposition shall be deemed to constitute an Asset Sale hereunder and the Net Cash Proceeds thereof shall be applied in accordance with this Section 4.08.

(c) Notwithstanding the foregoing, if the Asset Sale Offer Amount is less than \$50.0 million, the application of the Net Cash Proceeds constituting such Asset Sale Offer Amount to an Asset Sale Offer may be deferred until such time as such Asset Sale Offer Amount plus the aggregate amount of all Asset Sale Offer Amounts arising subsequent to the Asset Sale Offer Trigger Date relating to such initial Asset Sale Offer Amount from all Asset Sales by the Company and its Restricted Subsidiaries aggregates at least \$50.0 million, at which time the Company or such Restricted Subsidiary shall apply all Net Cash Proceeds constituting all Asset Sale Offer Amounts that have been so deferred to make an Asset Sale Offer (the first date the aggregate of all such deferred Asset Sale Offer Amounts is equal to \$50.0 million or more shall be deemed to be an Asset Sale Offer Trigger Date).

Each Asset Sale Offer will be mailed or sent electronically to the record Holders as shown on the register of Holders within 30 days following the Asset Sale Offer Trigger Date, with a copy to the Trustee, and shall comply with the procedures set forth in Section 3.05 hereof. Upon receiving notice of the Asset Sale Offer, Holders may elect to tender their Notes in whole or in part in, in a minimum of \$2,000 or in integral multiples of \$1,000 in excess thereof (*provided* that no Note will be purchased in part if such Note would have a remaining amount of less than \$2,000), in exchange for cash. To the extent Holders properly tender Notes (and, if applicable, holders of Pari Passu Debt, tender Pari Passu Debt) in an aggregate amount exceeding the Asset Sale Offer Amount, Notes of tendering Holders and Pari Passu Debt of holders thereof will be purchased on a *pro rata* basis (based on amounts tendered).

To the extent that the aggregate amount of Notes and Pari Passu Debt tendered pursuant to an Asset Sale Offer is less than the Asset Sale Offer Amount, the Company may use any remaining Asset Sale Offer Amount for general corporate purposes or for any other purpose not prohibited by this Indenture. Upon completion of any such Asset Sale Offer, the Asset Sale Offer Amount shall be reset at zero.

The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to this Section 4.08. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this Section 4.08, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.08 by virtue thereof.

SECTION 4.09. Affiliate Transactions.

(a) The Company shall not, and shall not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or permit to occur any transaction or series of related transactions (including, without limitation, the purchase, sale, lease or exchange of any property or asset or the rendering of any service) with, or for the benefit of, any of its Affiliates (an "*Affiliate Transaction*") involving aggregate payment or consideration in excess of \$10.0 million, unless (i) such Affiliate Transaction is on terms that are not materially less favorable to the Company or the relevant Restricted Subsidiary than those that might reasonably have been obtained in a comparable transaction at such time on an arm's-length basis from a Person that is not an Affiliate of the Company; and (ii) the Company delivers to the Trustee with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate payments or consideration in excess of \$25.0 million, a Board Resolution adopted by the majority of the members of the Board of Directors of the Company or a resolution of the Audit Committee of the Board of Directors of the Company approved by a majority of the members of the Audit Committee approving such Affiliate Transaction and set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (i) above.

(b) The restrictions set forth in Section 4.09(a) hereof shall not apply to:

(1) reasonable fees and compensation paid to, and indemnity provided on behalf of, officers, directors, employees or consultants of the Company or any Restricted Subsidiary of the Company as determined in good faith by the Company's Board of Directors or a committee thereof;

(2) transactions between or among the Company and any of its Restricted Subsidiaries or between or among such Restricted Subsidiaries (other than a Securitization Entity); *provided* that such transactions are not otherwise prohibited by this Indenture;

(3) any agreement as in effect as of the Issue Date or any amendment thereto or any transaction contemplated thereby (including pursuant to any amendment thereto) or by any replacement agreement thereto so long as any such amendment or replacement agreement is not more disadvantageous to the Holders in any material respect than the original agreement as in effect on the Issue Date as determined in good faith by the Company's Board of Directors;

(4) Restricted Payments or Permitted Investments permitted by this Indenture;

(5) transactions effected as part of a Qualified Securitization Transaction;

(6) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Company solely because the Company owns, directly or through a Subsidiary, Capital Stock in, or controls, such Person;

(7) payments or loans to employees or consultants that are approved by a majority of the independent directors of the Company's Board of Directors or by the Company's compensation committee;

(8) sales of Qualified Capital Stock to Affiliates of the Company;

(9) transactions permitted by, and complying with, the provisions of Article 5 hereof; and

(10) transactions in which the Company or any Restricted Subsidiary, as the case may be, receives an opinion from a nationally recognized investment banking, appraisal or accounting firm that such Affiliate Transaction is either fair, from a financial standpoint, to the Company or such Restricted Subsidiary or is on terms not materially less favorable than those that might reasonably have been obtained in a comparable transaction at such time on an arm's length basis from a Person that is not an Affiliate of the Company.

SECTION 4.10. Liens.

The Company shall not, and shall not cause or permit any Restricted Subsidiary to, directly or indirectly, create, incur or suffer to exist any Lien securing Indebtedness (other than Permitted Liens) upon any of its properties or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or thereafter acquired, or any interest therein or any income or profits therefrom, unless:

(a) if such Lien secures Subordinated Debt, the Notes or the Guarantees, as the case may be, are secured on a senior priority basis with such Indebtedness for so long as such Subordinated Debt is secured by such Lien; and

(b) in all other cases, the Notes or the Guarantees, as the case may be, are secured on an equal and ratable basis.

Any Lien created for the benefit of the Holders pursuant to the preceding paragraph shall provide by its terms that such Lien shall be automatically and unconditionally released and discharged upon the release and discharge of the Lien on such other Indebtedness and that holders of such other Indebtedness may exclusively control the disposition of property subject to such Lien.

SECTION 4.11. Offer to Repurchase upon Change of Control.

(a) If a Change of Control occurs, unless the Company has executed its right to redeem all of the Notes as described under Section 3.03 hereof, each Holder shall have the right to require that the Company purchase all or a portion of such Holder's Notes pursuant to the offer described below (the "**Change of Control Offer**"), at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of purchase (the "**Change of Control Payment**"). Within 30 days following the date upon which the Change of Control occurred, unless the Company has exercised its right to redeem all of the Notes as described under Section 3.03 hereof, the Company must send or otherwise deliver in accordance with the applicable procedures of DTC, a notice to the Trustee and each Holder, which notice shall govern the terms of the Change of Control Offer. Such notice shall state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed or otherwise delivered in accordance with his parking with the applicable procedures of DTC, other than as may be required by law (the "**Change of Control Payment Date**"). Holders electing to have their Notes purchased pursuant to a Change of Control Offer shall be required to surrender their Notes, with the form entitled "Option of Holder to Elect Purchase" on the reverse of the Note completed, to the Paying Agent at the address specified in the notice prior to the close of business on the third Business Day prior to the Change of Control Payment Date, or with respect to Global Notes, comply with the applicable procedures of DTC.

(b) On the Change of Control Payment Date, the Company shall, to the extent lawful, (1) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer, (2) deposit with the Paying Agent no later than 10:00 a.m. New York City time, an amount equal to the aggregate Change of Control Payment in respect of all Notes or portions thereof so tendered and (3) deliver, or cause to be delivered, to the Trustee for cancellation the Notes so accepted together with an Officers' Certificate stating that all Notes or portions thereof have been tendered to and purchased by the Company. In the event that the Company makes a Change of Control Payment, the Paying Agent shall promptly mail or wire transfer to each Holder the Change of Control Payment for such Notes, and the Trustee shall promptly authenticate a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided* that each such new Note will be in a principal amount of \$2,000 or an integral multiple of \$1,000 in excess thereof. The Company shall publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

(c) If the Change of Control Payment Date is on or after a Regular Record Date for an interest payment and on or before the related Interest Payment Date, any accrued and unpaid interest to the Change of Control Payment Date will be paid on the Change of Control Payment Date to the Person in whose name a Note is registered at the close of business on such record date, subject to applicable procedures of DTC with respect to Global Notes.

(d) The Company shall comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with this Section 4.11, the Company shall comply with the applicable securities laws and regulations and shall not be deemed to have breached its obligations under this Section 4.11 by virtue thereof.

(e) Notwithstanding anything to the contrary in this Section 4.11, the Company shall not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in this Section 4.11 hereof and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

(f) A Change of Control Offer may be made in advance of a Change of Control, and conditioned upon, the occurrence of such Change of Control, if a definitive agreement is in place for the Change of Control Offer at the time of making the Change of Control Offer.

(g) Prior to making a Change of Control Payment, and as a condition to such payment (1) the requisite lenders or holders of Indebtedness incurred or issued under a credit facility, an indenture or other agreement that may be violated by such payment shall have consented to such Change of Control Payment being made and waived the event of default, if any, caused by the Change of Control or (2) the Company will repay all outstanding Indebtedness incurred or issued under a credit facility, an indenture or other agreement that may be violated by a Change of Control Payment or the Company will offer to repay all such Indebtedness, make payment to the lenders or holders of such Indebtedness that accept such offer and obtain waivers of any event of default arising under the relevant credit facility, indenture or other agreement from the remaining lenders or holders of such Indebtedness.

SECTION 4.12. Corporate Existence.

Except as otherwise permitted by Article 5 hereof, the Company will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

SECTION 4.13. Additional Guarantors.

(a) The Company shall cause each future Domestic Restricted Subsidiary that Guarantees the Debt Facility or becomes a borrower under the Debt Facility after the Issue Date to execute and deliver to the Trustee a Guarantee substantially in the form of Exhibit B hereto pursuant to which such Restricted Subsidiary will unconditionally Guarantee, on a joint and several basis, the full and prompt payment of the principal of, premium, if any, and interest on the Notes and all other obligations under this Indenture on a senior basis. Notwithstanding the foregoing, any Domestic Restricted Subsidiary of the Company that at any time has total assets of less than \$1,000,000, as reflected on such Subsidiary's most recent balance sheet as of the date of determination, or consolidated cash flow for the most recently ended four fiscal quarters for which internal financial statements are available immediately preceding the date of determination of less than \$500,000, will not be required to become a Guarantor unless it guarantees other Indebtedness of the Company or a Restricted Subsidiary of the Company.

(b) In the event any Guarantor is released and discharged in full from all of its obligations under guarantees of the Debt Facility, then the Guarantee of such Guarantor shall be automatically and unconditionally released or discharged; *provided* that such Restricted Subsidiary has not incurred any Indebtedness in reliance on its status as a Guarantor under Section 4.07 unless such Guarantor's obligations under such Indebtedness so incurred are satisfied in full and discharged or are otherwise permitted under one of the exceptions available under the definition of "Permitted Indebtedness" at the time of such release to Restricted Subsidiaries. In addition, each Guarantee shall be released in accordance with the provisions of Section 10.02 hereto.

(c) Each Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by that Restricted Subsidiary without rendering the Guarantee, as it relates to such Restricted Subsidiary, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally.

SECTION 4.14. Limitation on Preferred Stock of Restricted Subsidiaries.

The Company shall not permit any of its Restricted Subsidiaries to issue any Preferred Stock (other than to the Company or to a Restricted Subsidiary of the Company) or permit any Person (other than the Company or a Restricted Subsidiary of the Company) to own any Preferred Stock of any Restricted Subsidiary of the Company.

SECTION 4.15. Suspension of Covenants.

(a) During any period of time following the Issue Date that (i) the Notes have Investment Grade Ratings from both Rating Agencies, and (ii) no Default has occurred and is continuing under this Indenture (the occurrence of the events described in the foregoing clauses (i) and (ii) being collectively referred to as a "**Covenant Suspension Event**"), the Company and its Restricted Subsidiaries shall not be subject to the following provisions of this Indenture:

- (1) Section 4.05;
- (2) Section 4.06;
- (3) Section 4.07;
- (4) Section 4.08;
- (5) Section 4.09;
- (6) Section 4.13;
- (7) Section 4.14; and
- (8) clause (a)(ii) of Section 5.01

(collectively, the "**Suspended Covenants**"). Upon the occurrence of a Covenant Suspension Event, the amount of Net Cash Proceeds with respect to any applicable Asset Sale Offer Trigger Date shall be set at zero at such date (the "**Suspension Date**"). In addition, in the event that the Company and its Restricted Subsidiaries are not subject to the Suspended Covenants for any period of time as a result of the foregoing, and on any subsequent date (the "**Reversion Date**") one or both of the Rating Agencies withdraw their Investment Grade Rating or downgrades the rating assigned to the Notes below an Investment Grade Rating or a Default or Event of Default occurs and is continuing, then the Company and its Restricted Subsidiaries shall thereafter again be subject to the Suspended Covenants with respect to future events. The period of time between the Suspension Date and the Reversion Date is referred to as the "**Suspension Period**." Within 30 days of the Reversion Date, any Restricted Subsidiary that would have been required during the Suspension Period but for the Suspended Covenants by Section 4.13 hereof to execute a supplemental indenture will execute such supplemental indenture required by such Section. Notwithstanding that the Suspended Covenants may be reinstated, no Default or Event of Default will be deemed to have occurred as a result of a failure to comply with the Suspended Covenants during the Suspension Period (or upon termination of the Suspension Period or after that time based solely on events that occurred during the Suspension Period).

(b) On the Reversion Date, all Indebtedness incurred during the Suspension Period will be classified to have been incurred or issued pursuant to Section 4.07 hereof to the extent such Indebtedness would be permitted to

be incurred or issued thereunder as of the Reversion Date and after giving effect to Indebtedness incurred or issued prior to the Suspension Period and outstanding on the Reversion Date. To the extent such Indebtedness would not be so permitted to be incurred or issued pursuant to Section 4.07 hereof, such Indebtedness will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (3) of the definition of Permitted Indebtedness. Calculations made after the Reversion Date of the amount available to be made as Restricted Payments under Section 4.05 hereof will be made as though the covenant described under Section 4.05 hereof had been in effect since the Issue Date and throughout the Suspension Period. Accordingly, Restricted Payments made during the Suspension Period will be deemed to have been made pursuant to Section 4.05(a) hereof.

(c) Promptly following the occurrence of any Suspension Date or Reversion Date, the Company shall provide an Officers' Certificate to the Trustee regarding such occurrence. The Trustee shall have no obligation to independently determine or verify if a Suspension Date or Reversion Date has occurred or notify the Holders of any Suspension Date or Reversion Date. The Trustee may provide a copy of such Officers' Certificate to any Holder of the Notes upon request.

