

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 25, 2011

or

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

For the transition period from _____ to _____

Commission File Number: 001-33268

CENTRAL GARDEN & PET COMPANY

Delaware
(State or other jurisdiction
of incorporation or organization)

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

1340 Treat Blvd., Suite 600, Walnut Creek, California 94597
(Address of principle executive offices)

(925) 948-4000
(Registrant's telephone number, including area code)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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
Non-accelerated filer

Accelerated filer
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

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

Common Stock Outstanding as of July 31, 2011	13,707,093
Class A Common Stock Outstanding as of July 31, 2011	38,085,925
Class B Stock Outstanding as of July 31, 2011	1,652,262

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

This Form 10-Q includes “forward-looking statements.” Forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy, our ability to pass through grain and other raw material price increases and the trends we anticipate in the industries and economies in which we operate and other information that is not historical information. When used in this Form 10-Q, the words “estimates,” “expects,” “anticipates,” “projects,” “plans,” “intends,” “believes” and, variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith, and we believe there is a reasonable basis for them, but we cannot assure you that our expectations, beliefs and projections will be realized.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this Form 10-Q. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Form 10-Q are set forth in our Form 10-K for the fiscal year ended September 25, 2010 and this Form 10-Q, including the factors described in the sections entitled “Risk Factors.” If any of these risks or uncertainties materialize, or if any of our underlying assumptions are incorrect, our actual results may differ significantly from the results that we express in or imply by any of our forward-looking statements. We do not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances. 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 and our ability to pass-through cost increases in a timely manner;
- 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;
- fluctuations in energy prices, fuel and related petrochemical costs;

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- access to and cost of additional capital;
- dependence on a few customers for a significant portion of our business;
- consolidation trends in the retail industry;
- uncertainty about new product innovations and marketing programs;
- competition in our industries;
- risks associated with our acquisition strategy;
- dependence upon our key executive officers;
- implementation of a new enterprise resource planning information technology system;
- our ability to protect our intellectual property rights;
- potential environmental liabilities;
- risk associated with international sourcing;
- litigation and product liability claims;
- the voting power associated with our Class B stock; and
- potential dilution from issuance of authorized shares.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 26, 2010	June 25, 2011	(See Note 1) September 25, 2010
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 91,623	\$ 11,233	\$ 91,460
Short term investments	0	15,320	15,320
Accounts receivable (less allowance for doubtful accounts of \$17,702 , \$18,782 and \$21,564)	223,845	257,418	192,422
Inventories	306,118	343,788	285,964
Prepaid expenses and other	<u>30,643</u>	<u>40,095</u>	<u>42,733</u>
Total current assets	652,229	667,854	627,899
Land, buildings, improvements and equipment—net	162,352	171,187	165,281
Goodwill	208,630	209,348	207,319
Other intangible assets—net	99,828	85,705	86,798
Deferred income taxes and other assets	<u>60,668</u>	<u>21,638</u>	<u>43,587</u>
Total	<u>\$1,183,707</u>	<u>\$1,155,732</u>	<u>\$ 1,130,884</u>
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable	\$ 119,869	\$ 115,380	\$ 112,611
Accrued expenses	101,312	92,678	81,418
Current portion of long-term debt	<u>201</u>	<u>198</u>	<u>165</u>
Total current liabilities	221,382	208,256	194,194
Long-term debt	400,138	450,266	400,106
Other long-term obligations	4,223	4,104	4,441
Equity:			
Common stock, \$.01 par value: 16,820,404, 13,755,693 and 16,258,704 shares outstanding at June 26, 2010, June 25, 2011 and September 25, 2010	168	137	163
Class A common stock, \$.01 par value: 44,997,584, 38,191,629 and 43,696,426 shares outstanding at June 26, 2010, June 25, 2011 and September 25, 2010	450	382	437
Class B stock, \$.01 par value: 1,652,262 shares outstanding	16	16	16
Additional paid-in capital	497,821	421,351	483,817
Retained earnings	57,618	69,234	45,319
Accumulated other comprehensive income	<u>464</u>	<u>1,386</u>	<u>944</u>
Total Central Garden & Pet Company shareholders' equity	556,537	492,506	530,696
Noncontrolling interest	<u>1,427</u>	<u>600</u>	<u>1,447</u>
Total equity	557,964	493,106	532,143
Total	<u>\$1,183,707</u>	<u>\$1,155,732</u>	<u>\$ 1,130,884</u>

See notes to condensed consolidated financial statements.

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

	Three Months Ended		Nine Months Ended	
	June 26, 2010	June 25, 2011	June 26, 2010	June 25, 2011
Net sales	\$465,486	\$484,303	\$1,176,658	\$1,251,746
Cost of goods sold and occupancy	<u>302,712</u>	<u>334,914</u>	<u>764,926</u>	<u>856,031</u>
Gross profit	162,774	149,389	411,732	395,715
Selling, general and administrative expenses	<u>110,134</u>	<u>112,795</u>	<u>298,049</u>	<u>305,974</u>
Income from operations	52,640	36,594	113,683	89,741
Interest expense	(9,797)	(9,948)	(24,555)	(28,330)
Interest income	1	140	12	333
Other income	<u>42</u>	<u>318</u>	<u>428</u>	<u>116</u>
Income before income taxes and noncontrolling interest	42,886	27,104	89,568	61,860
Income taxes	<u>15,860</u>	<u>9,879</u>	<u>33,026</u>	<u>21,952</u>
Income including noncontrolling interest	27,026	17,225	56,542	39,908
Net income attributable to noncontrolling interest	<u>1,153</u>	<u>144</u>	<u>1,943</u>	<u>653</u>
Net income attributable to Central Garden & Pet Company	<u>\$ 25,873</u>	<u>\$ 17,081</u>	<u>\$ 54,599</u>	<u>\$ 39,255</u>
Net income per share attributable to Central Garden & Pet Company:				
Basic	<u>\$ 0.41</u>	<u>\$ 0.32</u>	<u>\$ 0.84</u>	<u>\$ 0.68</u>
Diluted	<u>\$ 0.40</u>	<u>\$ 0.31</u>	<u>\$ 0.83</u>	<u>\$ 0.68</u>
Weighted average shares used in the computation of net income per share:				
Basic	63,810	54,020	64,879	57,635
Diluted	64,606	54,498	65,716	58,115

See notes to condensed consolidated financial statements.

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

	Nine Months Ended	
	June 26, 2010	June 25, 2011
Cash flows from operating activities:		
Net income	\$ 56,542	\$ 39,908
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	21,709	21,316
Stock-based compensation	3,983	5,720
Excess tax benefits from stock-based awards	(720)	(791)
Deferred income taxes	(1,000)	14,859
Loss on extinguishment of debt, net of premium paid	3,633	0
Loss (gain) on sale of property and equipment	395	(4)
Change in assets and liabilities:		
Accounts receivable	(17,527)	(61,422)
Inventories	(21,704)	(45,648)
Prepaid expenses and other assets	16,332	11,836
Accounts payable	10,442	5,536
Accrued expenses	19,591	7,524
Other long-term obligations	(303)	(337)
Net cash provided by (used in) operating activities	91,373	(1,503)
Cash flows from investing activities:		
Additions to property and equipment	(15,611)	(20,191)
Payments to acquire companies, net of cash acquired	0	(24,432)
Net cash used in investing activities	(15,611)	(44,623)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	400,000	0
Repayments of long-term debt	(407,856)	(221)
Borrowings under revolving line of credit	10,000	593,000
Repayments under revolving line of credit	(10,000)	(543,000)
Proceeds from issuance of common stock	1,062	1,436
Repurchase of common stock	(48,314)	(83,602)
Distribution to noncontrolling interest	(2,761)	(1,500)
Excess tax benefits from stock-based awards	720	791
Payment of financing costs	(12,490)	(1,034)
Net cash used in financing activities	(69,639)	(34,130)
Effect of exchange rate changes on cash and cash equivalents	(168)	29
Net increase (decrease) in cash and cash equivalents	5,955	(80,227)
Cash and equivalents at beginning of period	85,668	91,460
Cash and equivalents at end of period	\$ 91,623	\$ 11,233
Supplemental information:		
Cash paid for interest	\$ 14,920	\$ 19,965

See notes to condensed consolidated financial statements.

CENTRAL GARDEN & PET COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Three and Nine Months Ended June 25, 2011
(unaudited)

1. Basis of Presentation

The condensed consolidated balance sheets of Central Garden & Pet Company and subsidiaries (the “Company” or “Central”) as of June 26, 2010 and June 25, 2011, the condensed consolidated statements of operations for the three and nine months ended June 26, 2010 and June 25, 2011, and the condensed consolidated statements of cash flows for the nine months ended June 26, 2010 and June 25, 2011 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) considered necessary to present fairly the financial position, results of operations and cash flows of the Company for the periods mentioned above, have been made.

For the Company’s foreign business in the UK, the local currency is the functional currency. Assets and liabilities are translated using the exchange rate in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Deferred taxes are not provided on translation gains and losses, because the Company expects earnings of its foreign subsidiary to be permanently reinvested. Transaction gains and losses are included in results of operations. See Note 7, Supplemental Equity and Comprehensive Income Information, for further detail.