ARTICLE 5

SUCCESSORS

SECTION 5.01. Merger, Consolidation, or Sale of Assets

(a) The Company shall not, in a single transaction or series of related transactions, consolidate or merge with or into any Person, or sell, assign, transfer, lease, convey or otherwise dispose of (or cause or permit any Restricted Subsidiary of the Company to sell, assign, transfer, lease, convey or otherwise dispose of) all or substantially all of the Company's properties or assets (determined on a consolidated basis for the Company and its Restricted Subsidiaries) to any Person unless:

(i) either: (a) the Company shall be the surviving or continuing corporation; or (b) the Person (if other than the Company) formed by such consolidation or into which the Company is merged or the Person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company and of its Restricted Subsidiaries substantially as an entirety (the "**Surviving Entity**");

(x) shall be a corporation organized and validly existing under the laws of the United States of America or any State thereof or the District of Columbia; and

(y) shall expressly assume, by supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, the due and punctual payment of the principal of, premium, if any, and interest on all of the Notes and the performance of every covenant of the Notes and this Indenture to be performed or observed on the part of the Company;

(ii) except in the case of a merger of the Company with or into a Restricted Subsidiary of the Company and except in the case of a merger entered into solely for the purpose of reincorporating the Company in another jurisdiction, immediately after giving effect to such transaction and the assumption contemplated by clause (i)(b)(y) above (including giving effect to any Indebtedness and Acquired Indebtedness incurred in connection with or in respect of such transaction), the Company or such Surviving Entity, as the case may be, (A) shall be able to incur at least \$1.00 of additional Indebtedness (other than Permitted Indebtedness) pursuant to Section 4.07 hereof or (B) the Consolidated Fixed Charge Coverage Ratio for the Company or the Surviving Entity, as the case may be, and its Restricted Subsidiaries on a consolidated basis would be (x) equal to or greater than 1.75 to 1 and (y) greater than such ratio for the Company and its Restricted Subsidiaries immediately prior to such transaction;

(iii) except in the case of a merger of the Company with or into a Restricted Subsidiary of the Company and except in the case of a merger entered into solely for the purpose of reincorporating the Company in another jurisdiction, immediately after giving effect to such transaction and the assumption

contemplated by clause (i)(b)(y) above (including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred or be continuing;

(iv) each Guarantor (unless it is the other party to the transactions described above, in which case clause (b)(i) of Section 5.01 shall apply) shall have by supplemental indenture (in the form and substance satisfactory to the Trustee), executed and delivered to the Trustee confirmed that its Guarantee shall apply to such Surviving Entity's obligations under this Indenture and the Notes; and

(v) the Company or the Surviving Entity shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with the applicable provisions of this Indenture and that all conditions precedent in this Indenture relating to such transaction have been satisfied and an Opinion of Counsel stating that the Notes and this Indenture constitute legal, valid and binding obligations of the Company or the Surviving Entity, as applicable, subject to customary exceptions.

(b) The Company shall not permit any Guarantor to, consolidate or merge with or into, or sell, assign, transfer, lease, convey or otherwise dispose of, in a single transaction or series of related transactions, all or substantially all of its assets to any Person unless:

(i) (except in the case of a Guarantor that has been disposed of in its entirety to another Person (other than to the Company or an Affiliate of the Company), whether through a merger, consolidation or sale of Capital Stock or through the sale of all or substantially all of its assets (such sale constituting the disposition of such Guarantor in its entirety), if in connection therewith the Company provides an Officers' Certificate to the Trustee to the effect that the Company will comply with its obligations under Section 4.08 hereof in respect of such disposition) the resulting, surviving or transferee Person (if not a Guarantor) (the "**Surviving Guarantor Entity**") shall be a Person organized and validly existing under the laws of the jurisdiction under which such Guarantor was organized or under the laws of the United States of America, any State thereof or the District of Columbia, and such Person shall expressly assume, by a supplemental indenture (in form and substance satisfactory to the Trustee), executed and delivered to the Trustee, all the obligations of such Guarantor, if any, under its Guarantee;

(ii) except in the case of a merger of a Guarantor with or into the Company or another Guarantor and except in the case of a merger entered into solely for the purpose of reincorporating a Guarantor in another jurisdiction, immediately after giving effect to such transaction and the assumption contemplated by the immediately preceding clause (b)(1) (including, without limitation, giving effect to any Indebtedness and Acquired Indebtedness incurred and any Lien granted in connection with or in respect of the transaction), no Default or Event of Default shall have occurred and be continuing; and

(iii) except in the case of a merger of a Guarantor with or into the Company or another Guarantor and except in the case of a merger entered into solely for the purpose of reincorporating a Guarantor in another jurisdiction, the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, sale, assignment, transfer, lease, conveyance or other disposition and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture complies with the applicable provisions of this Indenture and that all conditions precedent in this Indenture relating to such transaction have been satisfied and an Opinion of Counsel stating that the Notes and this Indenture constitute legal, valid and binding obligations of the Guarantor, subject to customary exceptions.

In case of any such consolidation, merger, sale or conveyance and upon the assumption by the successor Person, by supplemental indenture, executed and delivered to the Trustee and satisfactory in form to the Trustee, of the Guarantee of the Notes and the due and punctual performance of all of the covenants and conditions of this Indenture to be performed by the Restricted Subsidiary, such successor Person shall succeed to and be substituted for the Restricted Subsidiary with the same effect as if it had been named herein as a Restricted Subsidiary. Such

successor Person thereupon may cause to be signed any or all of the Guarantees of the Notes issuable hereunder which theretofore shall not have been signed by the Company and delivered to the Trustee. All the Guarantees so issued shall in all respects have the same legal rank and benefit under this Indenture as the Guarantees theretofore and thereafter issued in accordance with the terms of this Indenture as though all of such Guarantees had been issued at the date of the execution hereof.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Restricted Subsidiaries of the Company, the Capital Stock of which constitutes all or substantially all of the properties and assets of the Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company. However, transfer of assets between or among the Company and its Restricted Subsidiaries will not be subject to this Section 5.01.

SECTION 5.02. Successor Corporation Substituted.

Upon any consolidation, merge, sale, assignment, transfer, lease or other disposition of all or substantially all of the assets of the Company or a Guarantor in accordance with Section 5.01 hereof, the Company and a Guarantor, as the case may be, will be released from its Obligations under this Indenture or its Guarantee, as the case may be, and the Surviving Entity and the Surviving Guarantor Entity, as the case may be, will succeed to, and be substituted for, and may exercise every right and power of, the Company or a Guarantor, as the case may be, under this Indenture, the Notes and the Guarantee; *provided* that, in the case of a lease of all or substantially all its assets, the Company will not be released from the obligation to pay the principal of and interest on the Notes, and a Guarantor will not be released from its obligations under its Guarantee.

ARTICLE 6

DEFAULTS AND REMEDIES

SECTION 6.01. Events of Default.

“*Events of Default*” are:

- (a) the failure to pay interest on any Notes when the same becomes due and payable and the default continues for a period of 30 days;
- (b) the failure to pay the principal on any Notes when such principal becomes due and payable, at maturity, upon redemption or otherwise (including the failure to make a payment to purchase Notes tendered pursuant to a Change of Control Offer or an Asset Sale Offer on the date specified for such payment in the applicable Offer to Purchase);
- (c) a default in the observance or performance of any other covenant or agreement contained herein if the default continues for a period of 60 days after the Company receives written notice specifying the default (and demanding that such default be remedied) from the Trustee or the Holders of at least 25% of the outstanding principal amount of the Notes to the Company and the Trustee (except in the case of a default with respect to Section 5.01 hereof, which will constitute an Event of Default with such notice requirement but without such passage of time requirement);
- (d) the failure to pay at final Stated Maturity (giving effect to any applicable grace periods and any extensions thereof) the principal amount of any Indebtedness of the Company or any Restricted Subsidiary of the Company (other than the failure by a Securitization Entity to pay Indebtedness owed to the Company or a Restricted Subsidiary of the Company), or the acceleration of the final Stated Maturity of any such Indebtedness, if the aggregate principal amount of such Indebtedness, together with the principal amount of any other such Indebtedness in default for failure to pay principal at final maturity or which has been accelerated, aggregates \$30.0 million or more at any time;

(e) one or more judgments in an aggregate amount in excess of \$30.0 million (to the extent not covered by independent third party insurance as to which the insurer does not dispute the coverage) shall have been rendered against the Company or any of its Restricted Subsidiaries and such judgments remain undischarged, unpaid or unstayed for a period of 60 days after such judgment or judgments become final and non-appealable;

(f) except as permitted herein, any Guarantee of any Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, shall be held in any judicial proceeding to be unenforceable or invalid or shall cease for any reason to be in full force and effect or any Guarantor that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, or any Person acting on behalf of such Guarantor, shall deny or disaffirm its obligations under its Guarantee;

(g) the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary within the meaning of Bankruptcy Law:

- (i) commences a voluntary case,
- (ii) consents to the entry of an order for relief against it in an involuntary case,
- (iii) consents to the appointment of a custodian of it or for all or substantially all of its property, or
- (iv) makes a general assignment for the benefit of its creditors; or

(h) a court of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(i) is for relief against the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary in an involuntary case;

(ii) appoints a custodian of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary, or for all or substantially all of the property of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Subsidiaries that, taken together, would constitute a Significant Subsidiary; or

(iii) orders the liquidation of the Company or any of its Restricted Subsidiaries that is a Significant Subsidiary or any group of Restricted Securities that, taken together, would constitute a Significant Subsidiary,

and the order or decree remains unstayed and in effect for 60 consecutive days.

SECTION 6.02. Acceleration

If an Event of Default (other than an Event of Default specified in clauses (g) or (h) of Section 6.01 hereof with respect to the Company) occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the then outstanding Notes may declare the principal of and accrued interest on all the Notes to be due and payable immediately by notice in writing to the Company and the Trustee specifying the respective Event of Default and that it is a "notice of acceleration", and the same shall become immediately due and payable. If an Event of Default specified in clause (g) or (h) of Section 6.01 hereof occurs and is continuing with respect to the Company, then all unpaid principal of, and premium, if any, and accrued and unpaid interest on all the outstanding Notes shall *ipso facto* become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

At any time after a declaration of acceleration with respect to the Notes as described in the preceding paragraph, the Holders of a majority in principal amount of the Notes may rescind and cancel such declaration and its consequences (i) if the rescission would not conflict with any judgment or decree, (ii) if all existing Events of Default have been cured or waived except nonpayment of principal or interest that has become due solely because of the acceleration, (iii) to the extent the payment of such interest is lawful, interest on overdue installments of interest and overdue principal, which has become due otherwise than by such declaration of acceleration, has been paid, (iv) if the Company has paid the Trustee its reasonable compensation and reimbursed the Trustee for its expenses, disbursements and advances (including reasonable fees and expenses of its counsel and agents), and (v) in the event of the cure or waiver of an Event of Default of the type described in clause (g) or (h) of Section 6.01 hereof, the Trustee shall have received an Officers' Certificate and an Opinion of Counsel that such Event of Default has been cured or waived. No such rescission shall affect any subsequent Default or impair any right consequent thereto.

SECTION 6.03. Trustee May File Proofs of Claim.

To the extent that the payment of any such compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 606 of the Base Indenture out of the estate in any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding shall be unpaid for any reason, payment of the same shall be secured by a lien on, and shall be paid out of, any and all distributions, dividends, money, securities and other properties that the Holders may be entitled to receive in such proceeding whether in liquidation or under any plan of reorganization or arrangement or otherwise.

ARTICLE 7

TRUSTEE

SECTION 7.01. Duties of Trustee.

If an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise, as a prudent Person would exercise or use under the circumstances in the conduct of such Person's own affairs.

In no event shall the Trustee be responsible or liable for any special, indirect, punitive or consequential loss or damage of any kind whatsoever (including, but not limited to, loss of profit), irrespective of whether the Trustee has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 7.02. Notice of Defaults.

If a Default or Event of Default occurs and is continuing and if it is known to a Responsible Officer of the Trustee, the Trustee shall mail to Holders of Notes a notice of the Default or Event of Default within 90 days after it occurs; *provided, however*, that in the case of any Default of the character specified in Section 6.01(c) no such notice to Holders will be given until at least 60 calendar days after the occurrence thereof. Except in the case of a Default or Event of Default relating to the payment of principal or interest on any Note, the Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Holders of the Notes.

ARTICLE 8

LEGAL DEFEASANCE AND COVENANT DEFEASANCE

SECTION 8.01. Option to Effect Legal Defeasance or Covenant Defeasance.

The Company may, at the option of its Board of Directors evidenced by a Board Resolution set forth in an Officers' Certificate, at any time, elect to have either Section 8.02 or 8.03 hereof applied to all outstanding Notes upon compliance with the conditions set forth below in this Article 8.

SECTION 8.02. Legal Defeasance and Discharge.

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.02, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be deemed to have been discharged from its obligations with respect to all outstanding Notes on the date the conditions set forth below are satisfied (hereinafter, "**Legal Defeasance**"). For this purpose, Legal Defeasance means that the Company shall be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes, which shall thereafter be deemed to be "outstanding" only for the purposes of Section 8.05 hereof and the other Sections of this Indenture referred to in (a) and (b) below, and to have satisfied all its other obligations under such Notes and this Indenture (and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging the same), except for the following provisions which shall survive until otherwise terminated or discharged hereunder: (a) the rights of Holders of outstanding Notes to receive solely from the trust fund described in Section 8.04 hereof, and as more fully set forth in such Section, payments in respect of the principal amount of, premium, if any, and interest on such Notes when such payments are due, (b) the Company's obligations with respect to such Notes under Sections 304, 305 and 306 of the Base Indenture and Section 4.02 hereof, (c) the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's obligations in connection therewith and (d) the provisions of this Article 8 with respect to Legal Defeasance. Subject to compliance with this Article 8, the Company may exercise its option under this Section 8.02 notwithstanding the prior exercise of its option under Section 8.03 hereof.

SECTION 8.03. Covenant Defeasance.

Upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03, the Company shall, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, be released from its obligations under the covenants contained in Sections 4.05, 4.06, 4.07, 4.08, 4.09, 4.10, 4.11, 4.12, 4.13 and 4.14 hereof with respect to the outstanding Notes on and after the date the conditions set forth in Section 8.04 hereof are satisfied (hereinafter, "**Covenant Defeasance**"), and the Notes shall thereafter be deemed not "outstanding" for the purposes of any direction, waiver, consent or declaration or act of Holders (and the consequences of any thereof) in connection with such covenants, but shall continue to be deemed "outstanding" for all other purposes hereunder (it being understood that such Notes shall not be deemed outstanding for accounting purposes). For this purpose, Covenant Defeasance means that, with respect to the outstanding Notes, the Company may omit to comply with and shall have no liability in respect of any term, condition or limitation set forth in any such covenant, whether directly or indirectly, by reason of any reference elsewhere herein to any such covenant or by reason of any reference in any such covenant to any other provision herein or in any other document and such omission to comply shall not constitute a Default or an Event of Default under Section 6.01 hereof, but, except as specified above, the remainder of this Indenture and such Notes shall be unaffected thereby. In addition, upon the Company's exercise under Section 8.01 hereof of the option applicable to this Section 8.03 hereof, subject to the satisfaction of the conditions set forth in Section 8.04 hereof, Sections 6.01(d) and 6.01(e) hereof shall not constitute Events of Default.

SECTION 8.04. Conditions to Legal or Covenant Defeasance.

The following shall be the conditions to the application of either Section 8.02 or 8.03 hereof to the outstanding Notes: In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders, (i) with respect to the Notes, cash in United States dollars, non-callable U.S. Government Securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (in the case of U.S. Government Obligations), to pay the principal amount at maturity of, premium and interest on the outstanding Notes on the stated date for payment thereof or on the applicable Redemption Date, as the case may be;

(b) in the case of an election under Section 8.02 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States of America reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service a ruling or (B) since the Issue Date, there has been a change in the applicable Federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders and the beneficial owners of the

outstanding Notes will not recognize income, gain or loss for Federal income tax purposes as a result of such Legal Defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of an election under Section 8.03 hereof, the Company shall have delivered to the Trustee an Opinion of Counsel in the United States of America reasonably acceptable to the Trustee confirming that the Holders and the beneficial owners of the outstanding Notes will not recognize income, gain or loss for Federal income tax purposes as a result of such Covenant Defeasance and will be subject to Federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the incurrence of Indebtedness all or a portion of the proceeds of which will be used to defease the Notes pursuant to this Article 8 concurrently with such incurrence and the grant of a Lien to secure such Indebtedness) or insofar as Section 6.01(g) or 6.01(h) hereof is concerned, at any time in the period ending on the 91st day after the date of deposit;

(e) such Legal Defeasance or Covenant Defeasance shall not result in a breach or violation of, or constitute a Default under this Indenture (other than a Default or an Event of Default resulting from the borrowing of funds to be applied to such deposit and the grant of any Lien securing such borrowing) or any other material agreement or instrument to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries is bound;

(f) the Company shall have delivered to the Trustee an Opinion of Counsel (which may be subject to customary exceptions) to the effect that after the 91st day following the deposit, the trust funds will not be subject to the effect of the preference provisions of Section 547 of the United States Federal Bankruptcy Code;

(g) the Company shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the Holders over any other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding any other creditors of the Company or others;

(h) the Company shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that all conditions precedent provided for or relating to the Legal Defeasance or the Covenant Defeasance have been complied with; and

(i) the Company shall have paid or duly provided for payment of all amounts then due to the Trustee pursuant to Section 606 of the Base Indenture.

Notwithstanding the foregoing, the Opinion of Counsel required by clause (b) above with respect to a Legal Defeasance need not be delivered if all Notes not therefor delivered to the Trustee for cancellation (A) have become due and payable, or (B) will become due and payable on the maturity date within one year under arrangements satisfactory to the Trustee for giving of notice of redemption by the Trustee in the name, and at the expense, of the Company.

SECTION 8.05. Deposited Money and U.S. Government Securities to Be Held in Trust; Other Miscellaneous Provisions

All cash and non-callable U.S. Government Securities (including the proceeds thereof) deposited with the Trustee (or other qualifying trustee, collectively for purposes of this Section 8.05, the "*Trustee*") pursuant to Section 8.04 hereof in respect of the outstanding Notes shall be held in trust and applied by the Trustee, in accordance with the provisions of such Notes and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as Paying Agent) as the Trustee may determine, to the Holders of such Notes of all sums due and to become due thereon in respect of principal, premium, if any, and interest, but such cash and securities need not be segregated from other funds except to the extent required by law.

The Company shall pay and indemnify the Trustee against any tax, fee or other charge imposed on or assessed against the cash or non-callable U.S. Government Securities deposited pursuant to Section 8.04 hereof or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Holders of the outstanding Notes.

Anything in this Article 8 to the contrary notwithstanding, the Trustee shall deliver or pay to the Company from time to time upon the request of the Company any money or non-callable U.S. Government Securities held by it as provided in Section 8.04 hereof which, in the opinion of a nationally recognized firm of independent public accountants expressed in a written certification thereof delivered to the Trustee (which may be the opinion delivered under Section 8.04(a) hereof), are in excess of the amount thereof that would then be required to be deposited to effect an equivalent Legal Defeasance or Covenant Defeasance.

SECTION 8.06. Satisfaction and Discharge.

This Indenture shall be discharged and shall cease to be of further effect (except as to surviving rights or registration of transfer or exchange of the Notes, as expressly provided for in this Indenture, and the rights, powers, trusts, duties and immunities of the Trustee hereunder and the Company's and Guarantors' obligations in connection therewith) as to all outstanding Notes of a series when (i) either (a) all Notes of such series theretofore authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust) have been delivered to the Trustee for cancellation or (b) all Notes of such series not theretofore delivered to the Trustee for cancellation have become due and payable, pursuant to an optional redemption notice or otherwise, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds in an amount sufficient to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Trustee for cancellation, for principal of, premium, if any, and interest on the Notes to the date of deposit together with irrevocable instructions from the Company directing the Trustee to apply such funds to the payment thereof at maturity or redemption, as the case may be; (ii) the Company has paid all other sums payable under this Indenture by the Company with respect to such series; and (iii) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent under this Indenture relating to the satisfaction and discharge of this Indenture with respect to such series have been complied with.

SECTION 8.07. Repayment to Company.

Any cash or non-callable U.S. Government Securities deposited with the Trustee or any Paying Agent, or then held by the Company, in trust for the payment of the principal of, premium, if any, or interest on, any Note and remaining unclaimed for two years after such principal, and premium, if any, or interest has become due and payable shall be paid to the Company on its request or (if then held by the Company) shall be discharged from such trust; and the Holder shall thereafter, as an unsecured creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such cash and securities, and all liability of the Company as trustee thereof, shall thereupon cease; *provided, however*, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in The New York Times and The Wall Street Journal (national edition) notice that such cash and securities remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notification or publication, any unclaimed balance of such cash and securities then remaining will be repaid to the Company.

SECTION 8.08. Reinstatement.

If the Trustee or Paying Agent is unable to apply any cash or non-callable U.S. Government Securities in accordance with Section 8.02 or 8.03, as the case may be, by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, then the Company's obligations under this Indenture and the Notes shall be revived and reinstated as though no deposit had occurred pursuant to Section 8.02 or 8.03 until such time as the Trustee or Paying Agent is permitted to apply all such cash and securities in accordance with Section 8.02 or 8.03, as the case may be; *provided, however*, that, if the Company makes any payment of principal of, premium, if any, or interest on any Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the Holders to receive such payment from the cash and securities held by the Trustee or Paying Agent.

SECTION 8.09. Survival.

The Trustee's rights under this Article 8 shall survive termination of this Indenture or the resignation or removal of the Trustee.

ARTICLE 9

AMENDMENT, SUPPLEMENT AND WAIVER

SECTION 9.01. Without Consent of Holder.

Notwithstanding Section 9.02 of this Indenture, the Company, the Guarantors and the Trustee may amend or supplement this Indenture, the Guarantees or the Notes without the consent of any Holder of a Note to:

- (a) cure any ambiguity, defect, omission, mistake or inconsistency, as evidenced by an Officers' Certificate;
- (b) provide for uncertificated Notes in addition to or in place of Certificated Notes or to alter the provisions of Article 2 of Exhibit A hereof relating to the form of the Notes (including the related definitions) in a manner that does not materially adversely affect any Holder, as evidenced by an Officers' Certificate;
- (c) provide for the assumption of the Company's or a Guarantor's obligations to the Holders by a successor to the Company or a Guarantor pursuant to Article 5 hereof;
- (d) make any change that would provide any additional rights or benefits to the Holders or that does not adversely affect the legal rights hereunder of any Holder, as evidenced by an Officers' Certificate;
- (e) comply with requirements of the SEC in order to effect or maintain the qualification of this Indenture under the TIA;
- (f) provide for the issuance of Additional Notes in accordance with the limitations set forth in this Indenture;
- (g) allow any Guarantor to execute a supplemental indenture and/or a Guarantee with respect to the Notes;
- (h) remove a Guarantor which, in accordance with the terms of this Indenture, ceases to be liable in respect of the Guarantee;
- (i) make appropriate provision in connection with the appointment of a successor trustee; *provided* that the successor trustee is otherwise qualified and eligible to act as such under the terms of this Indenture;
- (j) conform the text of this Indenture, the Guarantees or the Notes to any provision of the "Description of notes" contained in the final offering document relating to the original offering of the Notes to the extent that such provision was intended to be a verbatim recitation of a provision of this Indenture, the Guarantees or the Notes as evidenced by an Officers' Certificate; or
- (k) secure the Notes and the Guarantees.

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental Indenture, and upon receipt by the Trustee of the documents described in Section 602 of the Base Indenture, the Trustee shall join with the Company and the Guarantors in the

execution of any amended or supplemental Indenture authorized or permitted by the terms of this Indenture and to make any further appropriate agreements and stipulations that may be therein contained, but the Trustee shall not be obligated to enter into such amended or supplemental Indenture that affects its own rights, duties or immunities under this Indenture or otherwise.

SECTION 9.02. With Consent of Holders of Notes.

Except as provided below in this Section 9.02, this Indenture (including Sections 3.05, 4.08 and 4.11 hereof), the Guarantees and the Notes may be amended or supplemented with the consent of the Holders of at least a majority in principal amount of the Notes then outstanding voting as a single class (including consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes), and, subject to Sections 508 and 514 of the Base Indenture, any existing Default or Event of Default (other than a Default or Event of Default in the payment of the principal of, premium, if any, or interest on the Notes, except a payment default resulting from an acceleration that has been rescinded) or compliance with any provision of this Indenture, the Guarantees or the Notes may be waived with the consent of the Holders of a majority in principal amount of the then outstanding Notes voting as a single class (including consents obtained in connection with a tender offer or exchange offer for, or purchase of, the Notes). Section 2.03 hereof shall determine which Notes are considered to be "outstanding" for purposes of this Section 9.02.

Upon the request of the Company accompanied by a resolution of its Board of Directors authorizing the execution of any such amended or supplemental Indenture, and upon the filing with the Trustee of evidence satisfactory to the Trustee of the consent of the Holders of Notes as aforesaid, and upon receipt by the Trustee of the documents described in Sections 602 and 903 of the Base Indenture, the Trustee shall join with the Company in the execution of such amended or supplemental Indenture unless such amended or supplemental Indenture directly affects the Trustee's own rights, duties or immunities under this Indenture or otherwise, in which case the Trustee may in its discretion, but shall not be obligated to, enter into such amended or supplemental Indenture.

It shall not be necessary for the consent of the Holders of Notes under this Section 9.02 to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof. A consent to any amendment or waiver under this Indenture by any Holder given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender. After an amendment or waiver under this Indenture becomes effective, the Company is required to give to the Holders a notice briefly describing such amendment or waiver. However, the failure to give such notice to all the Holders, or any defect in the notice will not impair or affect the validity of the amendment or waiver.

After an amendment, supplement or waiver under this Section 9.02 becomes effective, the Company shall mail to the Holders of Notes affected thereby a notice briefly describing the amendment, supplement or waiver. Any failure of the Company to mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amended or supplemental Indenture or waiver. Subject to Sections 508 and 514 of the Base Indenture, the Holders of a majority in aggregate principal amount of the Notes then outstanding voting as a single class may waive compliance in a particular instance by the Company with any provision of this Indenture or the Notes. However, without the consent of each Holder affected, an amendment or waiver under this Section 9.02 may not (with respect to any Notes held by a non-consenting Holder):

- (a) reduce the principal amount of Notes whose Holders must consent to an amendment, supplement or waiver;
- (b) reduce the rate of or change or have the effect of changing the time for payment of interest, including defaulted interest, on any Note;
- (c) reduce the principal of or change or have the effect of changing the fixed maturity of any Note, or change the date on which any Note may be subject to redemption or reduce the redemption price therefor;
- (d) make any Notes payable in money other than that stated in the Notes;

(e) release any Guarantor from any and all of its obligations under its Guarantee, except in accordance with the terms of this Indenture or its Guarantee;

(f) make any change in the provisions of this Indenture protecting the right of each Holder to receive payment of principal of and interest on such Note on or after the due date thereof or to bring suit to enforce such payment, or permitting Holders of a majority in principal amount of Notes to waive Defaults or Events of Default;

(g) after the Company's obligation to purchase Notes arises thereunder, amend, change or modify in any material respect the obligation of the Company to make and consummate a Change of Control Offer in the event of a Change of Control or an Asset Sale Offer in the event of an Asset Sale or modify any of the provisions or definitions with respect thereto after a Change of Control or Asset Sale has occurred; or

(h) make any change to or modify the rankings of the Notes that would adversely affect the Holders.

For purposes of determining whether the Holders of the requisite principal amount of Notes have taken any action under this Indenture, the principal amount of Notes shall be determined as of (i) if a record date has been set with respect to the taking of such action, such date or (ii) if no such date has been set, the date the taking of such action by the Holders of such requisite principal amount is certified to the Trustee by the Company.

SECTION 9.03. Compliance with Trust Indenture Act.

Every amendment or supplement to this Indenture or the Notes shall be set forth in an amended or supplemental indenture that complies with the TIA as then in effect.

SECTION 9.04. Revocation and Effect of Consents.

Until an amendment, supplement or waiver becomes effective, a consent to it by a Holder is a continuing consent by the Holder of a Note and every subsequent Holder of a Note or portion thereof that evidences the same debt as the consenting Holder's Note, even if notation of the consent is not made on any Note. However, any such Holder or subsequent Holder may revoke the consent as to its Note or portion thereof if the Trustee receives written notice of revocation before the date the waiver, supplement or amendment becomes effective. An amendment, supplement or waiver shall become effective in accordance with its terms and thereafter shall bind every Holder.

SECTION 9.05. Trustee to Sign Amendments.

The Trustee shall sign any amended or supplemental indenture authorized pursuant to this Article 9 if the amendment or supplement does not adversely affect the rights, duties, liabilities or immunities of the Trustee. None of the Company nor any Guarantor may sign an amendment or supplemental indenture until its board of directors (or committee serving a similar function) approves it. In executing any amended or supplemental indenture, the Trustee shall be provided with and (subject to Section 7.01 hereof and, Sections 602 and 903 of the Base Indenture) shall be fully protected in relying upon an Officers' Certificate and an Opinion of Counsel stating that the execution of such amended or supplemental indenture is authorized or permitted by this Indenture and that such amended or supplemental indenture is the legal, valid and binding obligations of the Company and the Guarantors enforceable against it in accordance with its terms, subject to customary exceptions and that such amended or supplemental indenture complies with the provisions hereof (including Section 9.03).

ARTICLE 10

GUARANTEES

SECTION 10.01. Guarantees.

Each Guarantor hereby agrees that Article XVI of the Base Indenture shall be applicable to the Notes.

SECTION 10.02. Release of Guarantor.