Due to the seasonal nature of the Company’s garden business, the results of operations for the three and nine month periods ended June 26, 2010 and June 25, 2011 are not indicative of the operating results that may be expected for the entire fiscal year. These interim financial statements should be read in conjunction with the annual audited financial statements, accounting policies and financial notes thereto, included in the Company’s 2010 Annual Report on Form 10-K, which has previously been filed with the Securities and Exchange Commission, as well as other subsequent Securities and Exchange Commission filings. The September 25, 2010 balance sheet presented herein was derived from the audited financial statements.

Noncontrolling Interest

Noncontrolling interest in the Company’s condensed consolidated financial statements represents the 20% interest not owned by Central in a consolidated subsidiary. Since the Company controls this subsidiary, its financial statements are fully consolidated with those of the Company, and the noncontrolling owner’s 20% share of the subsidiary’s net assets and results of operations is deducted and reported as noncontrolling interest on the consolidated balance sheets and as net income (loss) attributable to noncontrolling interest in the consolidated statements of operations. See Note 7, Supplemental Equity and Comprehensive Income Information, for additional information.

Derivative Instruments

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

The Company does not perform the assessments required to achieve hedge accounting for commodity derivative positions. Accordingly, the changes in the values of these derivatives are recorded currently in cost of sales in its condensed consolidated statements of operations. As of June 25, 2011, the notional amount of these contracts was not significant.

Recent Accounting Pronouncements

On September 26, 2010, the Company adopted provisions of ASU No. 2009-17, “Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities (VIEs).” This ASU amends the guidance for consolidation of VIEs primarily related to the determination of the primary beneficiary of the VIE. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

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In January 2010, the FASB issued ASU No. 2010-6, “Improving Disclosures about Fair Value Measurements.” This ASU requires new disclosures regarding transfers in and out of Level 1 and Level 2 fair value measurements, as well as requiring presentation on gross basis information about purchases, sales, issuances and settlements in Level 3 fair value measurements. The ASU also clarifies existing disclosures regarding level of disaggregation, inputs and valuation techniques. The ASU is effective for interim and annual reporting periods beginning after December 15, 2009 and became effective for the Company on December 27, 2009. Disclosures about purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010 and will be effective for the Company on September 25, 2011. The Company does not anticipate the adoption of this ASU to have a material impact on the Company’s consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-28, “Intangibles—Goodwill and Other (Topic 350)—When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts” (“ASU 2010-28”). The amendments in this update modify Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist. ASU 2010-28 is effective for fiscal years and interim periods within those years, beginning after December 15, 2010 and will be effective for the Company on September 25, 2011. The Company does not anticipate the adoption of this ASU to have a material impact on the Company’s consolidated financial statements.

In December 2010, the FASB issued ASU No. 2010-29, “Business Combinations (Topic 805)—Disclosure of Supplementary Pro Forma Information for Business Combinations” (“ASU 2010-29”). The amendments in this update specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The update also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. ASU 2010-29 is effective prospectively for material (either on an individual or aggregate basis) business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. ASU 2010-29 is effective for the Company for acquisitions made during the quarter beginning December 26, 2010. The adoption of ASU 2010-29 during the quarter ended March 26, 2011 did not have an impact on the Company’s consolidated financial statements; however, the Company may have additional disclosure requirements if a material acquisition occurs.

In June 2011, the FASB issued Accounting Standards Update (“ASU”) No. 2011-05, “Comprehensive Income (Topic 220): Presentation of Comprehensive Income.” ASU No. 2011-05 requires that all nonowner changes in stockholders’ equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements, eliminating the option to present other comprehensive income in the statement of changes in equity. Under either choice, items that are reclassified from other comprehensive income to net income are required to be presented on the face of the financial statements where the components of net income and the components of other comprehensive income are presented. ASU 2011-05 is effective for fiscal years and interim periods within those years, beginning after December 15, 2011 and will be effective for the Company on September 30, 2012. The guidance will be applied retrospectively. This amendment will change the manner in which the Company presents comprehensive income.

2. Fair Value Measurements

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

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

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The Company had short- term investments, consisting of a bank certificate of deposit, measured at fair value under Level 2 inputs in the fair value hierarchy, as of June 25, 2011. The Company had no other significant financial assets or liabilities on the balance sheet that were measured at fair value as of June 25, 2011.

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

The Company measures certain non-financial assets and liabilities, including long-lived assets, goodwill and intangible assets, at fair value on a non-recurring basis. Fair value measurements of non-financial assets and non-financial liabilities are used primarily in the impairment analyses of long-lived assets, goodwill and other intangible assets. During the period ended June 25, 2011, the Company was not required to measure any significant non-financial assets and liabilities at fair value.

3. Financial Instruments

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

The estimated fair value of the Company's \$400 million 8.25 % senior subordinated notes due 2018 as of June 25, 2011 was \$412.0 million, compared to a carrying value of \$400.0 million. The estimated fair value is based on quoted market prices for these notes.

4. Goodwill

The Company accounts for goodwill in accordance with ASC 350, "Intangibles – Goodwill and Other," and tests goodwill for impairment annually, or whenever events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This assessment involves the use of significant accounting judgments and estimates as to future operating results and discount rates. Changes in estimates or use of different assumptions could produce significantly different results. An impairment loss is generally recognized when the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit. The Company uses discounted cash flow analysis to estimate the fair value of our reporting units. The Company's goodwill impairment analysis also includes a comparison of the aggregate estimated fair value of all four reporting units to the Company's total market capitalization.

Contingent performance payments of \$1.0 million have been paid in fiscal 2011 for previous acquisitions and recorded as goodwill.

On February 28, 2011, the Company acquired certain assets of a privately-held maker of premium fertilizer for the professional and retail markets for approximately \$23 million in cash. The acquired assets were integrated into the business of Pennington Seed, Inc., a wholly owned subsidiary of the Company. The purchase price exceeded the estimated fair value of the tangible and intangible assets acquired by \$1.0 million, which was recorded as goodwill.

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5. 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>Impairment</u>	<u>Net Carrying Value</u>
June 25, 2011				
Marketing-related intangible assets – amortizable	\$ 12.3	\$ (5.9)	\$ 0	\$ 6.4
Marketing-related intangible assets – nonamortizable	59.6	0	(16.9)	42.7
Total	71.9	(5.9)	(16.9)	49.1
Customer-related intangible assets – amortizable	42.7	(12.5)	0	30.2
Other acquired intangible assets – amortizable	10.8	(4.4)	0	6.4
Other acquired intangible assets – nonamortizable	1.2	0	(1.2)	0
Total	12.0	(4.4)	(1.2)	6.4
Total other intangible assets	<u>\$126.6</u>	<u>\$ (22.8)</u>	<u>\$ (18.1)</u>	<u>\$ 85.7</u>
June 26, 2010				
Marketing-related intangible assets – amortizable	\$ 12.3	\$ (4.7)	\$ 0	\$ 7.6
Marketing-related intangible assets – nonamortizable	59.6	0	(4.9)	54.7
Total	71.9	(4.7)	(4.9)	62.3
Customer-related intangible assets – amortizable	41.6	(10.3)	0	31.3
Other acquired intangible assets – amortizable	9.2	(3.0)	0	6.2
Other acquired intangible assets – nonamortizable	1.2	0	(1.2)	0
Total	10.4	(3.0)	(1.2)	6.2
Total other intangible assets	<u>\$123.9</u>	<u>\$ (18.0)</u>	<u>\$ (6.1)</u>	<u>\$ 99.8</u>
September 25, 2010				
Marketing-related intangible assets – amortizable	\$ 12.3	\$ (5.0)	\$ 0	\$ 7.3
Marketing-related intangible assets – nonamortizable	59.6	0	(16.9)	42.7
Total	71.9	(5.0)	(16.9)	50.0
Customer-related intangible assets – amortizable	41.6	(10.8)	0	30.8
Other acquired intangible assets – amortizable	9.2	(3.2)	0	6.0
Other acquired intangible assets – nonamortizable	1.2	0	(1.2)	0
Total	10.4	(3.2)	(1.2)	6.0
Total other intangible assets	<u>\$123.9</u>	<u>\$ (19.0)</u>	<u>\$ (18.1)</u>	<u>\$ 86.8</u>

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

On February 28, 2011, the Company acquired approximately \$2.7 million (net of \$0.2 million of amortization) of identified customer related and other intangible assets as part of its acquisition of certain assets of a privately-held maker of premium fertilizer.

The Company evaluates long-lived assets, including amortizable and indefinite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. The Company evaluates indefinite-lived intangible assets on an annual basis. In fiscal 2010, the Company recognized a non-cash \$12.0 million impairment charge to one of its indefinite-lived intangible assets as a result of the continuing challenging economic environment. The fair value of the remaining \$27.8 million of indefinite-lived intangible assets exceeded their carrying value at September 25, 2010. In fiscal 2009, the Company tested its indefinite-lived intangible assets and no impairment was indicated.

The Company is currently amortizing its acquired intangible assets with definite lives; over weighted average remaining lives of eight years for marketing-related intangibles, 18 years for customer-related intangibles and six years for other acquired intangibles. Amortization expense for intangibles subject to amortization was approximately \$1.4 million and \$1.2 million, for the three month periods ended June 25, 2011 and June 26, 2010, respectively, and \$3.8 million and \$3.5 million for the nine month periods ended June 25, 2011 and June 26, 2010, respectively, and is classified within operating expenses in the condensed consolidated statements of operations. Estimated annual amortization expense related to acquired intangible assets in each of the succeeding five years is estimated to be approximately \$5.0 million per year from fiscal 2012 through fiscal 2016.

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6. Long-Term Debt

Long-term debt consists of the following:

	June 25, 2011	September 25, 2010
	(in thousands)	
Senior subordinated notes, interest at 8.25%, payable semi-annually, principal due March 2018	\$400,000	\$ 400,000
Revolving credit facility, interest at Alternate Base Rate plus a margin of 0.75% to 1.75%, or LIBOR plus a margin of 1.75% to 2.75%, final maturity June 2016	50,000	0
Other notes payable	464	271
Total	450,464	400,271
Less current portion	(198)	(165)
Long-term portion	<u>\$450,266</u>	<u>\$ 400,106</u>

Senior Credit Facility

On June 8, 2011, the Company amended its \$275 million, five-year senior secured revolving credit facility (the "Credit Facility") included in its Amended and Restated Credit Agreement (the "Credit Agreement"). Under the modified terms, the Credit Facility has a borrowing capacity of \$375 million, an increase of \$100 million, and an extension of maturity date by approximately one year, to June 2016. The Credit Facility bears lower interest rates and commitment fees and requires less interest coverage. The Company continues to have the option to increase the size of the Credit Facility by an additional \$200 million of incremental term loans and/or revolving loans should it exercise its option and one or more lenders are willing to make such increased amounts available to it. There was an outstanding balance of \$50.0 million as of June 25, 2011 under the Credit Facility. There were also \$5.6 million of letters of credit outstanding. After giving effect to the financial covenants in the Credit Agreement, the remaining potential borrowing capacity was \$211.4 million.

Interest on the amended Credit Facility is based, at the Company's option, on a rate equal to the Alternate Base Rate (ABR), which is the greatest of the prime rate, the Federal Funds rate plus $\frac{1}{2}$ of 1% or one month LIBOR plus 1%, plus a margin, which fluctuates from 0.75% to 1.75%, or LIBOR plus a margin, which fluctuates from 1.75% to 2.75% and commitment fees that range from 0.30% to 0.50%, determined quarterly based on consolidated total debt to consolidated EBITDA for the most recent trailing 12-month period. As of June 25, 2011, the applicable interest rate on the Credit Facility related to alternate base rate borrowings was 5.0%, and the applicable interest rate related to LIBOR rate borrowings was 2.9%.

The Credit Facility is guaranteed by the Company's material subsidiaries and is secured by the Company's assets, excluding real property but including substantially all of the capital stock of the Company's subsidiaries. The Credit Agreement contains certain financial and other covenants which require the Company to maintain minimum levels of interest coverage and maximum levels of senior debt to EBITDA and that restrict the Company's ability to repurchase its stock, make investments in or acquisitions of other businesses and pay dividends above certain levels over the life of the Credit Facility. Under the terms of the Company's Credit Facility, it may make restricted payments, including cash dividends and stock repurchases, in an aggregate amount initially not to exceed \$200 million over the life of the Credit Facility, subject to qualifications and baskets as defined in the Credit Agreement. As of June 25, 2011, the Company's Total Leverage Ratio, as defined in the Credit Agreement, was 3.4 to 1.0, and the Company's Senior Secured Leverage Ratio, as defined in the Credit Agreement with a maximum of 2.0 to 1.0, was 0.4 to 1.0. The Company's minimum Interest Coverage Ratio was reduced to 2.50 times, from 2.75 times as part of the modification of the Credit Facility. As of June 25, 2011, the Company's Interest Coverage ratio was 3.8 times. Apart from the covenants limiting restricted payments and capital expenditures, the Credit Facility does not restrict the use of retained earnings or net income. The Company was in compliance with all financial covenants as of June 25, 2011.

The Company recorded a loss on extinguishment of debt of \$0.1 million for the period ended June 25, 2011, as part of interest expense, related to the portion of unamortized deferred financing costs for a lender under the existing facility that is not a lender under the modified Credit Facility. The Company will amortize the remaining \$2.4 million of unamortized deferred financing costs related to the existing Credit Facility, as well as approximately \$1.1 million of costs incurred as part of the modified Credit Facility, over the five year term of the modified Credit Facility.

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Senior Subordinated Notes and Debt Refinancing

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”). The Company used the proceeds together with available cash to purchase its outstanding \$150 million aggregate principal amount of 9.125% senior subordinated notes due February 1, 2013 (the “2013 Notes”), including accrued interest, to repay the \$267.1 million outstanding under its senior term loan maturing February 2012 and pay fees and expenses related to the offering. The Company received tenders and consents from the holders of \$150 million of its 2013 Notes, including \$12.8 million held in escrow for the benefit of the Company, which was previously recorded as a reduction of debt for accounting purposes against the Company’s 2013 Notes.

The 2018 Notes require semiannual interest payments, which commenced on September 1, 2010. The 2018 Notes are unsecured senior subordinated obligations and are subordinated to all of the Company’s existing and future senior debt, including the Company’s Credit Facility. The obligations under the 2018 Notes are 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 guarantees are general unsecured senior subordinated obligations of the guarantors and are subordinated to all existing and future senior debt of the guarantors.

The Company may redeem some or all of the 2018 Notes at any time prior to March 1, 2014 at the principal amount plus a “make whole” premium. The Company may redeem some or all of the 2018 Notes at any time on or after March 1, 2014 for 104.125%, after March 1, 2015 for 102.063% and after March 1, 2016 for 100%, plus accrued and unpaid interest. Additionally, at any time prior to March 1, 2013, the Company may redeem up to 35% of the 2018 Notes with any proceeds the Company receives from certain equity offerings at a redemption price of 108.25% of the principal amount, plus accrued and unpaid interest. The holders of the 2018 Notes have 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 through the repurchase date upon the occurrence of a change of control.

The 2018 Notes contain customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions.

7. Supplemental Equity and Comprehensive Income Information

The following table summarizes the allocation of total comprehensive income between controlling and noncontrolling interests for the nine months ended June 25, 2011 and June 26, 2010:

(in thousands)	Nine Months Ended June 25, 2011		
	Controlling Interest	Noncontrolling Interest	Total
Net income	\$ 39,255	\$ 653	\$39,908
Other comprehensive income:			
Foreign currency translation	442	0	442
Total comprehensive income	<u>\$ 39,697</u>	<u>\$ 653</u>	<u>\$40,350</u>

(in thousands)	Nine Months Ended June 26, 2010		
	Controlling Interest	Noncontrolling Interest	Total
Net income	\$ 54,599	\$ 1,943	\$56,542
Other comprehensive loss:			
Foreign currency translation	(598)	0	(598)
Total comprehensive income	<u>\$ 54,001</u>	<u>\$ 1,943</u>	<u>\$55,944</u>

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The following table provides a summary of the changes in the carrying amounts of equity attributable to controlling interest and noncontrolling interest for the nine months ended June 25, 2011 and June 26, 2010:

(in thousands)	Controlling Interest					Accumulated Other Comprehensive Income		Noncontrolling Interest	Total
	Common Stock	Class A Common Stock	Class B Stock	Additional Paid In Capital	Retained Earnings	Total	Total		
Balance September 25, 2010	\$ 163	\$ 437	\$ 16	\$ 483,817	\$ 45,319	\$ 944	\$530,696	\$ 1,447	\$532,143
Comprehensive income	0	0	0	0	39,255	442	39,697	653	40,350
Stock based compensation	0	0	0	4,143	0	0	4,143	0	4,143
Restricted share activity	0	4	0	(180)	0	0	(176)	0	(176)
Issuance of common stock	0	4	0	1,400	0	0	1,404	0	1,404
Repurchase of common stock	(26)	(63)	0	(68,620)	(15,340)	0	(84,049)	0	(84,049)
Distributions to noncontrolling interest	0	0	0	0	0	0	0	(1,500)	(1,500)
Tax benefit on stock option exercise	0	0	0	791	0	0	791	0	791
Balance June 25, 2011	\$ 137	\$ 382	\$ 16	\$ 421,351	\$ 69,234	\$ 1,386	\$492,506	\$ 600	\$493,106

(in thousands)	Controlling Interest					Accumulated Other Comprehensive Income		Noncontrolling Interest	Total
	Common Stock	Class A Common Stock	Class B Stock	Additional Paid In Capital	Retained Earnings	Total	Total		
Balance September 26, 2009	\$ 188	\$ 475	\$ 16	\$ 531,300	\$ 12,044	\$ 1,062	\$545,085	\$ 2,250	\$547,335
Comprehensive income (loss)	0	0	0	0	54,599	(598)	54,001	1,943	55,944
Stock based compensation	0	0	0	2,624	0	0	2,624	0	2,624
Restricted share activity	0	0	0	(198)	0	0	(198)	0	(198)
Issuance of common stock	0	3	0	1,608	0	0	1,611	0	1,611
Repurchase of common stock	(20)	(28)	0	(38,233)	(9,025)	0	(47,306)	0	(47,306)
Distributions to noncontrolling interest	0	0	0	0	0	0	0	(2,761)	(2,761)
Tax benefit on stock option exercise	0	0	0	720	0	0	720	0	720
Other	0	0	0	0	0	0	0	(5)	(5)
Balance June 26, 2010	\$ 168	\$ 450	\$ 16	\$ 497,821	\$ 57,618	\$ 464	\$556,537	\$ 1,427	\$557,964

8. Stock-Based Compensation

The Company recognized share-based compensation expense of \$5.7 million and \$4.0 million for the nine month periods ended June 25, 2011 and June 26, 2010, respectively, as a component of selling, general and administrative expenses. The tax benefit associated with share-based compensation expense for the nine month periods ended June 25, 2011 and June 26, 2010 was \$2.1 million and \$1.5 million, respectively.