(a) Upon the sale, assignment, transfer, conveyance, exchange or other disposition (including by way of consolidation, merger or otherwise) of such Guarantor; (b) upon the sale or disposition of all or substantially all of the assets of such Guarantor (in case of clauses (a) and (b), other than a sale, assignment, transfer, conveyance, exchange or other disposition to the Company or an Affiliate of the Company and as permitted by this Indenture and the Company complies with its obligations under Section 4.08 hereof and if in connection therewith the Company provides an Officers' Certificate and an Opinion of Counsel to the Trustee, each stating that all conditions precedent provided for in this Indenture relating to such transactions or release have been complied with); (c) upon the release or discharge of such Guarantor from its guarantee, if any, and of all pledges and security, if any, granted by such Guarantor in connection with the Debt Facility, except a release or discharge by or as a result of payment under such guarantee; or (d) upon designation of a Guarantor as an Unrestricted Subsidiary pursuant to the terms of this Indenture, such Guarantor shall be deemed released from all obligations under this Article 11 without any further action required on the part of the Trustee or any Holder. If the Company exercises its Legal Defeasance option or its Covenant Defeasance option in accordance with the provisions of Article 8 hereof or if its obligations under this Indenture are discharged in accordance with Section 8.06 hereof, each Guarantor shall be released from all obligations under this Article 11 without any further action required on the part of the Trustee or any Holder. At the request of the Company and if in connection therewith the Company provides an Officers' Certificate and an Opinion of Counsel to the Trustee, each stating that all the conditions precedent provided for in this Indenture relating to the execution of such instrument have been complied with, the Trustee shall execute and deliver an appropriate instrument evidencing the release of a Guarantor pursuant to this Section 11.02.

In the event that any released Guarantor (in the case of clauses (c) or (d) above) thereafter borrows money or guarantees Indebtedness under the Debt Facility, such former Guarantor will again provide a Guarantee.

SECTION 10.03. Contribution.

Each Guarantor that makes a payment under its Guarantee shall be entitled upon payment in full of all Guaranteed Obligations to contribution from each Guarantor, as applicable, in an amount equal to such Guarantor's *pro rata* portion of such payment based on the respective net assets of all the Guarantors at the time of such payment determined in accordance with GAAP.

ARTICLE 11

MISCELLANEOUS

SECTION 11.01. Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies or conflicts with another provision which is required to be included in this Indenture by the TIA, the provision required by the TIA shall control.

If any provision of this Indenture modifies or excludes any provisions of the TIA that may be so modified or excluded, the former provision shall be deemed to apply to this Indenture as so modified or to be excluded.

SECTION 11.02. Notices.

Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed by first class mail (registered or certified, return receipt requested), facsimile or electronic transmission or overnight air courier guaranteeing next-day delivery, to the other's address:

If to the Company:

Central Garden & Pet Company
1340 Treat Boulevard, Suite 600
Walnut Creek, California 94597
Attention: George A. Yuhas
Telecopier No.: (925) 947-0914

With a copy to:

Orrick, Herrington & Sutcliffe LLP
The Orrick Building
405 Howard Street
San Francisco, CA 94105-2625
Attention: John Seegal, Esq.
Brett Cooper, Esq.
Telecopier No.: (415) 773-5759

If to the Trustee:

Wells Fargo Bank, National Association
333 S. Grand Avenue, 5th Floor Suite 5A
Los Angeles, CA 90071
Attention: Corporate Trust Services – Central Garden & Pet Company
Telecopier No.: (213) 253-7598

For payments and surrender of securities to:

Wells Fargo Bank, National Association
625 Marquette Avenue,
Minneapolis, Minnesota 55402
Attention: Bondholder Communications – Central Garden & Pet Company
Telecopier No.: (612) 667-5047

The Company or the Trustee, by notice to the other, may designate additional or different addresses for subsequent notices or communications.

Any notice or communication to a Holder shall be mailed or otherwise delivered to the registered address of each Holder in accordance with the applicable procedures of DTC, return receipt requested, or by overnight air courier guaranteeing next-day delivery to its address shown on the security register for the Notes. Any notice or communication shall also be so mailed to any Person described in TIA § 313(c), to the extent required by the TIA. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders.

All notices to Holders will be validly given if mailed or otherwise delivered to them at their respective addresses in the register of the Holders, if any, maintained by the Registrar. If a notice or communication is mailed in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company mails or otherwise delivers a notice or communication to Holders, it shall mail a copy to the Trustee and each Agent at the same time.

Notices given by publication will be deemed to be given on the first date on which publication is made, and notices given by first-class mail, postage prepaid, will be deemed given five calendar days after mailing. Notwithstanding any other provision of the Indenture or any Note, where the Indenture or any Note provides for

notice of any event (including any notice of redemption) to any Holder of an interest in a global Note (whether by mail or otherwise), such notice shall be sufficiently given if given to DTC or any other applicable depository for such Note (or its designee) according to the applicable procedures of DTC or such depository.

SECTION 11.03. Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by or at a meeting of Holders. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 11.04. No Personal Liability of Directors, Officers, Employees and Stockholders.

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor or any other subsidiary of a Guarantor, as such, will have any liability for any obligations of the Company or any Guarantor (other than the Company in respect of the Notes and each Guarantor in respect of its Guarantee) under the Notes, this Indenture or any Guarantee or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

SECTION 11.05. Governing Law.

THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS INDENTURE AND THE NOTES.

SECTION 11.06. No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret any other indenture, loan or debt agreement of the Company or its Subsidiaries or of any other Person. Any such indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 11.07. Successors.

All covenants and agreements of the Company in this Indenture and the Notes shall bind its successors. All covenants and agreements of the Trustee in this Indenture shall bind its successors.

SECTION 11.08. Severability.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 11.09. Counterpart Originals.

The parties may sign any number of copies of this Indenture. Each signed copy shall be an original, but all of them together represent the same agreement. Signatures of the parties hereto transmitted by facsimile or PDF may be used in lieu of the originals shall be deemed to be their original signatures for all purposes.

SECTION 11.10. Table of Contents, Headings, Etc.

The Table of Contents, Cross-Reference Table and headings in this Indenture have been inserted for convenience of reference only, are not to be considered a part of this Indenture and shall in no way modify or restrict any of the terms or provisions hereof.

SECTION 11.11. Note Purchases by Company and Affiliates.

The Company and its Affiliates shall be permitted to purchase Notes, whether through private purchase, open market purchase, tender offer, or otherwise. Such purchase or acquisition shall not operate as or be deemed for any purpose to be a redemption of the Indebtedness represented by such Notes. Any Notes purchased or acquired by the Company may be delivered to the Trustee and, upon such delivery the Indebtedness represented thereby shall be deemed to be satisfied.

SECTION 11.12. Waiver of Jury Trial.

EACH OF THE COMPANY, THE GUARANTORS AND THE TRUSTEE, AND EACH NOTE HOLDER, BY ITS ACCEPTANCE THEREOF, HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INDENTURE, THE NOTES, THE GUARANTEES OR THE TRANSACTION CONTEMPLATED HEREBY OR THEREBY.

[Signatures on following page]

IN WITNESS WHEREOF, the parties have caused this Third Supplemental Indenture to be duly executed as of the date first written above.

ISSUER:

CENTRAL GARDEN & PET COMPANY

By: /s/ David N. Chichester
Name: David N. Chichester
Title: Chief Financial Officer

GUARANTORS:

FOUR PAWS PRODUCTS LTD.
KAYTEE PRODUCTS, INCORPORATED
PENNINGTON SEED, INC.
ALL-GLASS AQUARIUM CO., INC.
T.F.H. PUBLICATIONS, INC.
WELLMARK INTERNATIONAL
GRO TEC, INC.
B2E CORPORATION
B2E BIOTECH LLC
FARNAM COMPANIES, INC.
GULFSTREAM HOME & GARDEN, INC.
NEW ENGLAND POTTERY, LLC
PETS INTERNATIONAL, LTD.
MATSON, LLC

By: /s/ David N. Chichester
Name: David N. Chichester
Title: Authorized Officer

TRUSTEE:

WELLS FARGO BANK, NATIONAL ASSOCIATION, AS TRUSTEE

By: /s/ Maddy Hughes

Name: Maddy Hughes

Title: Vice President

EXHIBIT A

[FORM OF FACE OF NOTE]

No. []

\$[]
[or such other principal amount as shall be set forth
on the Schedule of Increases or Decreases in Global
Note attached hereto]¹
CUSIP No. [●]

6.125% Senior Notes due 2023

Central Garden & Pet Company, a Delaware corporation, promises to pay to Cede & Co. or registered assigns, the principal sum of [] Dollars (\$[]) [or such other principal amount as shall be set forth on the Schedule of Increases or Decreases in Global Note attached hereto]¹ on November 15, 2023.

Interest Payment Dates: May 15 and November 15.

Record Dates: May 1 and November 1.

Additional provisions of this Note are set forth on the other side of this Note.

¹ Insert in Global Notes.

IN WITNESS THEREOF, the Company has caused this Note to be signed manually or by facsimile by its duly authorized officer.

Dated: , 20

CENTRAL GARDEN & PET COMPANY

By: _____

Name:

Title:

Signature Page to the Global Note

TRUSTEE'S CERTIFICATE OF
AUTHENTICATION

[WELLS FARGO BANK, NATIONAL
ASSOCIATION],
as Trustee, certifies that this is one of the Global
Notes referred to in the within mentioned
Indenture.

By: _____
Authorized Signatory

Signature Page to the Global Note

[GLOBAL NOTE LEGEND]

THIS GLOBAL NOTE IS HELD BY AND REGISTERED IN THE NAME OF THE DEPOSITARY (AS DEFINED IN THE INDENTURE GOVERNING THIS NOTE) OR ITS NOMINEE IN CUSTODY FOR THE BENEFIT OF THE BENEFICIAL OWNERS HEREOF, AND IS NOT TRANSFERABLE TO ANY PERSON UNDER ANY CIRCUMSTANCES EXCEPT THAT (I) THE TRUSTEE MAY MAKE SUCH NOTATIONS HEREON AS MAY BE REQUIRED PURSUANT TO SECTION 305 OF THE INDENTURE, (II) THIS GLOBAL NOTE MAY BE EXCHANGED IN WHOLE BUT NOT IN PART PURSUANT TO SECTION 305 OF THE INDENTURE, (III) THIS GLOBAL NOTE MAY BE DELIVERED TO THE TRUSTEE FOR CANCELLATION PURSUANT TO SECTION 310 OF THE INDENTURE AND (IV) THIS GLOBAL NOTE MAY BE TRANSFERRED TO A SUCCESSOR DEPOSITARY WITH THE PRIOR WRITTEN CONSENT OF THE COMPANY.

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

6.125% Senior Notes due 2023

Capitalized terms used herein shall have the meanings assigned to them in the Third Supplemental Indenture referred to below unless otherwise indicated or, if not defined in the Third Supplemental Indenture, the Base Indenture referred to below.

1. Interest

Central Garden & Pet Company, a Delaware corporation (such corporation, and its successors and assigns under the Indenture hereinafter referred to, being herein called the “**Company**”), promises to pay interest on the principal amount of this Note at the rate per annum shown above. The Company will pay interest semi-annually in arrears on May 15 and November 15 of each year, or, if such date is not a Business Day, on the next succeeding Business Day (each, an “**Interest Payment Date**”), commencing []. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of issuance of this Note. The Company shall pay interest on overdue principal and premium, if any, and interest on overdue installments of interest, to the extent lawful, at a rate that is 1% per annum in excess of the rate then in effect. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

2. Method of Payment

The Company will pay interest on the Notes to the Persons who are registered Holders of Notes at the close of business on May 1 or November 1 next preceding the Interest Payment Date, even if such Notes are canceled after such record date and on or before such Interest Payment Date, except with respect to defaulted interest. The Notes will be payable as to principal, premium and interest at the office or agency of the Company maintained for such purpose within or without the City and State of New York or Minneapolis, Minnesota, or, at the option of the Company, payment of interest may be made by check mailed to the Holders at their addresses set forth in the register of Holders, and *provided* that payment by wire transfer of immediately available funds will be required with respect to principal of and interest and premium on all Global Notes and all other Notes the Holders of which shall have provided wire transfer instructions no later than 30 days immediately preceding the relevant due date for payment (or such other date as the Trustee may accept in its judgment), to the Company or the Principal Paying Agent. Such payment shall be in such coin or currency of the United States of America at the time of payment is legal tender for payment of public and private debts.

3. Paying Agent and Registrar

Initially, Wells Fargo Bank, National Association (the “**Trustee**”), will act as Paying Agent and Registrar. The Company may appoint and change any Paying Agent or Registrar without notice to any holder. The Company or any of its Restricted Subsidiaries may act as Paying Agent or Registrar.

4. Indenture

The Company issued the Notes under an Indenture dated as of March 8, 2010 (the “**Base Indenture**”), between the Company and the Trustee as supplemented by that Third Supplemental Indenture dated as of November 9, 2015 (the “**Third Supplemental Indenture**”), among the Company, the Guarantors and the Trustee. The Base Indenture and the Third Supplemental Indenture are collectively referred to herein as the “**Indenture**”. The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (15 U.S.C. §§ 77aaa-77bbbb) as in effect on the date of the Indenture (the “**TIA**”). Terms defined in the Indenture and not defined herein have the meanings ascribed thereto in the Indenture. The Notes are subject to all such terms, and Holders are referred to the Indenture and the TIA for a statement of those terms. To the extent any provision of this Note conflicts with the express provisions of the Indenture, the provisions of the Indenture shall govern and be controlling.

The Company shall be entitled, subject to its compliance with Section 4.07 of the Third Supplemental Indenture, to issue Additional Notes pursuant to Section 2.05 of the Third Supplemental Indenture. The Initial Notes issued on the date hereof and any Additional Notes will be treated as a single class for all purposes under the Indenture.

5. Optional Redemption

At any time prior to November 15, 2018, the Company may redeem the Notes, at its option, in whole or in part, at a redemption price equal to 100% of the aggregate principal amount of Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to the Redemption Date, subject to the rights of Holders on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date.

On or after November 15, 2018, the Company may redeem the Notes, at its option, in whole or in part, at the following redemption prices (expressed in percentages of the principal amount thereof), plus accrued and unpaid interest, if any, to the Redemption Date, subject to the rights of Holders on the relevant Regular Record Date to receive interest due on the relevant Interest Payment Date, if redeemed during the 12-month period commencing on November 15 of the years set forth below:

<u>Year</u>	<u>Redemption Price</u>
2018	104.594%
2019	103.063%
2020	101.531%
2021 and thereafter	100.00%

In addition, at any time prior to November 15, 2018, the Company may at its option on one or more occasions redeem Notes in an aggregate principal amount not to exceed 35% of the aggregate principal amount of the Notes (which includes Additional Notes, if any) originally issued at a redemption price (expressed as a percentage of principal amount) of 106.125%, plus accrued and unpaid interest, if any, to the Redemption Date, with the net cash proceeds from one or more Equity Offerings; *provided, however*, that (1) at least 65% of the aggregate principal amount of the Notes (which includes the Additional Notes, if any) originally issued under the Indenture remains outstanding immediately after the occurrence of each such redemption (excluding Notes held, directly or indirectly, by the Company or its Affiliates); and (2) each such redemption occurs within 90 days after the date of the closing of the related Equity Offering.