9. Earnings Per Share

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

	Three Months Ended June 25, 2011			Nine Months Ended June 25, 2011		
	Income	Shares	Per Share	Income	Shares	Per Share
(in thousands, except per share amounts)						
Basic EPS:						
Net income available to common shareholders	\$17,081	54,020	\$ 0.32	\$39,255	57,635	\$ 0.68
Effect of dilutive securities:						
Options to purchase common stock		300	(0.01)		329	0
Restricted shares		178	0		151	0
Diluted EPS:						
Net income available to common shareholders	\$17,081	54,498	\$ 0.31	\$39,255	58,115	\$ 0.68

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	Three Months Ended June 26, 2010			Nine Months Ended June 26, 2010		
	Income	Shares	Per Share	Income (Loss)	Shares	Per Share
(in thousands, except per share amounts)						
Basic EPS:						
Net income available to common shareholders	\$25,873	63,810	\$ 0.41	\$ 54,599	64,879	\$ 0.84
Effect of dilutive securities:						
Options to purchase common stock		665	(0.01)		704	(0.01)
Restricted shares		131	0		133	0
Diluted EPS:						
Net income available to common shareholders	<u>\$25,873</u>	<u>64,606</u>	<u>\$ 0.40</u>	<u>\$ 54,599</u>	<u>65,716</u>	<u>\$ 0.83</u>

Options to purchase 12.6 million shares of common stock at prices ranging from \$4.60 to \$17.99 per share were outstanding at June 25, 2011 and options to purchase 11.3 million shares of common stock at prices ranging from \$4.26 to \$17.99 per share were outstanding at June 26, 2010.

For the three month periods ended June 25, 2011 and June 26, 2010, options to purchase 9.4 and 7.9 million shares of common stock, respectively, were outstanding but were not included in the computation of diluted earnings per share because the option exercise prices were greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive.

For the nine month period ended June 25, 2011 and June 26, 2010, options to purchase 8.0 and 7.7 million shares of common stock, respectively, were outstanding but were not included in the computation of diluted earnings per share because the option exercise prices were greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive.

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10. Segment Information

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

	Three Months Ended		Nine Months Ended	
	June 26, 2010	June 25, 2011	June 26, 2010	June 25, 2011
Net sales:				
Pet Products	\$ 222,700	\$ 227,256	\$ 626,595	\$ 639,464
Garden Products	242,786	257,047	550,063	612,282
Total net sales	\$ 465,486	\$ 484,303	\$ 1,176,658	\$ 1,251,746
Income from operations:				
Pet Products	\$ 32,611	\$ 27,214	\$ 85,002	\$ 61,978
Garden Products	30,137	17,962	60,616	56,900
Corporate	(10,108)	(8,582)	(31,935)	(29,137)
Total income from operations	52,640	36,594	113,683	89,741
Interest expense – net	(9,796)	(9,808)	(24,543)	(27,997)
Other income	42	318	428	116
Income taxes	15,860	9,879	33,026	21,952
Income including noncontrolling interest	27,026	17,225	56,542	39,908
Net income attributable to noncontrolling interest	1,153	144	1,943	653
Net income attributable to Central Garden & Pet Company	\$ 25,873	\$ 17,081	\$ 54,599	\$ 39,255
Depreciation and amortization:				
Pet Products	\$ 3,833	\$ 3,576	\$ 11,677	\$ 10,917
Garden Products	1,575	1,552	4,546	4,475
Corporate	1,838	1,978	5,486	5,924
Total depreciation and amortization	\$ 7,246	\$ 7,106	\$ 21,709	\$ 21,316
Assets:				
	June 26, 2010	June 25, 2011	September 25, 2010	
Pet Products	\$ 405,703	\$ 422,364	\$ 385,894	
Garden Products	373,394	404,523	323,387	
Corporate	404,610	328,845	421,603	
Total assets	\$ 1,183,707	\$ 1,155,732	\$ 1,130,884	
Goodwill (included in corporate assets above):				
Pet Products	\$ 202,950	\$ 201,639	\$ 201,639	
Garden Products	5,680	7,709	5,680	
Total goodwill	\$ 208,630	\$ 209,348	\$ 207,319	

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11. 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 \$400 million 8.25% Senior Subordinated Notes issued on March 8, 2010 (the “Notes”). Certain subsidiaries and operating divisions are not guarantors of the Notes and have been included in the financial results of the Parent in the information below. These Non-Guarantor entities are not material to the Parent. Those subsidiaries that are guarantors and co-obligors of the Notes are as follows:

Farnam Companies, Inc.
 Four Paws Products Ltd.
 Grant Laboratories, Inc.
 Gulfstream Home & Garden, Inc.
 Interpet USA, LLC
 Kaytee Products, Inc.
 Matthews Redwood & Nursery Supply, Inc.
 Matson, LLC
 New England Pottery, LLC
 Pennington Seed, Inc. (including Pennington Seed, Inc. of Nebraska, Gro Tec, Inc., Seeds West, Inc., All-Glass Aquarium Co., Inc. and Cedar Works, LLC.)
 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				
Three Months Ended June 25, 2011				
(in thousands)				
(unaudited)				
	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net sales	\$ 157,449	\$ 358,384	\$ (31,530)	\$ 484,303
Cost of products sold and occupancy	118,876	247,568	(31,530)	334,914
Gross profit	38,573	110,816	0	149,389
Selling, general and administrative expenses	38,002	74,793	0	112,795
Income from operations	571	36,023	0	36,594
Interest – net	(9,947)	139	0	(9,808)
Other income (loss)	(576)	894	0	318
Income (loss) before income taxes	(9,952)	37,056	0	27,104
Income taxes (tax benefit)	(3,629)	13,508	0	9,879
Income (loss) including noncontrolling interest	(6,323)	23,548	0	17,225
Income attributable to noncontrolling interest	144	0	0	144
Income (loss) attributable to Central Garden & Pet Co. before equity in undistributed income of guarantor subsidiaries	(6,467)	23,548	0	17,081
Equity in undistributed income of guarantor subsidiaries	23,548	0	(23,548)	0
Net income attributable to Central Garden & Pet Co.	<u>\$ 17,081</u>	<u>\$ 23,548</u>	<u>\$ (23,548)</u>	<u>\$ 17,081</u>

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CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
Three Months Ended June 26, 2010
(in thousands)
(unaudited)

	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ 151,716	\$ 346,876	\$ (33,106)	\$ 465,486
Cost of products sold and occupancy	107,151	228,667	(33,106)	302,712
Gross profit	44,565	118,209	0	162,774
Selling, general and administrative expenses	36,025	74,109	0	110,134
Income from operations	8,540	44,100	0	52,640
Interest – net	(9,879)	83	0	(9,796)
Other income (loss)	(4,612)	4,654	0	42
Income (loss) before income taxes	(5,951)	48,837	0	42,886
Income taxes (tax benefit)	(2,202)	18,062	0	15,860
Income (loss) including noncontrolling interest	(3,749)	30,775	0	27,026
Income attributable to noncontrolling interest	1,153	0	0	1,153
Income (loss) attributable to Central Garden & Pet Co. before equity in undistributed income of guarantor subsidiaries	(4,902)	30,775	0	25,873
Equity in undistributed income of guarantor subsidiaries	30,775	0	(30,775)	0
Net income attributable to Central Garden & Pet Co.	<u>\$ 25,873</u>	<u>\$ 30,775</u>	<u>\$ (30,775)</u>	<u>\$ 25,873</u>

CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS
Nine Months Ended June 25, 2011
(in thousands)
(unaudited)

	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ 392,617	\$ 966,295	\$ (107,166)	\$ 1,251,746
Cost of products sold and occupancy	290,338	672,859	(107,166)	856,031
Gross profit	102,279	293,436	0	395,715
Selling, general and administrative expenses	97,411	208,563	0	305,974
Income from operations	4,868	84,873	0	89,741
Interest – net	(28,303)	306	0	(27,997)
Other income (expense)	(2,611)	2,727	0	116
Income (loss) before income taxes	(26,046)	87,906	0	61,860
Income tax (tax benefit)	(9,166)	31,118	0	21,952
Income (loss) including noncontrolling interest	(16,880)	56,788	0	39,908
Income attributable to noncontrolling interest	653	0	0	653
Income (loss) attributable to Central Garden & Pet Co. before equity in undistributed income of guarantor subsidiaries	(17,533)	56,788	0	39,255
Equity in undistributed income of guarantor subsidiaries	56,788	0	(56,788)	0
Net income attributable to Central Garden & Pet Co.	<u>\$ 39,255</u>	<u>\$ 56,788</u>	<u>\$ (56,788)</u>	<u>\$ 39,255</u>

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**CONSOLIDATING CONDENSED STATEMENT OF
OPERATIONS**
Nine Months Ended June 26, 2010
(in thousands)
(unaudited)

	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ 379,937	\$ 898,866	\$(102,145)	\$1,176,658
Cost of products sold and occupancy	269,911	597,160	(102,145)	764,926
Gross profit	110,026	301,706	0	411,732
Selling, general and administrative expenses	94,092	203,957	0	298,049
Income from operations	15,934	97,749	0	113,683
Interest – net	(24,779)	236	0	(24,543)
Other income (loss)	(7,771)	8,199	0	428
Income (loss) before income taxes	(16,616)	106,184	0	89,568
Income taxes (tax benefit)	(6,113)	39,139	0	33,026
Income (loss) including noncontrolling interest	(10,503)	67,045	0	56,542
Income attributable to noncontrolling interest	1,943	0	0	1,943
Income (loss) attributable to Central Garden & Pet Co. before equity in undistributed income of guarantor subsidiaries	(12,446)	67,045	0	54,599
Equity in undistributed income of guarantor subsidiaries	67,045	0	(67,045)	0
Net income attributable to Central Garden & Pet Co.	<u>\$ 54,599</u>	<u>\$ 67,045</u>	<u>\$ (67,045)</u>	<u>\$ 54,599</u>

CONSOLIDATING CONDENSED BALANCE SHEET
June 25, 2011
(in thousands)
(unaudited)

	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 10,121	\$ 1,112	\$ 0	\$ 11,233
Short term investments	15,320	0	0	15,320
Accounts receivable, net	79,252	185,662	(7,496)	257,418
Inventories	114,828	228,960	0	343,788
Prepaid expenses and other assets	17,502	22,593	0	40,095
Total current assets	237,023	438,327	(7,496)	667,854
Land, buildings, improvements and equipment, net	69,255	101,932	0	171,187
Goodwill	0	209,348	0	209,348
Investment in guarantors	707,281	0	(707,281)	0
Deferred income taxes and other assets	24,965	82,378	0	107,343
Total	<u>\$1,038,524</u>	<u>\$ 831,985</u>	<u>\$(714,777)</u>	<u>\$1,155,732</u>
LIABILITIES AND EQUITY				
Accounts payable	\$ 37,472	\$ 85,404	\$ (7,496)	\$ 115,380
Accrued expenses and other current liabilities	55,413	37,463	0	92,876
Total current liabilities	92,885	122,867	(7,496)	208,256
Long-term debt	450,163	103	0	450,266
Other long-term obligations	2,370	1,734	0	4,104
Shareholders' equity attributable to Central Garden & Pet Co.	492,506	707,281	(707,281)	492,506
Noncontrolling interest	600	0	0	600
Total equity	493,106	707,281	(707,281)	493,106
Total	<u>\$1,038,524</u>	<u>\$ 831,985</u>	<u>\$(714,777)</u>	<u>\$1,155,732</u>

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CONSOLIDATING CONDENSED BALANCE SHEET
September 25, 2010
(in thousands)
(unaudited)

	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 90,265	\$ 1,195	\$ 0	\$ 91,460
Short term investments	15,320	0	0	15,320
Accounts receivable, net	47,001	150,838	(5,417)	192,422
Inventories	84,129	201,835	0	285,964
Prepaid expenses and other assets	23,447	19,286	0	42,733
Total current assets	260,162	373,154	(5,417)	627,899
Land, buildings, improvements and equipment, net	63,303	101,978	0	165,281
Goodwill	0	207,319	0	207,319
Investment in guarantors	633,908	0	(633,908)	0
Other assets	47,327	83,058	0	130,385
Total	<u>\$1,004,700</u>	<u>\$ 765,509</u>	<u>\$(639,325)</u>	<u>\$1,130,884</u>
LIABILITIES AND EQUITY				
Accounts payable	\$ 35,218	\$ 82,810	\$ (5,417)	\$ 112,611
Accrued expenses and other liabilities	34,692	46,891	0	81,583
Total current liabilities	69,910	129,701	(5,417)	194,194
Long-term debt	400,026	80	0	400,106
Other long-term obligations	2,621	1,820	0	4,441
Shareholders' equity attributable to Central Garden & Pet Co.	530,696	633,908	(633,908)	530,696
Noncontrolling interest	1,447	0	0	1,447
Total equity	532,143	633,908	(633,908)	532,143
Total	<u>\$1,004,700</u>	<u>\$ 765,509</u>	<u>\$(639,325)</u>	<u>\$1,130,884</u>

**CONSOLIDATING CONDENSED STATEMENT OF
CASH FLOWS**
Nine Months Ended June 25, 2011
(in thousands)
(unaudited)

	Parent	Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided (used) by operating activities	\$ 61,141	\$ (5,856)	\$ (56,788)	\$ (1,503)
Additions to property and equipment	(10,901)	(9,290)	0	(20,191)
Businesses acquired, net of cash acquired	(23,403)	(1,029)	0	(24,432)
Investment in guarantor subsidiaries	(73,372)	16,584	56,788	0
Net cash provided (used) by investing activities	(107,676)	6,265	56,788	(44,623)
Repayments of long-term debt	(93)	(128)	0	(221)
Borrowings under revolving line of credit	593,000	0	0	593,000
Repayments under revolving line of credit	(543,000)	0	0	(543,000)
Repurchase of common stock	(83,602)	0	0	(83,602)
Proceeds from issuance of common stock	1,436	0	0	1,436
Deferred financing costs	(1,034)	0	0	(1,034)
Excess tax benefits from stock-based awards	791	0	0	791
Distribution to noncontrolling interest	(1,500)	0	0	(1,500)
Net cash used by financing activities	(34,002)	(128)	0	(34,130)
Effect of exchange rate changes on cash	394	(365)	0	29
Net decrease in cash and cash equivalents	(80,143)	(84)	0	(80,227)
Cash and cash equivalents at beginning of period	90,265	1,195	0	91,460
Cash and cash equivalents at end of period	<u>\$ 10,122</u>	<u>\$ 1,111</u>	<u>\$ 0</u>	<u>\$ 11,233</u>

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**CONSOLIDATING CONDENSED STATEMENT OF
CASH FLOWS**
Nine Months Ended June 26, 2010
(in thousands)
(unaudited)

	<u>Parent</u>	<u>Guarantor Subsidiaries</u>	<u>Eliminations</u>	<u>Consolidated</u>
Net cash provided by operating activities	\$ 88,676	\$ 69,742	\$ (67,045)	\$ 91,373
Additions to property and equipment	(10,027)	(5,584)	0	(15,611)
Investment in guarantor subsidiaries	(2,174)	(64,871)	67,045	0
Net cash used by investing activities	(12,201)	(70,455)	67,045	(15,611)
Repayments of long-term debt	(407,650)	(206)	0	(407,856)
Proceeds from issuance of long-term debt	400,000	0	0	400,000
Proceeds from revolver	10,000	0	0	10,000
Repayments of revolver	(10,000)	0	0	(10,000)
Repurchase of common stock	(48,314)	0	0	(48,314)
Proceeds from issuance of common stock	1,062	0	0	1,062
Payment of financing costs	(12,490)	0	0	(12,490)
Excess tax benefits from stock-based awards	720	0	0	720
Distribution to noncontrolling interest	(2,761)	0	0	(2,761)
Net cash used by financing activities	(69,433)	(206)	0	(69,639)
Effect of exchange rate changes on cash	0	(168)	0	(168)
Net increase (decrease) in cash and cash equivalents	7,042	(1,087)	0	5,955
Cash and cash equivalents at beginning of period	82,958	2,710	0	85,668
Cash and cash equivalents at end of period	<u>\$ 90,000</u>	<u>\$ 1,623</u>	<u>\$ 0</u>	<u>\$ 91,623</u>

12. Legal Proceedings

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

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

Our Company

Central Garden & Pet Company ("Central") is a leading innovator, marketer and producer of quality branded products. We are one of the largest suppliers in the pet and lawn and garden supplies industries in the United States. The total pet industry is estimated to be approximately \$28 billion in annual retail sales. We estimate the annual retail sales of the pet supplies and ultra-premium pet food markets in the categories in which we participate to be approximately \$17 billion. As of 2010, the total lawn and garden industry in the United States is estimated to be approximately \$24 billion in annual retail sales. We estimate the annual retail sales of the lawn and garden supplies markets in the categories in which we participate to be approximately \$6 billion.

Our pet supplies products include products for dogs and cats, including edible bones, premium healthy edible and non-edible chews, ultra-premium dog and cat food and treats, leashes, collars, 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 a number of brand names including Adams™, Altosid®, Aqueon®, Avoderm®, BioSpot®, Coralife®, Farnam®, Four Paws®, Interpet, Kaytee®, Kent Marine®, Nylabone®, Oceanic Systems®, Pet Select®, Pre-Strike®, Pinnacle®, Super Pet®, TFH®, Zilla® and Zodiac®.

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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 a number of brand names including AMDRO®, GKI/Bethlehem Lighting®, Grant's™, Ironite®, Lilly Miller®, Matthews Four Seasons™, New England Pottery®, Norcal Pottery®, Pennington®, Over'n Out®, Sevin®, Smart Seed® and The Rebels®.