6. Notice of Redemption

Notice of redemption will be sent or delivered in accordance with Section 3 of the Third Supplemental Indenture.

7. Repurchase at Option of Holder

Upon the occurrence of a Change of Control, the Company will be required to make a Change of Control Offer in accordance with Sections 3.05 and 4.11 of the Third Supplemental Indenture.

The Company will be required to make an Asset Sale Offer in accordance with Sections 3.05 and 4.08 of the Third Supplemental Indenture.

8. Denominations; Transfer; Exchange

The Notes are in registered form without coupons in minimum denominations of \$2,000 principal and integral multiples of \$1,000 in excess thereof. A Holder may transfer or exchange Notes in accordance with

the Indenture. The Registrar may require a Holder, among other things, to furnish appropriate endorsements or transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. The Registrar need not register the transfer of or exchange any Notes selected for redemption (except, in the case of a Note to be redeemed in part, the portion of the Note not to be redeemed) or any Notes for a period of 15 days before a selection of Notes to be redeemed or 15 days before an Interest Payment Date.

9. Persons Deemed Owners

The registered Holder of this Note may be treated as the owner of it for all purposes.

10. Discharge and Defeasance

Subject to certain conditions, the Company at any time shall be entitled to terminate some or all of its obligations under the Notes and the Indenture if the Company deposits with the Trustee money or U.S. government securities for the payment of principal and interest on the Notes to redemption or maturity, as the case may be.

11. Amendment, Waiver

The Indenture, the Guarantees and the Notes may be amended or supplemented as provided in the Indenture.

12. Defaults and Remedies

The Events of Default relating to the Notes are defined in Section 6.01 of the Third Supplemental Indenture.

13. Guarantee

The full and punctual payment by the Company of the principal of, premium, if any, and interest on the Notes is fully and unconditionally guaranteed on a joint and several senior basis by each of the Guarantors.

14. Trustee Dealings with the Company

Subject to certain limitations imposed by the TIA, the Trustee under the Indenture, in its individual or any other capacity, may become the owner or pledgee of Notes and may otherwise deal with and collect obligations owed to it by the Company or its Affiliates and may make loans to, accept deposits from, and perform services for the Company or its Affiliates, and may otherwise deal with the Company or its Affiliates, as if it were not the Trustee.

15. No Recourse Against Others

No director, officer, employee, incorporator or stockholder of the Company or any Guarantor or any other subsidiary of a Guarantor, as such, will have any liability for any obligations of the Company or any Guarantor (other than the Company in respect of the Notes and each Guarantor in respect of its Guarantee) under the Notes, the Indenture or any Guarantee or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes.

16. Authentication

This Note shall not be valid until an authorized signatory of the Trustee (or an authenticating agent) manually signs the certificate of authentication on the other side of this Note.

17. Abbreviations

Customary abbreviations may be used in the name of a Holder or an assignee, such as TEN COM (=tenants in common), TEN ENT (=tenants by the entireties), JT TEN (=joint tenants with rights of survivorship and not as tenants in common), CUST (=custodian), and U/G/M/A (=Uniform Gift to Minors Act).

18. CUSIP Numbers

Pursuant to a recommendation promulgated by the Committee on Uniform Security Identification Procedures the Company has caused CUSIP numbers to be printed on the Notes and has directed the Trustee to use CUSIP numbers in notices of redemption as a convenience to Holders. No representation is made as to the accuracy of such numbers either as printed on the Notes or as contained in any notice of redemption and reliance may be placed only on the other identification numbers placed thereon.

19. Governing Law

THE INTERNAL LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS NOTE.

The Company will furnish to any Holder upon written request and without charge to the Holder a copy of the Indenture. Requests may be made to:

Central Garden & Pet Company
1340 Treat Boulevard, Suite 600
Walnut Creek, California 94597
Attention: Secretary

ASSIGNMENT FORM

To assign this Note, fill in the form below:

I or we assign and transfer this Note to

(Print or type assignee's name, address and zip code)

(Insert assignee's soc. sec. or tax I.D. No.)

and irrevocably appoint agent to transfer this Note on the books of the Company. The agent may substitute another to act for him.

Date: _____ Your Signature: _____

Sign exactly as your name appears on the other side of this Note.

Signature

Signature Guarantee:

Signature must be guaranteed

Signature

Signatures must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program ("STAMP") or such other "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

[TO BE ATTACHED TO GLOBAL SECURITIES]

SCHEDULE OF INCREASES OR DECREASES IN GLOBAL NOTE

The initial principal amount of this Global Note is \$[]. The following increases or decreases in this Global Note have been made:

Date of Exchange	Amount of decrease in Principal amount of this Global Note	Amount of increase in Principal amount of this Global Note	Principal amount of this Global Note following such decrease or increase	Signature of authorized officer of Trustee or Custodian
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OPTION OF HOLDER TO ELECT PURCHASE

If you want to elect to have this Note purchased by the Company pursuant to Section 4.08 or 4.11 of the Third Supplemental Indenture, check the box:

If you want to elect to have only part of this Note purchased by the Company pursuant to Section 4.08 or 4.11 of the Third Supplemental Indenture, state the amount in principal amount: \$

Dated:

Your Signature:

(Sign exactly as your name appears on the other side of this Note.)

Signature Guarantee:

(Signature must be guaranteed)

Signatures must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Registrar, which requirements include membership or participation in the Security Transfer Agent Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

EXHIBIT B

[FORM OF GUARANTEE]

For value received, each Guarantor (which term includes any successor Person under the Indenture) party hereto, jointly and severally, unconditionally guarantees, to the extent set forth in and subject to the provisions in the Indenture, dated as March 8, 2010 (the, "*Base Indenture*"), between Central Garden & Pet Company, as issuer (the "*Company*"), and Wells Fargo Bank, National Association, as trustee (the "*Trustee*"), as supplemented by that Third Supplemental Indenture, dated as of November 9, 2015 (the, "*Third Supplemental Indenture*"), and together with the Base Indenture, the "*Indenture*"), among the Company, the Guarantors from time to time party thereto and the Trustee, (a) the full and punctual payment of the principal of and interest on the Notes when due, whether at maturity, by acceleration, redemption or otherwise, and all other monetary obligations of the Company under the Indenture and the Notes and (b) the full and punctual performance within applicable grace periods of all other obligations of the Company under the Indenture and the Notes (all the foregoing being hereinafter collectively called the "*Guaranteed Obligations*"). Each Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from such Guarantor and that such Guarantor will remain bound hereunder notwithstanding any extension or renewal of any Guaranteed Obligation.

The obligations of each Guarantor to the Holders of Notes and to the Trustee pursuant to the Guarantee and the Indenture are expressly set forth in the Indenture (including Article 10 of the Third Supplemental Indenture and Article XVI of the Base Indenture) and reference is hereby made thereto for the precise terms of the Guarantee. Each Holder of a Note, by accepting the same agrees to and shall be bound by such provisions. This Guarantee is subject to release as and to the extent set forth in Sections 8.02, 8.03, 8.06 and 10.02 of the Third Supplemental Indenture.

Capitalized terms used herein and not defined are used herein as so defined in the Indenture.

IN WITNESS WHEREOF, the undersigned has caused this Guarantee to be duly executed and delivered by its duly authorized officer as of the day of 20 .

[GUARANTOR]

By: _____
Name:
Title:

Signature Page to the Guarantee



Corporate Office
1340 Treat Blvd., Suite 600
Walnut Creek, CA 94597
Phone 925.948.3642
Fax 925.947.0914

Monday, August 17, 2015
REVISED: August 25, 2015

David Chichester
1621 Fort Ward Hill Road NE
Bainbridge Island, WA 98110

Dear David,

I am pleased to confirm your offer of employment for the position of Acting Chief Financial Officer with Central Garden & Pet, with a start date of September 2, 2015, with an employment start date of August 17, 2015, or a date to be mutually determined. You will report to me and you will be located in the Walnut Creek office. We look forward to working with you and ensuring that your participation and contribution is a positive, valuable and productive work experience. Please find listed below the details regarding your offer. Upon review and approval, please sign, date and return one original to Linda Robb at Central Garden & Pet. If you have any questions, please feel free to call Marilyn Leahy, Vice President of Human Resources, at 925.948.2702.

The key points of our employment offer are as follows:

1. **POSITION AND TERM OF EMPLOYMENT.** You will be joining Central as its Acting Chief Financial Officer for a period of up to six (6) months.
2. **COMPENSATION.** Your starting salary, on an annualized basis, is \$440,000 paid at \$16,923 per bi-weekly pay period, less applicable taxes, based on a normal full time year.

You will be eligible to participate at a target rate of 50% in the Central 2015 and 2016 fiscal years bonus plan, prorated based upon hire date. Your bonus is based upon both your individual and Central's performance with a payout typically made in the first quarter following the fiscal year close. The award and amount of any bonus is at the discretion of the Company and the Compensation Committee of the Company's Board of Directors.
3. **LOCAL HOUSING AND TRANSPORTATION EXPENSES.** You will be reimbursed for your reasonable and customary temporary housing expenses and rental car expenses incurred during your period of employment. The Company will also reimburse you for travel expenses incurred by you and your spouse for trips between Seattle and Walnut Creek taken at your discretion.

Dana Brennon, Senior Human Resources Manager (925.948.2814), will be your point of contact for the relocation process and will explain the details of the process in further detail.

4. **OPTIONS.** I will be recommending that the Central Garden & Pet Board of Directors (“Board”) grant you, upon commencement of employment, a non-qualified Stock Option to purchase 12,500 shares of Company Common Stock (CENTA) with price determined by the fair market value upon the date of issue. I will be further recommending that the Board grant you, after the initial three (3) months of your employment, a non-qualified Stock Option to purchase an additional 12,500 shares of Company Common Stock (CENTA) with price determined by the fair market value upon the date of issue. These options shall vest upon the termination of your employment by the Company (if such termination is not for cause) or six (6) months after the commencement of your employment, whichever first occurs. These options shall not continue to vest if you terminate your employment or if the Company terminates your employment for cause.
5. **BENEFITS.** You will be given vacation benefits at an annual rate of four (4) weeks per year, which will begin to accrue upon your hire date.
Central offers its employees a comprehensive benefits program. On the first of the month following thirty (30) days of employment, you (and any eligible dependents) will be eligible to participate in Central’s health care plan, if you elect to enroll. Prior to your start date, you will be provided further information about medical, dental, vision, life, disability, and 401(k) Plan participation guidelines. If you elect not to enroll, you will be reimbursed for the premium associated with your health care insurance.
6. **ADDITIONAL INFORMATION.** On your first day of employment you will be asked to provide two forms of identification to comply with the Federal Immigration Reform Act (I-9). It is important to bring the required forms of ID to fulfill this requirement to be eligible to start work.
You will be expected to execute an “Agreement to Protect Confidential Information, Intellectual Property & Business Relationships,” which is attached to this Employment Offer Letter.
As indicated on the application form you will or have completed, your employment with Central is “at will” in that it can be terminated with or without cause, and with or without notice, at any time at the option of either Central or yourself, except as otherwise provided by law. The terms of this offer letter, therefore, do not and are not intended to alter the at-will nature of the relationship.
7. **COMPUTER & CELL PHONE.** You will be provided with a Company laptop computer and will be reimbursed for the expense related to your personal cell phone.
8. **PARKING.** You will be provided with Company parking.

David Chichester
August 25, 2015
Page 3

David, we all look forward to working with you toward building a strong team and making a positive performance difference.

Sincerely,

John R. Ranelli
President and CEO
Central Garden & Pet Company

Accepted:

<u>/s/ David N. Chichester</u>	<u>9/3/15</u>
David Chichester	Date

Enclosures: Agreement to Protect Confidential Information, Intellectual Property & Business Relationships
Benefits Guide

cc: Marilyn Leahy

**AGREEMENT TO PROTECT CONFIDENTIAL INFORMATION, INTELLECTUAL
PROPERTY AND BUSINESS RELATIONSHIPS**

This Agreement is made effective on your first day of employment (the "Effective Date") by and between Central Garden & Pet Company and/or any of its wholly owned subsidiaries, successors and assigns (collectively called "the Company") and David Chichester ("Employee," "I" or "Me").

I RECOGNIZE that during my employment as a key executive with Central Garden & Pet Company and/or any of its wholly owned subsidiaries, successors and assigns (collectively called "the Company"), I will be provided with and have access to Confidential Information (as defined below) and/or valuable business relationships and support in developing customer goodwill at the Company's expense in reliance upon my promises in this Agreement;

I RECOGNIZE that my employment in certain capacities with a competitor would by its nature involve the unauthorized use or disclosure of Company Confidential Information and/or unauthorized conversion of goodwill developed at the Company's expense to the benefit of the competitor;

I RECOGNIZE that the Company's Confidential Information and business relationships are critical to its success in the marketplace, and that the nature of the Confidential Information and customer goodwill that I will be provided with will be national in nature as the Company operates on a nationwide-basis. I recognize and concur that the legitimate business interests of the Company in protecting its Confidential Information and/or customer goodwill is nationwide in nature;

I RECOGNIZE that the law regarding restrictive covenants varies from state to state and the law that will apply to this Agreement after I terminate will depend on factors such as where I live, where I work, the location of my employer, the location of my former employer and other factors, many which are unknown at this time;

THEREFORE, in consideration for the employment provided to me, to prevent the unauthorized use or disclosure of Company Confidential Information and/or unauthorized conversion of customer goodwill, and to protect the Company's valuable Confidential Information and/or customer goodwill, I agree to the following:

1. Definitions.

(a) **Confidential Information.** For purposes of this Agreement, "Confidential Information" shall mean any information, or compilation of information, including its business, its plans, its customers, its contracts, its suppliers, or its strategies, that has been or is created, maintained, or used by the Company in the course of its business and that is not generally known to the public or to those for whom it would have value or provide an actual or potential competitive advantage. Confidential Information includes third party information provided to the Company in confidence. Authorized disclosure of Confidential Information by the Company to a third party in confidence for a limited business purposes will not remove it from protection of this Agreement for any other party or for any other purpose. Confidential Information includes, but is not limited to, all such information I learned or developed during any previous employment with the Company or its predecessors in interest and all of the Company's confidential, proprietary and trade secret information, which may include information and strategies relating to the Company's

products, processes and services, including customer lists and files, product description and pricing, information and strategy regarding profits, costs, marketing, purchasing, sales, customers, suppliers, contract terms, employees, salaries, product development plans, business, acquisition and financial plans and forecasts, and marketing and sales plans and forecasts. I acknowledge that requiring me to enter into this Agreement is one of the measures that the Company uses to maintain the secrecy of its Confidential Information.

(b) **Relevant Territory.** For purposes of this Agreement, "Relevant Territory" shall mean any territory or region in which I performed services on behalf of the Company or about which I learned Confidential Information regarding the Company during the two (2) years prior to my separation from the Company for any reason.