Recent Developments

Senior Credit Facility—On June 9, 2011, we announced the amendment of our \$275 million five-year senior secured revolving credit facility (the “Credit Facility”) effective June 8, 2011. Under the modified terms, our borrowing capacity under the Credit Facility is \$375 million, an increase of \$100 million, and the maturity date was extended by approximately one year to June 2016. Further, the Credit Facility bears lower interest rates and commitment fees and requires less interest coverage.

Interest on the amended Credit Facility is based, at our option, on a rate equal to the Alternate Base Rate (ABR), which is the greater of: the Prime Rate, the Federal Funds rate plus 1/2 of 1%, or one month LIBOR plus 1%, all of which have an additional fluctuating margin of 0.75% to 1.75%. Alternatively, we could choose a rate of LIBOR plus a margin, which would fluctuate from 1.75% to 2.75%. The minimum interest coverage requirement was reduced to 2.50 times EBITDA from 2.75 times EBITDA.

We continue to have the option to increase the size of the Credit Facility by an additional \$200 million should we exercise our option and one or more lenders are willing to make such increased amounts available to us.

Fiscal 2011 Third Quarter Financial Performance—In the third quarter of fiscal 2011, net income decreased to \$17.1 million compared to \$25.9 million in the third quarter of fiscal 2010. Earnings per share on a fully diluted basis decreased from \$0.40 in the prior year quarter to \$0.31 in the current year quarter. Our revenues increased approximately \$18.8 million, with sales growth in both our operating segments, but income from operations decreased \$16.0 million from the prior year quarter. The decrease in operating income was due primarily to increased grain and other raw material prices, adverse changes in product mix, and increased marketing and brand building expenditures, partially offset by the increased revenues.

Newly Authorized \$100 Million Share Repurchase Program—During the third quarter of fiscal 2011, we completed the \$100 million share repurchase program our Board of Directors authorized in July 2010, and our Board of Directors authorized a new \$100 million share repurchase program. We may repurchase shares of our common stock in the open market at times and prices considered appropriate by management.

Repurchase of Company Stock—During the three months ended June 25, 2011, we repurchased \$30.1 million of our common stock, which consisted of 1.1 million shares of our voting common stock (CENT) at an aggregate cost of approximately \$10.6 million, or approximately \$9.64 per share, and 2.0 million shares of our non-voting Class A common stock (CENTA) at an aggregate cost of approximately \$19.5 million, or approximately \$9.79 per share. As of June 25, 2011, under our current share repurchase program authorization, approximately \$97 million remains available for repurchases in 2011 and thereafter.

Results of Operations

**Three Months Ended June 25, 2011
Compared with Three Months Ended June 26, 2010**

Net Sales

Net sales for the three months ended June 25, 2011 increased \$18.8 million, or 4.0%, to \$484.3 million from \$465.5 million for the three months ended June 26, 2010. Our branded product sales increased \$25.2 million and sales of other manufacturers' products decreased \$6.4 million.

Pet Products' net sales increased \$4.6 million, or 2.1%, to \$227.3 million for the three months ended June 25, 2011 from \$222.7 million in the comparable fiscal 2010 period. Pet branded product sales increased \$4.4 million and sales of other manufacturers' products increased \$0.2 million. Sales increases in almost all of our Pet categories were partially offset by a sales decrease of pet health products. The sales decrease of pet health products was due primarily to sales decline in our flea and tick business, which was negatively impacted by the presence of generic fipronil in the marketplace and unfavorable weather.

Garden Products' net sales increased \$14.2 million, or 5.8%, to \$257.0 million for the three months ended June 25, 2011 from \$242.8 million in the comparable fiscal 2010 period. Garden branded product sales increased \$20.8 million, partially offset by a decrease of \$6.6 million in sales of other manufacturers' products. Sales increased due primarily to a \$14.5 million increase in grass seed, an \$11.4 million increase in bird feed and a \$7.8 million increase of seasonal décor products, partially offset by an \$18.1 million decrease in sales of garden chemicals and control products. Grass seed sales increased due primarily to volume increases resulting from product and packaging innovation and marketing investment, and bird feed sales increased due to both price and volume increases. Sales of Garden chemicals and control products, which increased in the second fiscal quarter compared to the same quarter in the prior year, decreased in the third quarter of fiscal 2011 primarily due to unfavorable weather conditions and inventory reduction initiatives initiated late in the third quarter by a number of our major retail customers.

Gross Profit

Gross profit for the three months ended June 25, 2011 decreased \$13.4 million, or 8.2%, to \$149.4 million from \$162.8 million for the three months ended June 26, 2010. Gross profit as a percentage of net sales declined from 35.0% for the three months ended June 25, 2010 to 30.8% for the three months ended June 25, 2011. Gross profit as a percentage of net sales decreased in both segments. Although we have been able to implement price increases throughout the fiscal year, input costs have continued to rise. The continual climb of these inputs has been very challenging and will continue to put pressure on margins in the near term. For example, since October of 2010, market prices of sunflowers are up over 120% and millet over 70%. Corn and milo are up significantly as well. We expect margins to continue to be impacted in the fourth quarter.

Both gross profit and gross margin decreased in Pet Products due primarily to higher prices of key commodity ingredients, such as milo, millet, sunflower and corn and to decreased sales and a change in product mix in our pet health products, and shift away from sales of higher margin flea and tick products towards increased sales of lower margin products.

Both gross profit and gross margin decreased in Garden Products due primarily to higher commodity ingredient prices and the reduced sales of garden chemicals and control products. The higher ingredient prices impacted both bird feed and garden chemicals and control products. The decrease in higher margin garden chemical and control products, which adversely affected our gross margin, occurred very late in the quarter.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$2.7 million, or 2.4%, to \$112.8 million for the three months ended June 25, 2011 from \$110.1 million for the three months ended June 26, 2010. As a percentage of net sales, selling, general and administrative expenses decreased to 23.3% for the three months ended June 25, 2011, compared to 23.7% in the comparable prior year quarter due primarily to the increase in net sales. The increase in selling, general and administrative expenses, discussed further below, was due to increased selling expenses associated with higher sales.

Selling and delivery expense increased \$7.8 million, or 12.4%, from \$62.9 million for the three months ended June 26, 2010 to \$70.7 million for the three months ended June 25, 2011. The increased expense was due primarily to increased brand building activities and increased variable expenses related to the increase in sales.

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Facilities expense declined \$0.3 million to \$2.5 million in the quarter ended June 25, 2011 from \$2.8 million for the quarter ended June 26, 2010. The decrease was due primarily to cost savings from warehouse consolidations in our garden segment.

Warehouse and administrative expense decreased \$4.8 million to \$39.6 million for the quarter ended June 25, 2011 from \$44.4 million in the quarter ended June 26, 2010 due primarily to a reduction in performance-based compensation expense and reduced legal and litigation costs.

Net Interest Expense

Net interest expense for both the three months ended June 25, 2011 and for the three months ended June 26, 2010 was approximately \$9.8 million. The impact of our higher total debt balance for the three months ended June 25, 2011, as compared to the prior year quarter, was offset by our lower average borrowing rate. Debt outstanding at June 25, 2011 was \$450.5 million compared to \$400.3 million as of June 26, 2010. Our average borrowing rate for the current quarter was 7.4% compared to 8.4% for the prior year quarter.

Other Income

Other income increased \$0.3 million for the quarter ended June 25, 2011. The increase was due primarily to increased earnings from an investment accounted for under the equity method of accounting.

Income Taxes

Our effective income tax benefit rate was 36.4% for the quarter ended June 25, 2011 and 37.0% for the quarter ended June 26, 2010. Our 2011 tax rate benefited primarily from additional tax credits in fiscal 2011.

Nine Months Ended June 25, 2011 Compared with Nine Months Ended June 26, 2010

Net Sales

Net sales for the nine months ended June 25, 2011 increased \$75.0 million, or 6.4%, to \$1,251.7 million from \$1,176.7 million for the nine months ended June 26, 2010. Our branded product sales increased \$84.9 million and sales of other manufacturers' products decreased \$9.9 million.

Pet Products' net sales increased \$12.8 million, or 2.0%, to \$639.4 million for the nine months ended June 25, 2011 from \$626.6 million in the comparable fiscal 2010 period. Pet branded product sales increased \$12.1 million from the prior year period, due primarily to a sales increase of \$4.0 million of bird feed products and \$4.2 million of aquatic products. The increased sales were due primarily to increased brand building and marketing investment and expanded product distribution. Sales of other manufacturer's products increased \$0.7 million.

Garden Products' net sales increased \$62.2 million, or 11.3%, to \$612.3 million for the nine months ended June 25, 2011 from \$550.1 million in the comparable fiscal 2010 period. Garden branded product sales increased \$72.8 million due primarily to a \$40.3 million sales increase in grass seed, which was supported by increased marketing investment, a \$12.7 million increase in bird feed and a \$15.5 million increase in other garden supplies partially offset by decreased sales of garden chemicals and control products. Sales of Garden chemicals and control products decreased primarily due to unfavorable weather conditions and inventory reduction initiatives initiated late in the third quarter by a number of our major retail customers combined with the larger sales we experienced in our second fiscal quarter of 2011. Sales of other manufacturer's products decreased \$10.6 million.