(c) **Services.** For purposes of this Agreement, "Services" shall mean the same as or similar in purpose or function to those activities in which I engaged during the two (2) years prior to my separation from the Company for any reason.

2. **Confidentiality.** I agree that I will not, during my employment with the Company (except in furtherance of the Company's interests), or at any time after employment terminates, without the prior written consent of the Company Vice President of Human Resources, disclose any Confidential Information to or use any Confidential Information for, any third party or entity. This restriction prohibits me from, among other activities, engaging in or preparing to engage in developing, producing, marketing, distributing or selling lawn, garden, animal health, nutrition or pet related products for any business entity if that activity in any way involves the use or disclosure of Company Confidential Information and diverting or attempting to divert any business or customers from the Company using Confidential Information. Notwithstanding the foregoing, to the extent that any Confidential Information is determined by a court of competent jurisdiction to be confidential information that does not qualify for protection as a trade secret under applicable law, the prohibition on use and disclosure of that specific information provided for herein shall only be in effect for a period of three years after the termination of my employment with the Company; otherwise as to trade secret information the prohibition shall last until the information ceases to be a trade secret (other than through any breach of secrecy by me or other third parties under a duty of secrecy to the Company). In the event that after my employment with the Company ceases, if I have any doubt about whether particular information may be used or disclosed, I will contact the Company Vice President of Human Resources. I agree that I will return at termination, all Company property and information in any and all forms, including electronically stored information.

3. **Intellectual Property Rights.** All Inventions made or conceived by Employee are the sole and exclusive property of Company, and Employee hereby irrevocably assigns all right, title, and interest in and to all Inventions to Company. Employee shall promptly disclose all Inventions to Company. Employee shall cooperate with Company at Company's expense in connection with Company's efforts to patent, copyright, trademark, or otherwise register or perfect Company's rights in and to Inventions, including without limitation execution of documents and other instruments related thereto, and for purposes thereof Employee hereby irrevocably appoints Company as Employee's attorney-in-fact to execute documents and instruments on behalf of Employee.

For purposes of this provision, the following terms shall have the following meanings:

(a) "Invention(s)" means tangible and intangible discoveries, designs, improvements, developments, concepts, ideas, trademarks, trade names, works, copyrights and other intellectual property rights, whether or not they may be patented, registered, or copyrighted which relate in any way directly or indirectly to (i) the Services provided to Company by Employee, or (ii) Company's business, including without limitation Company's Proprietary Information, in any case made in anticipation of, during, or after the engagement of Employee under this Agreement, whether by Employee individually or jointly with others.

(b) "Proprietary Information" means all information relating to Company's business and affairs, including without limitation, research and development activities undertaken by or on behalf of the Company or any of its subsidiaries and affiliates, which is or might be deemed to constitute Confidential Information by Company, including without limitation all Inventions, equipment, products, product development, records, research, research projects, computer program, scientific, technical, or business or financial information, scientific or production technique, specification, data, technology, test procedure or result, trade secret, know-how, process, future plan, merchandising or selling plans or programs, customer lists, market studies, cost or price studies, personnel information, acquisition plans or similar business information contributed to, developed by, disclosed to or known by Employee by reason of his employment.

To the extent applicable, this provision does not apply to any invention that qualifies under California Labor Code Section 2870 or any other statute of similar import.

4. Post-Employment Activities

(a) **Non-Competition.** For eighteen (18) months after the termination of my employment with the Company and/or any post-employment consulting agreement with the Company, I will not render Services, either directly or indirectly, any other business engaged in or about to be engaged in developing, producing, marketing, distributing or selling lawn, garden, animal health, nutrition or pet related products in the Relevant Territory. This paragraph shall only apply in those jurisdictions where restrictions such as contained in this paragraph are enforceable. **While I reside in and am subject to the laws of California, this paragraph will not apply to me except to the limited extent I may not engage in conduct that requires me to engage in the unauthorized use or disclosure of Confidential Information as otherwise provided in this Agreement.**

(b) **Non-Solicitation of Customers.** For eighteen (18) months after the termination of my employment with the Company and/or any post-employment consulting agreement with the Company, I will not solicit, directly or indirectly, any customer of the Company whose identity is a Company trade secret, or any customer about whom I learned Confidential Information while in the employ or service of the Company, in lawn, garden, animal health, nutrition, or pet related products. This paragraph shall apply in those jurisdictions where restrictions such as contained in this paragraph are enforceable.

(c) **Non-Solicitation of Employees.** For eighteen (18) months after the termination of my employment with the Company and/or any post-employment consulting agreement with the Company, I will not recruit, solicit or induce, or attempt to recruit, solicit or induce, any employee of the Company to terminate their employment with the Company or otherwise cease their relationship with the Company. This paragraph shall apply in those jurisdictions where restrictions such as contained in this paragraph are

enforceable. While I reside in and am subject to the laws of California, this paragraph will not apply to me except to the limited extent I may not engage in conduct that requires me to engage in the unauthorized use or disclosure of Confidential Information as otherwise provided in this Agreement.

(d) **Duty to Present Contract.** For eighteen (18) months after the termination of my employment with the Company and/or any post-employment consulting agreement with the Company, before I accept employment with any person or organization that is engaged in or about to be engaged in developing, producing, marketing, distributing or selling lawn, garden, animal health, nutrition or pet related products, I agree (1) to advise that prospective employer about the existence of this Agreement; (2) to provide that potential employer a copy of this Agreement; and (3) to advise the Company's Vice President of Human Resources in writing, within five (5) business days, to whom I have provided a copy of this Agreement.

5. **Reformation/Severability.** If any restriction set forth in this Agreement is found by a court to be unenforceable for any reason, the court is empowered and directed to interpret the restriction to extend only so broadly as to be enforceable in that jurisdiction. Additionally, should any of the provisions of this Agreement be determined to be invalid by a court of competent jurisdiction, it is agreed that such determination shall not affect the enforceability of the other provisions herein.

6. **Further Acknowledgments.** I understand that the restrictions contained in this Agreement are necessary and reasonable for the protection of the Company's business, goodwill and its Confidential Information. I understand that any breach of this Agreement will cause the Company substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, including the return of consideration paid for this Agreement, I agree that the Company shall have the right to seek specific performance and injunctive relief. Any business entity that employs me in a capacity in which I violate this Agreement shall be liable for damages and injunctive relief. Further, I understand that the Company intends to install the full measure of protections permitted by the law to protect its Confidential Information and business relationships, but does not intend to impose any greater protections on me than those permitted by law. **I ACKNOWLEDGE THAT THE LAW THAT GOVERNS RESTRICTIVE COVENANTS SUCH AS THIS IS IMPORTANT, RAPIDLY CHANGING AND VARIES FROM STATE TO STATE. I ALSO UNDERSTAND THAT THE LAW THAT WILL APPLY TO THIS AGREEMENT AFTER I TERMINATE WILL DEPEND ON FACTORS SUCH AS WHERE I LIVE, WHERE I WORK, THE LOCATION OF MY EMPLOYER, THE LOCATION OF MY FORMER EMPLOYER AND OTHER FACTORS, MANY OF WHICH ARE UNKNOWN AT THE TIME I ENTER THIS AGREEMENT. I UNDERSTAND THAT I HAVE BEEN ADVISED TO CONSULT WITH AN ATTORNEY OF MY CHOICE TO DISCUSS THIS AGREEMENT AND MY LEGAL OBLIGATIONS UNDER THIS AGREEMENT AFTER MY TERMINATION OF EMPLOYMENT.**

7. **Separability.** Courts should treat each numbered paragraph as a separate and severable contractual obligation intended to protect the legitimate interests of the Company and to which I intend to be bound.

8. **Non Waiver.** I agree that the Company's determination not to enforce this or similar agreements as to specific violations shall not operate as a waiver or release of my obligations under this Agreement.

9. **Fiduciary Duty.** This Agreement is in addition to any fiduciary duty and obligation that may exist under statutory or common law.

10. **Entire Agreement.** This Agreement constitutes the entire understanding of the parties on the subjects covered. It cannot be modified or waived except in a writing signed by me and the Chief Executive Officer of the Company. I enter into this Agreement voluntarily.

AGREED AND ACCEPTED BY:

/s/ David N. Chichester
David Chichester

9/3/15
Date

/s/ George A. Yuhas
George A. Yuhas
General Counsel
Central Garden & Pet Company

9/4/15
Date

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), made this 1st day of March, 2011 is entered into by Central Garden & Pet Company and/or any of its wholly owned subsidiaries, successors and assigns (collectively called "the Company") and George A. Yuhas ("Executive").

WHEREAS, the Company desires to employ Executive and Executive desires to become employed by the Company;

THEREFORE, in consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Effective Date:** This Agreement shall become effective on March 1, 2011 ("Effective Date").
2. **Term of Employment:** Executive will be employed by the Company for an indefinite term, subject to termination as set forth below.
3. **Position:** Executive shall serve as General Counsel for the Company. He shall perform those duties and responsibilities consistent with such position that are assigned to him by the Chief Executive Officer of the Company. Executive's position and related terms and conditions of employment may from time to time be modified by the Company in its discretion.
4. **Full Time Performance of Duties:** During the Term of Employment, except for periods of absence occasioned by illness, reasonable vacation periods, and reasonable leaves of absence, Executive agrees to devote substantially all his business time, attention, skill, and efforts to the faithful and loyal performance of his duties under this Agreement and shall not during his employment with the Company engage in any other business activities, duties or pursuits, render any services of a business, commercial, or professional nature to any other person or organization, whether for compensation or otherwise, without the prior written consent of Company. However, the expenditure of reasonable amounts of time for educational, charitable, or professional activities for which Executive will not receive additional compensation from the Company, shall not be considered a breach of this Agreement if those activities do not materially interfere with the services required of Executive under this Agreement.
5. **Salary:** The Company will pay Executive an annualized base salary of \$380,000 in accordance with the Company's payroll practices for executives. Executive will be eligible for periodic salary reviews consistent with the Company's salary review practices for executives.
6. **Bonus:** Executive will be eligible for a bonus each year during the Term of Employment with a target amount of fifty percent (50%) of Executive's base salary in effect at the beginning of the year in question, to be awarded upon attainment of the annual operating goals and the personal goals established by the Chief Executive Officer. The award and

amount of any such bonus shall be in the discretion of the Company. During the initial year of Executive's employment, one-half of the target bonus amount will be deemed earned so long as Executive remains employed by the Company through that time.

7. **Options:** Executive will be granted a non-qualified Performance Based Stock Option to purchase fifty thousand (50,000) shares of Company Common Stock (CENT A) with price determined by the "fair market value" upon the date of issue. These options shall vest over a five (5) year period at a rate of twenty percent (20%) per year. The options shall expire six years from the issue date. The right to exercise the options shall be consistent with the terms of the Central Garden & Pet Company 2003 Omnibus Equity Incentive Plan.
8. **Restricted Stock:** The Executive will receive forty thousand (40,000) restricted shares of Central Garden & Pet Company Stock (CENT A) on the Effective Date of this Agreement. These shares shall vest at the rate of 20% per year beginning at the end of year one (1) and being fully vested at the end of year five (5).
9. **Benefits:** Subject to all applicable eligibility requirements, Executive will participate in any and all 401(k), medical, dental, life and long-term disability insurance and/or other benefit plan which, from time to time, may be established as generally applicable to other similarly situated Company executives.
10. **Vacation:** Executive will earn four (4) weeks vacation annually. Executive's maximum vacation accrual will be six (6) weeks. Once Executive has accrued six (6) weeks vacation, he will stop earning vacation until he has taken vacation and reduced his accrual below six (6) weeks.
11. **Automobile:** During the Term of Employment, the Company will provide Executive with a monthly automobile allowance of \$1000.00.
12. **Reimbursement of Expenses:** The Company will reimburse Executive for all reasonable travel, entertainment and other expenses incurred or paid by the Executive in connection with, or related to, the performance of his duties, responsibilities or services under this Agreement in accordance with the Company's policies, upon presentation by Executive of documentation, expense statements, vouchers and/or other supporting information as the Company may request. Said reimbursable expenses shall include applicable State Bar dues and charges. In no event shall reimbursements be made for expenses incurred by Executive after the end of the calendar year following the calendar year in which Executive incurs the expense.
13. **Incapacity:** In the event that Executive becomes physically or mentally disabled or incapacitated such that it is the reasonable, good faith opinion of the Company that Executive is unable to perform the services required under this Agreement with or without reasonable accommodation, then after four (4) months of continuous physical or mental disability, this Agreement will terminate; *provided, however*, that during this four (4) month period, Executive shall be entitled to the continuation of his compensation as provided by this Agreement; however such continued payments by the Company shall be

integrated with any disability, workers' compensation, or other insurance payments received, such that the total amount does not exceed the compensation as provided by this Agreement. For purposes of this Agreement, physical or mental disability does not include any disability arising from current use of alcohol, drugs or related issues.

14. **Termination by the Company For Cause:** The Company may terminate Executive for cause. If Executive is terminated for cause, he will receive only his compensation earned pro rata to the date of his termination. All other benefits will cease on the date of Executive's termination. Cause shall be defined as:
- (a) An act or omission constituting negligence or misconduct which is materially injurious to the Company;
 - (b) Failure to comply with the lawful directives of the Board of Directors;
 - (c) A material breach of this Agreement by Executive, which is not cured within thirty (30) days after written notice thereof;
 - (d) Failure to perform in a manner acceptable to the Company after written notice and an opportunity to cure;
 - (e) The abuse of alcohol or drugs;
 - (f) Fraud, theft or embezzlement of Company assets, criminal conduct or any other act of moral turpitude by which is materially injurious to the Company;
 - (g) A material violation of any securities law, regulation or compliance policy of the Company;
 - (h) Executive's death or incapacity exceeding four (4) months as provided in Section 13 above.
15. **Termination By Executive For Good Reason:** Executive may also terminate this Agreement for Good Reason by giving thirty (30) days written notice to the Company's Vice President of Human Resources specifying in reasonable detail the basis for the Good Reason and provided such alleged Good Reason is not cured by the Company within the thirty (30) day notice period. If Executive terminates his employment for Good Reason under this section, within ten (10) days after a general release signed by Executive and the Company substantially in the form of the general release attached hereto as Exhibit C becomes irrevocable, Executive will be entitled to the same severance as if he were terminated by the Company without cause as provided in Section 16, below. Such payments shall be Executive's sole and exclusive remedy in the event of a termination of this Agreement by Executive for Good Reason. Good Reason shall be defined as a material breach of this Agreement by the Company.
16. **Termination By The Company Without Cause:** The Company may terminate Executive's employment under this Agreement at any time without cause by giving

Executive twenty-four (24) months' written notice of termination. If the Company terminates Executive under this section, within ten (10) days after a general release signed by Executive and the Company substantially in the form of the general release attached hereto as Exhibit C becomes irrevocable, provided a later payment is not required by Section 17 below, the Company will pay Executive a severance consisting of a continuation of Executive's base salary for a nine (9) month period, subject to applicable payroll deductions, and health insurance continuation for nine (9) months. Executive will be provided, at most, sixty (60) days to consider whether to sign such release. Such payments shall cease, and no further severance obligation will be owed, in the event Executive obtains other equivalent employment during the severance period. Such severance payments shall be Executive's sole and exclusive remedy in the event of a termination of this Agreement by the Company without cause. At its option, the Company may pay Executive twenty-four (24) months additional salary and benefits provided in this Agreement in lieu of giving Executive the twenty-four (24) months notice as provided above.

17. **Section 409A Delay:** Effective January 1, 2009 each payment hereunder subject to Section 409A will be considered a separate payment for purposes of Section 409A. To the extent that it is determined by the Company in good faith that all or a portion of any payments hereunder subject to Section 409A made in connection with Executive's separation from service are not exempt from Section 409A and that Executive is a "specified employee" (within the meaning of Section 409A) at the time of his separation from service, then payment of such non-exempt payments shall not be made until the date that is six (6) months and one day after his separation from service (or, if earlier, his death), with any payments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six (6) months and one day following his separation from service and any subsequent payments, if any, being paid in accordance with the dates and terms set forth herein.
18. **Termination by Executive Without Good Reason:** Executive may terminate his employment without Good Reason by giving the Company thirty (30) days written notice of termination. If Executive terminates his employment without Good Reason under this section, he will receive only his salary and benefits earned pro rata to the date of his termination. All other salary and benefits will cease on the date of Executive's termination. At its option, the Company may pay Executive his salary and benefits provided in this Agreement through the effective date of his written notice of termination and immediately accept his termination.
19. **Confidential Business Information:** The Company has and will continue to spend significant time, effort and money to develop proprietary information which is vital to the Company's business. During Executive's employment with the Company, Executive has and will have access to the Company's confidential, proprietary and trade secret information including but not limited to information and strategy relating to the Company's products and services including customer lists and files, product description and pricing, information and strategy regarding profits, costs, marketing, purchasing, sales, customers, suppliers, contract terms, employees, salaries; product development

plans; business, acquisition and financial plans and forecasts and marketing and sales plans and forecasts (collectively called "Company Confidential Information"). Executive will not, during his employment with the Company or thereafter, directly or indirectly disclose to any other person or entity, or use for Executive's own benefit or for the benefit of others besides the Company, any Company Confidential Information. Upon termination of this Agreement, Executive agrees to promptly return all Company Confidential Information.

- 20. **Non-Solicitation of Employees:** While Executive is employed by the Company and for twelve (12) months after such employment terminates, Executive will not (acting either directly or indirectly, or through any other person, firm, or corporation) induce or attempt to induce or influence any employee of the Company to terminate employment with the Company when the Company desires to retain that person's services.
- 21. **Duty of Loyalty:** During term of this Agreement and any post-employment consulting agreement, Executive agrees that he will not, nor will he permit any entity or other person under his control, to directly or indirectly hold, manage operate or control, or participate in the ownership, management, operation or control of, or render executive, managerial, market research, advice or consulting services, either directly or indirectly, to any business engaged in or about to be engaged in developing, producing, marketing, distributing or selling lawn, garden, animal health, nutrition or pet related products.
- 22. **Separability:** Each provision of this Agreement is separable and independent of the other provisions. If any part of this Agreement is found to be invalid, the remainder shall be given full force and effect as permitted by law.
- 23. **Complete Agreement:** This Agreement constitutes the entire agreement between Executive and the Company regarding the subjects covered by this Agreement. No other agreement, understanding, statement or promise other than those contained in this Agreement is part of their employment agreement or will be effective. Any modification of this Agreement will be effective only if it is in writing and signed by the Chief Executive Officer of the Company.
- 24. **Notice:** All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (except as may otherwise be specifically provided herein to the contrary) if delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed or mailed by certified or registered mail with postage prepaid:

(a) If to the Company to: Central Garden & Pet Company
1340 Treat Blvd., Suite 600
Walnut Creek, CA 94597
Attention: William E. Brown, Chairman/CEO

(b) If to the Executive to: _____

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25. **Related Agreements:** As an inducement to the Executive and to the Company to enter into this Agreement, Executive has executed Exhibit A Post Employment Consulting Agreement and Exhibit B Agreement to Protect Confidential Information, Intellectual Property and Business Relationships, and will execute, if appropriate Exhibit C, the General Release of All Claims, all attached and incorporated by reference. Exhibits A, B and C and sections 19, 20 and 21 of this Agreement shall survive the termination of this Employment Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year referenced above.

/s/ George A. Yuhas

Central Garden & Pet Company

By /s/ William E. Brown

William E. Brown, Chairman and Chief Executive Officer

EXHIBIT A

POST EMPLOYMENT CONSULTING AGREEMENT

This Agreement is made this first (1st) day of March, 2011 (the "Effective Date") by and between Central Garden & Pet Company and/or any of its wholly owned subsidiaries, successors and assigns (collectively called "the Company") and George A. Yuhas ("Executive").

WHEREAS, Executive recognizes that in his capacity as a key executive with the Company he will provide unique services that will be exceedingly difficult to replace after termination of his employment;

WHEREAS, Executive recognizes that the Company desires continued access to Executive's unique services, knowledge and a reasonable transition after the termination of Executive's employment;

WHEREAS, Executive recognizes that he has been provided adequate consideration for entering into this Consulting Agreement ("Agreement");

THEREFORE, in consideration of the employment of Executive as Executive Vice President, President-Pet Segment and other good and adequate consideration, Executive and the Company agree to the following:

1. **Option to Receive Consulting Services.** Executive hereby grants the Company an option to receive continuing Consulting Services. This option shall be exercised in the Company's sole discretion, in writing, no later than ten (10) business days following termination of Executive's employment with the Company ("Exercise").
2. **Consulting Services.** If this option is Exercised, Executive will provide continuing strategic advice and counsel related to the business issues and projects Executive was involved in while employed by the Company ("Consulting Services"). Consulting Services shall performed at such times and in a manner as are mutually agreed and shall, on average, consist of 20 to 30 hours per month.
3. **Term of Agreement.** If this option is Exercised, Executive will provide Consulting Services effective upon Exercise by the Company and continuing thereafter for a period of twelve (12) months ("Term of Agreement").
4. **Compensation.** Executive shall be paid fifteen percent (15%) of his base salary at time of termination of Executive's employment with the Company during the Term of Agreement. This amount shall be paid one-twelfth (1/12) at the end of each month for twelve (12) months.
5. **Expenses.** During the Term of Agreement, Executive will be reimbursed by the Company for all expenses necessarily incurred in the performance of this Agreement.

6. **Termination.** Notwithstanding the Term of Agreement specified above, this Agreement shall terminate under any of the following circumstances: (a) in the event Executive dies, this Agreement shall terminate immediately; (b) if due to physical or mental disability, Executive is unable to perform the services called for under this Agreement with or without reasonable accommodation, either the Company or Executive may terminate this Agreement by providing thirty (30) days' written notice; (c) the Executive materially breaches the terms of this Agreement, and (d) the parties may terminate this Agreement by mutual written agreement.

7. **Unique Services; Duty of Loyalty.** Executive acknowledges and agrees that the services he performs under this Agreement are of a special, unique, unusual, extraordinary, or intellectual character, which have a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law. Executive further acknowledges and agrees that during his employment and, provided the Company exercises its option to engage Executive to provide Consulting Services and compensate him under the terms of this Agreement, then during the Term of Agreement he will have a continuing fiduciary duty and duty of loyalty to the Company. He agrees that during the Term of Agreement, he will not render executive, managerial, market research, advice or consulting services, either directly or indirectly, to any business engaged in or about to be engaged in developing, producing, marketing, distributing or selling lawn, garden, animal health, nutrition or pet related products or which would otherwise conflict with his obligations to the Company. Executive understands that it would be a conflict of interest to provide legal advice or representation to any business engaged in or about to be engaged in developing, producing, marketing, distributing or selling lawn, garden, animal health, nutrition or pet-related products during the Term of Agreement.

8. **Confidential Information or Materials.** During the Term of Agreement, Executive will have access to the Company's confidential, proprietary and trade secret information including but not limited to information and strategy regarding the Company's products and services including customer lists and files, product description and pricing, information and strategy regarding profits, costs, marketing, purchasing, sales, customers, suppliers, contract terms, employees, salaries; product development plans; business, acquisition and financial plans and forecasts and marketing and sales plans and forecasts (collectively called "Company Confidential Information"). Executive will not, during the Term of Agreement or thereafter, directly or indirectly disclose to any other person or entity, or use for Executive's own benefit or for the benefit of others besides Company, Company Confidential Information. Upon termination of this Agreement, Executive agrees to promptly return all Company Confidential Information.

9. **Remedies.** Executive understands and acknowledges that Company's remedies at law for any material breach of this Agreement by Executive are inadequate and that any such breach will cause the Company substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, including the return of consideration paid for this Agreement, Executive agrees that the Company shall have the right to seek specific performance and injunctive relief. It is also expressly agreed that, in the event of such a breach, Company shall also be entitled to recover all of its costs and expenses (including attorneys' fees) incurred in enforcing its rights hereunder.

10. **Independent Contractor Status.** For all purposes, during the Term of Agreement, Executive shall be deemed to be an independent contractor, and not an employee or agent of the Company. Accordingly, Executive shall not be entitled to any rights or benefits to which any employee of Company may be entitled.

11. **Other Employment.** Nothing in this Agreement shall prevent Executive from performing services for other employers or business entities, consistent with the terms of this Agreement, during the Term of Agreement.

12. **Intellectual Property Rights.** Company shall have sole ownership of and all right, title and interest, to all data, drawings, designs, analyses, graphs, reports, products, tooling, physical property, computer programs, software code, trade secrets and all inventions, discoveries and improvements or other items or concepts, whether patentable or not, (collectively, "Intellectual Property") which are conceived or reduced to practice during the Term of Agreement and arising out of or relating to the services performed hereunder or using the equipment or resources of the Company. To the extent any such Intellectual Property qualifies as a "work for hire" under the United States Copyright Act (17 U.S.C. Sec. 101), Executive agrees that the Company is the author for copyright purposes. To the extent that any Intellectual Property is not a work for hire, Executive agrees to assign, and hereby does assign, its entire right, title and interest in such Intellectual Property, including the right to sue for past infringements.

13. **No Authority to Bind Company.** During the Term of Agreement, Executive will not have any authority to commit or bind Company to any contractual or financial obligations without the Company's prior written consent.

14. **Assignment.** This is a personal services agreement and Executive may not assign this Agreement, or any interest herein, without the prior written consent of the Company.

15. **Entire Agreement.** This Agreement constitutes the entire understanding of the parties on the subjects covered. It cannot be modified or waived except in a writing signed by both parties.

16. **Agreement Enforceable to Full Extent Possible.** If any restriction set forth in this Agreement is found by a court to be unenforceable for any reason, the court is empowered and directed to interpret the restriction to extend only so broadly as to be enforceable in that jurisdiction. Additionally, should any of the provisions of this Agreement be determined to be invalid by a court of competent jurisdiction, it is agreed that such determination shall not affect the enforceability of the other provisions herein.

17. The parties agree to all of the terms and conditions set forth above.

Dated:

Dated:

Central Garden & Pet Company

William E. Brown
Chairman and Chief Executive Officer

EXHIBIT B

**AGREEMENT TO PROTECT CONFIDENTIAL INFORMATION, INTELLECTUAL
PROPERTY AND BUSINESS RELATIONSHIPS**

This Agreement is made this 1st day of March, 2011 (the "Effective Date") by and between Central Garden & Pet Company and/or any of its wholly owned subsidiaries, successors and assigns (collectively called "the Company") and George A. Yuhas ("Executive," "I" or "Me").

I RECOGNIZE that during my employment as a key executive with Central Garden & Pet Company and/or any of its wholly owned subsidiaries, successors and assigns (collectively called "the Company"), I have had and will continue to have access to Confidential Information (as defined below) and valuable business relationships;

I RECOGNIZE that my employment in certain capacities with a competitor could involve the use or disclosure of Company Confidential Information;

I RECOGNIZE that the Company's Confidential Information and business relationships are critical to its success in the marketplace. The Company operates on a nationwide-basis, and therefore, the Company's commitment to protecting its Confidential Information and business relationships is nationwide;

I RECOGNIZE that the law regarding restrictive covenants varies from state to state and the law that will apply to this Agreement after I terminate will depend on factors such as where I live, where I work, the location of my employer, the location of my former employer and other factors, many which are unknown at this time;

THEREFORE, in consideration for the compensation provided to me, to prevent the use or disclosure of Company Confidential Information, and to protect the valuable business relationships of the Company, I agree to the following:

1. Definitions.

(a) Confidential Information. For purposes of this Agreement, "Confidential Information" shall mean any information, including third-party information, provided to the Company in confidence, regarding the Company, its business, its plans, its customers, its contracts, its suppliers, or its strategies, that is not generally known and provides the Company with an actual or potential competitive advantage over those who do not know it. Confidential Information includes, but is not limited to, all such information I learned or developed during any previous employment with the Company or its predecessors in interest and all of the Company's confidential, proprietary and trade secret information, which may include information and strategies relating to the Company's products, processes and services, including customer lists and files, product description and pricing, information and strategy regarding profits, costs, marketing, purchasing, sales, customers, suppliers, contract terms, employees, salaries, product development plans, business, acquisition and financial plans and forecasts, and marketing and sales plans and forecasts. I acknowledge that requiring me to enter into this Agreement is one of the measures that the Company uses to maintain the secrecy of its Confidential Information.

(b) Relevant Territory. For purposes of this Agreement, "Relevant Territory" shall mean any territory or region in which I performed services on behalf of the Company or about which I learned Confidential Information regarding the Company during the two (2) years prior to my separation from the Company for any reason.

(c) Services. For purposes of this Agreement, "Services" shall mean the same or similar activities in which I engaged during the two (2) years prior to my separation from the Company for any reason.

2. Confidentiality. I agree that I will not, during my employment with the Company (except in furtherance of the Company's interests), or at any time after employment terminates, without the prior written consent of the Company Vice President of Human Resources, disclose any Confidential Information to or use any Confidential Information for, any third party or entity. This restriction prohibits me from, among other activities, engaging in or preparing to engage in developing, producing, marketing, distributing or selling lawn, garden, animal health, animal nutrition or pet related products for any business entity if that activity in any way involves the use or disclosure of Company Confidential Information and diverting or attempting to divert any business or customers from the Company using Confidential Information. To the extent that any Confidential Information is determined by a court of competent jurisdiction to be confidential information rather than a trade secret under applicable law, the prohibition on use and disclosure of that specific information shall be in effect for a period of three years after the termination of my employment with the Company; otherwise the prohibition shall last until the information ceases to be a trade secret (other than through any breach of secrecy by me or other third parties under a duty of secrecy to the Company). In the event that after my employment with the Company ceases, if I have any doubt about whether particular information may be used or disclosed, I will contact the Company Vice President of Human Resources.