Gross Profit

Gross profit for the nine months ended June 25, 2011 decreased \$16.0 million, or 3.9%, to \$395.7 million from \$411.7 million for the nine months ended June 26, 2010. Gross profit as a percentage of net sales declined from 35.0% for the nine months ended June 26, 2010 to 31.6% for the nine months ended June 25, 2011. Gross profit as a percentage of net sales decreased in both segments. Gross profit decreased in Pet Products despite increased sales due primarily to higher input prices (including milo, sunflower and corn) which impacted both our wild bird feed business and our ultra-premium pet food, and a product mix change in our higher margin pet health products. Gross profit increased in Garden Products, due to increased sales, but gross margin was impacted by higher input prices, primarily in bird feed and secondarily in garden chemicals and control products. Although we have been able to implement price increases throughout the fiscal year, input costs have continued to rise. The continual climb of these inputs has been very challenging and will continue to put pressure on margins in the near term. For example, since October of 2010, market prices of sunflowers are up over 120% and millet over 70%. Corn and milo are up significantly as well.

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Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$7.9 million, or 2.7%, to \$306.0 million for the nine months ended June 25, 2011 from \$298.1 million for the nine months ended June 26, 2010. As a percentage of net sales, selling, general and administrative expenses decreased to 24.4% for the nine months ended June 25, 2011, compared to 25.3% in the comparable prior year quarter due to the increase in net sales. The increase in selling, general and administrative expenses, discussed further below, was due to increased selling expenses.

Selling and delivery expense increased \$19.4 million, or 12.7%, from \$153.0 million for the nine months ended June 26, 2010 to \$172.4 million for the nine months ended June 25, 2011. The increased expense was due primarily to increased advertising and marketing program expenditures, including brand building activities and increased variable expenses related to the increase in sales.

Facilities expense declined \$0.7 million to \$7.3 million in the nine months ended June 25, 2011 from \$8.0 million for the nine months ended June 26, 2010. The decrease was due primarily to cost savings from warehouse consolidations in our garden segment.

Warehouse and administrative expense decreased \$10.8 million to \$126.3 million for the nine months ended June 25, 2011 from \$137.1 million in the nine months ended June 26, 2010 due primarily to a reduction in performance-based compensation expense and reduced legal and litigation costs.

Net Interest Expense

Net interest expense for the nine months ended June 25, 2011 increased \$3.5 million or 14.1%, to \$28.0 million from \$24.5 million for the nine months ended June 26, 2010. The increase in interest expense resulted from both higher interest rates and increased borrowings in the current fiscal year, partially offset by increased interest charges in the second fiscal quarter of the prior year due to the expensing of the remaining unamortized deferred charges related to retired debt and the premium paid for the a tender call on our 2013 Notes. In March 2010, we issued \$400 million of 8.25% 2018 Notes, tendered for our outstanding 9.125% 2013 Notes and paid the outstanding indebtedness under our senior term loan. As a result of this refinancing, our average borrowing rate for the nine months ended June 25, 2011 increased to 8.0% compared to 6.2% for the prior year period. Debt outstanding on June 25, 2011 was \$450.5 million compared to \$400.3 million as of June 26, 2010.

Other Income

Other income decreased from \$0.4 million for the nine months ended June 26, 2010, to \$0.1 million for the nine months ended June 25, 2011. The decrease was due primarily to investments accounted for under the equity method of accounting that generated more income in the fiscal 2010 period.

Income Taxes

Our effective income tax benefit rate was 35.5% for the nine months ended June 25, 2011 and 36.9% for the nine months ended June 26, 2010. Our 2011 tax rate benefited primarily from additional tax credits in fiscal 2011. We expect our effective income tax rate for fiscal 2011 to be similar to the 37% reported for fiscal 2010.

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Inflation

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. Historically, in certain fiscal periods, we have been adversely 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 fertilizer and chemicals, and many of our other inputs. Rising costs have made it difficult for us to increase prices to our retail customers at a pace to enable us to maintain margins.

In fiscal 2009, 2010 and fiscal 2011, our business was negatively impacted by low consumer confidence, as well as other macro-economic factors. In fiscal 2011, we are being impacted by rapidly rising raw materials costs. We are continuing to seek selective price increases to mitigate the impact of the increasing raw materials costs.

Weather and Seasonality

Historically, our sales of lawn and garden products have been influenced by weather and climate conditions in the different markets we serve. Additionally, our Garden Products' business has historically been highly seasonal. In fiscal 2010, approximately 68% of Garden Products' net sales and 60% of our total net sales occurred in the second and third fiscal quarters. Substantially all of Garden Products' operating income is typically generated in this period, which has historically offset the operating loss incurred during the first fiscal quarter of the year.

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.

Historically, our business has been seasonal and our working capital requirements and capital resources tracked closely to this seasonal pattern. During the first fiscal quarter, accounts receivable reach their lowest level while inventory, accounts payable and short-term borrowings begin to increase. During the second fiscal quarter, receivables, accounts payable and short-term borrowings 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. On the other hand, our lawn and garden businesses are highly seasonal with approximately 68% of Garden Products' net sales occurring during the second and third fiscal quarters. For many manufacturers of garden products, this seasonality requires them to ship large quantities of their 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.

Net cash used in operating activities increased \$92.9 million, from \$91.3 million of cash provided by operating activities for the nine months ended June 26, 2010, to \$1.5 million of cash used in operating activities for the nine months ended June 25, 2011. The increase in cash used by operating activities was due primarily to an increase in working capital, principally accounts receivable and inventory, as we have entered our lawn and garden selling season and from the increased sales in the current year period. Our working capital accounts increased approximately \$106 million from fiscal year end 2010, compared to an increase of \$5.4 million for the first nine months of fiscal year 2010, due primarily to increased inventory, resulting primarily from higher input costs and the decreased sales of garden chemicals and controls products and increased accounts receivable.

Net cash used in investing activities increased \$29.0 million, from \$15.6 million for the nine months ended June 26, 2010 to \$44.6 million during the nine months ended June 25, 2011. The increase in cash used in investing activities was due to our acquisition of certain assets of a privately-held maker of premium fertilizer for the professional and retail markets for approximately \$23 million in cash in our Garden Products business, as well as increases in capital expenditures in the current year as a result of the conversion of our legacy systems to an enterprise-wide information technology platform.

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Net cash used by financing activities decreased \$29.5 million, from \$69.6 million for the nine months ended June 26, 2010, to \$34.1 million for the nine months ended June 25, 2011. The decrease in cash used was due primarily to an increase in borrowings under our revolving line of credit of \$50 million, partially offset by higher repurchases of our common stock during the nine months ended June 25, 2011. For the nine month period ending June 25, 2011, we repurchased and retired 2.5 million shares of our voting common stock at an aggregate cost of approximately \$24.0 million, or approximately \$9.58 per share, and 6.2 million shares of our non-voting Class A common stock at an aggregate cost of approximately \$60.0 million, or approximately \$9.63 per share.

Senior Credit Facility

On June 8, 2011, we amended our \$275 million, five-year senior secured revolving credit facility (the "Credit Facility") included in our Amended and Restated Credit Agreement (the "Credit Agreement"). Under the modified terms, the Credit Facility has a borrowing capacity of \$375 million, an increase of \$100 million, and an extension of maturity date by approximately one year, to June 2016. The Credit Facility bears lower interest rates and commitment fees and requires less interest coverage. We continue to have the option to increase the size of the Credit Facility by an additional \$200 million of incremental term loans and/or revolving loans should we exercise our option and one or more lenders are willing to make such increased amounts available to us. There was an outstanding balance of \$50.0 million as of June 25, 2011 under the Credit Facility. There were also \$5.6 million of letters of credit outstanding. After giving effect to the financial covenants in the Credit Agreement, the remaining potential borrowing capacity was \$211.4 million.

Interest on the amended Credit Facility is based, at our option, on a rate equal to the Alternate Base Rate (ABR), which is the greatest of the prime rate, the Federal Funds rate plus $\frac{1}{2}$ of 1% or one month LIBOR plus 1%, plus a margin, which fluctuates from 0.75% to 1.75%, or LIBOR plus a margin, which fluctuates from 1.75% to 2.75% and commitment fees that range from 0.30% to 0.50%, determined quarterly based on consolidated total debt to consolidated EBITDA for the most recent trailing 12-month period. As of June 25, 2011, the applicable interest rate on the Credit Facility related to alternate base rate borrowings was 5.0%, and the applicable interest rate related to LIBOR rate borrowings was 2.9%.

The Credit Facility is guaranteed by our material subsidiaries and is secured by our assets, excluding real property but including substantially all of the capital stock of our subsidiaries. The Credit Agreement contains certain financial and other covenants which require us to maintain minimum levels of interest coverage and maximum levels of senior debt to EBITDA and that restrict our ability to repurchase our stock, make investments in or acquisitions of other businesses and pay dividends above certain levels over the life of the Credit Facility. Under the terms of our Credit Facility, we may make restricted payments, including cash dividends and stock repurchases, in an aggregate amount initially not to exceed \$200 million over the life of the Credit Facility, subject to qualifications and baskets as defined in the Credit Agreement. As of June 25, 2011, our Total Leverage Ratio, as defined in the Credit Agreement, was 3.4 to 1.0, and our Senior Secured Leverage Ratio, as defined in the Credit Agreement with a maximum of 2.0 to 1.0, was 0.4 to 1.0. Our minimum Interest Coverage Ratio was reduced to 2.50 times, from 2.75 times as part of the modification of the Credit Facility. As of June 25, 2011, our Interest Coverage ratio was 3.8 times. Apart from the covenants limiting restricted payments and capital expenditures, the Credit Facility does not restrict the use of retained earnings or net income. We were in compliance with all financial covenants as of June 25, 2011.