3. Post-Employment Activities

(a) Non-Competition. For twelve (12) months after the termination of my employment with the Company and/or any post-employment consulting agreement with the Company, I will not render executive, managerial, market research, advice or consulting services, either directly or indirectly, to any business engaged in or about to be engaged in developing, producing, marketing, distributing or selling lawn, garden, animal health, animal nutrition or pet related products or which would otherwise conflict with my obligations to the Company. This paragraph shall only apply in those jurisdictions where restrictions such as contained in this paragraph are enforceable.

(b) Non-Solicitation of Customers. For twelve (12) months after the termination of my employment with the Company and/or any post-employment consulting agreement with the Company, I will not solicit directly or indirectly, on behalf of any business entity described in paragraph (a) of this section or which otherwise competes with the Company, any customer I solicited or serviced, or any customer about whom I learned Confidential Information, while in the employ or service of the Company. This paragraph shall apply in those jurisdictions where restrictions such as contained in this paragraph are enforceable.

(c) Non-Solicitation of Employees. For twelve (12) months after the termination of my employment with the Company and/or any post-employment consulting agreement with the Company, I will not recruit, solicit or induce, or attempt to recruit, solicit or induce, any employee of the Company to terminate their employment with the Company or otherwise cease their relationship with the Company.

(d) Duty to Present Contract. For twelve (12) months after the termination of my employment with the Company and/or any post-employment consulting agreement with the Company, before I accept employment with any person or organization that is engage in or about to be engaged in developing, producing, marketing, distributing or selling lawn, garden, animal health, animal nutrition or pet related products, I agree (1) to advise that prospective employer about the existence of this Agreement; (2) to provide that potential employer a copy of this Agreement; and (3) to advise the Company's Vice President of Human Resources in writing, within five (5) business days, to whom I have provided a copy of this Agreement.

4. Reformation/Severability. If any restriction set forth in this Agreement is found by a court to be unenforceable for any reason, the court is empowered and directed to interpret the restriction to extend only so broadly as to be enforceable in that jurisdiction. Additionally, should any of the provisions of this Agreement be determined to be invalid by a court of competent jurisdiction, it is agreed that such determination shall not affect the enforceability of the other provisions herein.

5. Further Acknowledgments. I understand that the restrictions contained in this Agreement are necessary and reasonable for the protection of the Company's business, goodwill and its Confidential Information. I understand that any breach of this Agreement will cause the Company substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, including the return of consideration paid for this Agreement, I agree that the Company shall have the right to seek specific performance and injunctive relief. Any business entity that employs me in a capacity in which I violate this Agreement shall be liable for damages and injunctive relief. Further, I understand that the Company intends to install the full measure of protections permitted by the law to protect its Confidential Information and business relationships, but does not intend to impose any greater protections on me than those permitted by law. I acknowledge that the law that governs restrictive covenants such as this, is important, rapidly changing and varies from state to state. I also understand that the law that will apply to this Agreement after I terminate will depend on factors such as where I live, where I work, the location of my employer, the location of my former employer and other factors, many which are unknown at the time I enter this Agreement. I understand that I have been advised to consult with an attorney of my choice to discuss this agreement and my legal obligations under this agreement after my termination of employment. **I understand that Paragraphs 3(a) and 3(b) do not apply and will not be enforced in California or other states where restrictions such as contained in those paragraphs are not permitted.**

6. **Restrictive Covenants.** I understand that the Non-Competition and Non-Solicitation of Customer Restrictions in Paragraphs 3(a) and 3(b) do not apply and will not be enforced in California or other states where restrictions such as contained in those paragraphs are not permitted.

7. **Separability.** Courts should treat each numbered paragraph as a separate and severable contractual obligation intended to protect the legitimate interests of the Company and to which I intend to be bound.

8. **Non Waiver.** I agree that the Company's determination not to enforce this or similar agreements as to specific violations shall not operate as a waiver or release of my obligations under this Agreement.

9. **Fiduciary Duty.** This Agreement is in addition to any fiduciary duty and obligation that may exist under statutory or common law.

10. **Entire Agreement.** This Agreement constitutes the entire understanding of the parties on the subjects covered. It cannot be modified or waived except in a writing signed by me and the Chief Executive Officer of the Company. I enter into this Agreement voluntarily.

AGREED AND ACCEPTED BY:

George A. Yuhas

George A. Yuhas
For Central Garden & Pet Company

Exhibit C

General Release of All Claims

This Release of All Claims is entered into by George A. Yuhas ("Executive") and Central Garden & Pet Company and/or any of its wholly owned subsidiaries, successors and assigns (collectively called "the Company").

WHEREAS, the parties entered into an Employment Agreement ("Employment Agreement") on _____, 2011 that provides for certain severance and other benefits in the event of Executive's termination; and

WHEREAS, pursuant to the Employment Agreement, Executive's entitlement to such severance and other benefits in the event of termination is conditioned upon Executive signing a general release of all claims ("Agreement"); and

WHEREAS, Executive's employment with the Company shall terminate effective _____ ("Termination Date");

NOW THEREFORE, in consideration of the severance and other benefits provided in the Employment Agreement, and other good and sufficient consideration, the parties agree as follows:

1. Executive, his successors and assigns, completely release the Company, its agents, employees, former employees, members of the board of directors, officers, insurers, successors and assigns (the "Released Parties") from all claims, rights, demands, actions, obligations, and causes of action of every kind, known or unknown, which Executive may now have, or has ever had, arising from or in any way connected with the employment relationship between the parties, any actions during the relationship, or the termination thereof, including but not limited to all claims for harassment, discrimination, or wrongful discharge; all claims relating to any contracts, express or implied; any covenant of good faith and fair dealing, express or implied; any breach of fiduciary responsibility; any tort of any nature; any claims under federal, state, or municipal common law, statutes or ordinances, including but not limited to claims under the California Fair Employment and Housing Act, Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act of 1967, 42 U.S.C. Section 1981, the Americans With Disabilities Act, the California Family Rights Act, the Family and Medical Leave Act, the Employee Retirement Income Security Act, the state and federal Worker Adjustment Retraining and Notification Acts, the California Worker's Compensation Act and any other laws and regulations relating to employment or employment discrimination, as well as any and all claims for attorney's fees and costs. The only claims not released by this Agreement are claims that cannot be released as a matter of law.

2. Executive is aware that Section 1542 of the Civil Code of the State of California and similar provisions in other states provide:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR.

Executive understands that this type of provision gives him the right not to release existing claims of which he is not now aware, unless he voluntarily chooses to waive this right. Executive nevertheless voluntarily waives these rights from the subject of this Agreement, and waive all claims that now exist in his favor, *known or unknown*.

3. Executive affirms that he has not filed or caused to be filed any lawsuit, complaint, or charge with respect to any claim this Agreement purports to waive, and promises never to file or prosecute a lawsuit or complaint based on such claims. Executive further promises never to seek any damages, remedies, or other relief for himself personally by filing or prosecuting a charge with any administrative agency with respect to any such claim. He promises to request that any government agency or other body assuming jurisdiction over any such lawsuit, complaint, or charge withdraw from the matter or dismiss the matter with prejudice. However, the two preceding sentences shall not preclude Executive from filing or prosecuting a charge with any administrative agency with respect to any such claim as long as he does not seek or accept any damages, remedies, or other relief for himself personally, which he promises not to do. Executive shall not be prevented from enforcing any rights he may have under the terms of this Agreement.

4. Executive agrees that he will cooperate with and assist the Company with regard to any arbitration, litigation, agency investigation or proceeding regarding any matters which Executive dealt with, was involved in or had knowledge of while employed with the Company, provided the Company shall pay all reasonable and related expenses and attorneys fees necessarily incurred by Executive (consistent with the Company's expense reimbursement policies) to provide such cooperation and assistance.

5. Executive agrees that he will return to the Company all electronic equipment (including cell phone, computer, PDA, etc.) files, memoranda, documents, records, electronic records, software, copies of the foregoing, credit cards, keys, and any other Company property in his possession prior to his Termination Date.

6. Executive agrees that the terms and conditions of this Agreement are strictly confidential and have not been and shall not be disclosed to any persons except his counsel, immediate family, financial advisors and, even as to such a person, only if the person agrees to honor this confidentiality requirement. Such a person's violation of this confidentiality requirement will be treated as a violation of this Agreement by Executive. This subsection does not prohibit Executive's disclosure of the terms, amount, or existence of this Agreement to the extent necessary legally to enforce this Agreement, nor does it prohibit disclosures to the extent otherwise legally required. Executive understands that any violation of this provision would cause irreparable harm to the Company and would justify injunctive relief.

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7. Executive agrees not to disparage or defame the Company or any of its employees, former employees, members of the boards of directors or officers.
 8. No other monies or benefits except those specifically described in the Employment Agreement are owed or will be paid to Executive by the Company.
 9. Executive will cease to be eligible to participate in any Company employee benefit plans including any medical, dental, life insurance, retirement, and other compensation or benefit plans of the Company on his Termination Date and will have no rights under those plans, except that he will retain any vested benefits under all applicable benefit plans with the Company, and all rights associated with such benefits, as determined under the official terms of those plans.
 10. Executive acknowledges that sections 19, 20 and 21 of the Employment Agreement together with Exhibits A, B and C and shall survive the termination of the Employment Agreement and Executive reaffirms his obligations thereunder.
 11. Executive acknowledges and agrees that it is the Company's policy, communicated to him and other employees, that employees are requested to bring to the Company's attention any incidents of misconduct or wrongdoing in the area of regulatory compliance, both governmental and industry. Executive hereby affirms that he has acted in accordance with such policy and that he has, at this time, no knowledge of any such incident that he has not brought to the attention to the Company in writing.
 12. Should any of the provisions of this Agreement be determined to be invalid by a court, or government agency of competent jurisdiction, it is agreed that such determination shall not affect the enforceability of the other provisions herein.
 13. Should Executive ever attempt to challenge the existence of this Agreement, attempt to obtain an order declaring this Agreement to be null and void, or institute litigation against the Company or any other Released Party based upon a released claim, he will, as a condition precedent to such action, repay all amounts paid to him under the terms of the Employment Agreement.
 14. This Agreement shall be construed as a whole according to its fair meaning. It shall not be construed strictly for or against any party to the Agreement.
 15. This Agreement constitutes the entire understanding of the parties on the subjects covered. Executive expressly warrants that he has read and fully understands this Agreement; that he has had the opportunity to consult with legal counsel of his own choosing and to have the terms of the Agreement fully explained to him; that he is not executing this Agreement in reliance on any promises, representations or inducements other than those contained herein; and that he is executing this Agreement voluntarily, free of any duress or coercion. This Agreement shall not in any way be considered an admission of any liability by the Company.
 16. Executive understands that he has been advised to consult with an attorney prior to signing this Agreement; he has twenty-one (21) days in which to consider whether he should sign this Agreement; and that if he signs this Agreement, he has seven (7) days following the date in which he signs the Agreement to revoke it because the Agreement is not effective until the end of this seven-day period ("Effective Date")

17. Each party to this Agreement shall execute all further and/or additional instruments and documents and take all actions necessary as may be reasonably required to effectuate this Agreement.

18. This Agreement may be executed in one or more counterparts. Electronic signatures will be considered valid.

Dated:

George A. Yuhas

Dated:

Central Garden & Pet Company

CENTRAL GARDEN & PET COMPANY

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

(dollars in thousands)

	Fiscal Year Ended				
	September 26, 2015	September 27, 2014	September 28, 2013	September 29, 2012	September 24, 2011
Income (loss) before income taxes, and income (loss) of equity method investees	\$ 51,675	\$ 14,019	\$ (3,185)	\$ 34,764	\$ 47,850
Fixed charges (1)	40,847	43,608	44,038	41,162	38,918
Earnings	92,522	57,627	40,853	75,926	86,768
Fixed charges (1)	\$ 40,847	\$ 43,608	\$ 44,038	\$ 41,162	\$ 38,918
Earnings to fixed charges excess (deficiency)	\$ 51,675	\$ 14,019	\$ (3,185)	\$ 34,764	\$ 47,850
Ratio of earnings to fixed charges (2)	2.27	1.32	N/M	1.84	2.23

- (1) Fixed charges consist of interest expense, the portion of rental expense under operating leases deemed by management to be representative of the interest factor and amortization of deferred financing costs.
- (2) For the fiscal year ended September 28, 2013, earnings were insufficient to cover fixed charges by approximately \$3.2 million, and the ratio is not meaningful.

LIST OF SUBSIDIARIES

The following table sets forth certain information concerning the principal subsidiaries of the Company.

<u>Name</u>	<u>State or Other Jurisdiction of Incorporation</u>
Farnam Companies, Inc.	Arizona
Four Paws Products, Ltd.	New York
Gulfstream Home & Garden, Inc.	Florida
Kaytee Products, Inc.	Wisconsin
Matson, LLC	Washington
New England Pottery, LLC	Delaware
Pennington Seed, Inc.	Delaware
Pets International, Ltd.	Illinois
TFH Publications, Inc.	Delaware
Wellmark International	California
Gro Tec, Inc.	Georgia

The names of certain subsidiaries have been omitted because such unnamed subsidiaries, considered in the aggregate, would not constitute a significant subsidiary as that term is defined in Regulation S-X.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-83022, 333-105965, 333-134055, 333-141671 and 333-176408 on Form S-8, and Registration Statement No. 333-204881 on Form S-3 of our report dated December 10, 2015, relating to the consolidated financial statements of Central Garden & Pet Company and the effectiveness of Central Garden & Pet Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Central Garden & Pet Company for the fiscal year ended September 26, 2015.

/s/ DELOITTE & TOUCHE LLP

San Francisco, California
December 10, 2015

I, John R. Ranelli, certify that:

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

Date: December 10, 2015

/s/ JOHN R. RANELLI

John R. Ranelli
President and Chief Executive Officer
(Principal Executive Officer)

I, David N. Chichester, certify that:

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

Date: December 10, 2015

/s/ DAVID N. CHICHESTER

David N. Chichester
Acting Chief Financial Officer
(Principal Financial Officer)

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

In connection with the accompanying annual report on Form 10-K of Central Garden & Pet Company for the year ended September 26, 2015 (the "Report"), I, John R. Ranelli, Chief Executive Officer and President 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 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.

December 10, 2015

/S/ JOHN R. RANELLI

John R. Ranelli
President and Chief Executive Officer
(Principal Executive Officer)

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

In connection with the accompanying annual report on Form 10-K of Central Garden & Pet Company for the year ended September 26, 2015 (the "Report"), I, David N. Chichester, Acting 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 fairly presents, in all material respects, the financial condition and results of operations of Central Garden & Pet Company.

December 10, 2015

/s/ DAVID N. CHICHESTER

David N. Chichester
Acting Chief Financial Officer
(Principal Financial Officer)