We recorded a loss on extinguishment of debt of \$0.1 million for the period ended June 25, 2011, as part of interest expense, related to the portion of unamortized deferred financing costs for a lender under the existing facility that is not a lender under the modified Credit Facility. We will amortize the remaining \$2.4 million of unamortized deferred financing costs related to the existing Credit Facility, as well as approximately \$1.1 million of costs incurred as part of the modified Credit Facility, over the five year term of the modified Credit Facility.

Senior Subordinated Notes and Debt Refinancing

On March 8, 2010, we issued \$400 million aggregate principal amount of 8.25% senior subordinated notes due March 1, 2018 (the "2018 Notes"). We used the proceeds together with available cash to purchase our outstanding \$150 million aggregate principal amount of 9.125% senior subordinated notes due February 1, 2013 (the "2013 Notes"), including accrued interest, to repay the \$267.1 million outstanding under our senior term loan maturing February 2012 and pay fees and expenses related to the offering. We received tenders and consents from the holders of \$150 million of our 2013 Notes, including \$12.8 million held in escrow for our benefit, which was previously recorded as a reduction of debt for accounting purposes against the 2013 Notes.

The estimated fair value of our \$400 million 8.25 % senior subordinated notes due 2018 as of June 25, 2011 was \$412.0 million, compared to a carrying value of \$400.0 million. The estimated fair value is based on quoted market prices for these notes.

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

We may redeem some or all of the 2018 Notes at any time prior to March 1, 2014 at the principal amount plus a “make whole” premium. We may redeem some or all of the 2018 Notes at any time on or after March 1, 2014 for 104.125%, after March 1, 2015 for 102.063% and after March 1, 2016 for 100%, plus accrued and unpaid interest. Additionally, at any time prior to March 1, 2013, we may redeem up to 35% of the 2018 Notes with any proceeds we receive from certain equity offerings at a redemption price of 108.25% of the principal amount, plus accrued and unpaid interest. The holders of the 2018 Notes have the right to require us 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 through the repurchase date upon the occurrence of a change of control.

The 2018 Notes contain customary high yield covenants, including covenants limiting debt incurrence and restricted payments, subject to certain baskets and exceptions.

At June 25, 2011, our total debt outstanding was \$450.5 million versus \$400.3 million at June 26, 2010 and cash and short term investment balances for the same periods were \$26.6 million and \$91.6 million, respectively.

We completed the \$100 million share repurchase program our Board of Directors authorized in July 2010 during the current fiscal quarter. During the third quarter of fiscal 2011 our Board of Directors authorized a new \$100 million share repurchase program. As of June 25, 2011, under our current share repurchase program authorization, approximately \$97 million remains available for repurchases in 2011 and thereafter. We expect to continue our repurchases from time to time depending on market conditions.

We believe that cash flows from operating activities, funds available under our Credit Facility and arrangements with suppliers will be adequate to fund our presently anticipated working capital requirements for the foreseeable future. We anticipate that our capital expenditures will not exceed \$30 million for fiscal 2011, 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. We are investing in this information technology platform to improve existing operations, to support future growth, and enable us to take advantage of new applications and technologies. We have invested approximately \$51 million from fiscal 2005 through fiscal 2010 in this initiative and plan to invest approximately \$10 million in fiscal 2011 for planned implementations. Capital expenditures for 2012 and beyond will depend upon the pace of conversion of those remaining legacy systems. This initiative, when complete, will combine our numerous information systems into one enterprise system which should create greater efficiency and effectiveness.

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.

Off-Balance Sheet Arrangements

There have been no material changes to the information provided in our Annual Report on Form 10-K for the fiscal year ended September 25, 2010 regarding off-balance sheet arrangements.

Contractual Obligations

There have been no material changes outside the ordinary course of business in our contractual obligations set forth in the Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources in our Annual Report on Form 10-K for the fiscal year ended September 25, 2010. Subsequent to September 25, 2010, under the terms of our senior secured revolving credit facility, the Company had borrowings in the ordinary course of business, resulting in a balance of \$50 million at June 25, 2011.

New Accounting Pronouncements

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

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Critical Accounting Policies, Estimates and Judgments

There have been no material changes to our critical accounting policies, estimates and assumptions or the judgments affecting the application of those accounting policies since our Annual Report on Form 10-K for the fiscal year ended September 25, 2010.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We believe there has been no material change in our exposure to market risk from that discussed in our fiscal 2010 Annual Report filed on Form 10-K except as follows:

Commodity Prices. We are exposed to fluctuations in market prices for grains, grass seed 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 in the future. As of September 25, 2010, we had entered into fixed purchase commitments for commodities totaling approximately \$157.6 million. A 10% change in the market price for these commodities would have resulted in an additional pretax gain or loss of \$15.8 million related to the contracts outstanding as of September 25, 2010. During the first nine months of fiscal 2011, prices for some of our key raw materials inputs increased substantially. For example, since October of 2010, the market prices of sunflower are up over 120% and millet over 70%. Corn and milo are up significantly as well. While we were able to implement price increases during fiscal 2011, these increases did not keep pace with the rising costs. We can provide no assurance as to the timing or extent of our ability to implement additional price adjustments in the context of rising costs or in the event of increased costs in the future.

Item 4. Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures.* Our Chief Executive Officer and Chief Financial Officer have reviewed, as of the end of the period covered by this report, the “disclosure controls and procedures” (as defined in the Securities Exchange Act of 1934 Rules 13a-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 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 June 25, 2011.

(b) *Changes in Internal Control Over Financial Reporting.* Central’s management, with the participation of Central’s Chief Executive Officer and Chief Financial Officer, has evaluated whether any change in Central’s internal control over financial reporting occurred during the third quarter of fiscal 2011. Based on that evaluation, management concluded that there has been no change in Central’s internal control over financial reporting during the third quarter of fiscal 2011 that has materially affected, or is reasonably likely to materially affect, Central’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Item 1A. to Part I of our Form 10-K for the fiscal year ended September 25, 2010, except as set forth below.

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 subsidiaries 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

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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 up to approximately one-third of the purchase requirements for a selling season. Since these contracts 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.

From the fourth quarter of fiscal 2006 to fiscal 2008, prices for some of our key crops increased substantially. In fiscal 2010 and fiscal 2009, grain costs declined due primarily to deflationary pressures impacting the broader economy. In fiscal 2010, our weighted average cost per pound declined 19% compared to fiscal 2009. In fiscal 2009, our weighted average cost per pound declined 13% compared to fiscal 2008 but remained 20% above fiscal 2007 levels. During fiscal 2011, prices for some of our key crops have increased substantially. Our weighted average cost per pound has increased approximately 60% from the fourth quarter of fiscal 2010. Although we have been able to negotiate some price increases with our retailers, these price increases have not fully offset the rising costs. We can provide no assurance as to the timing or extent of our ability to implement additional price adjustments in the context of rising costs or 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 pet bird feed, switch to competing products or reduce purchases of wild bird feed products.

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

The following table sets forth the repurchases of any equity securities during the fiscal quarter ended June 25, 2011 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 Units)</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>
March 27, 2011 – April 30, 2011	1,759,924 ⁽²⁾	\$ 9.41	1,741,800	\$ 10,856,000
May 1, 2011 – May 31, 2011	652,596 ⁽³⁾	\$ 10.40	629,100	\$ 4,323,000
June 1, 2011 – June 25, 2011	725,138 ⁽⁴⁾	\$ 9.97	724,200	\$ 97,104,000
Total	3,137,658	\$ 9.74	3,095,100	\$ 97,104,000

- (1) During the third quarter of fiscal 2011, the Board of Directors authorized a new \$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.
- (2) Includes 18,124 shares purchased during the period indicated that represent withholding of a portion of shares to cover taxes in connection with the vesting of restricted stock and the exercise of stock options.
- (3) Includes 23,496 shares purchased during the period indicated that represent withholding of a portion of shares to cover taxes in connection with the vesting of restricted stock and the exercise of stock options.
- (4) Includes 938 shares purchased during the period indicated that represent withholding of a portion of shares to cover taxes in connection with the vesting of restricted stock and the exercise of stock options.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 5. Other Information

Not applicable

Item 6. Exhibits

- 10.1 Employment Agreement between Gus Halas and Central Garden and Pet Company dated April 15, 2011.
- 10.2 Separation Agreement between Glen Fleischer and Central Garden and Pet Company dated May 31, 2011.
- 10.3 Amendment No. 1 dated June 8, 2011 to the Amended and Restated Credit Agreement dated as of June 25, 2010 among Central Garden and Pet Company, certain institutions listed on the signature pages thereto, and J.P. Morgan Chase Bank, National Association (incorporated by reference from Exhibit 10.1 to the Company's Form 8-K filed June 10, 2011)
- 31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350.
- 32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350.

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101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

CENTRAL GARDEN & PET COMPANY
Registrant

Dated: August 4, 2011

/s/ WILLIAM E. BROWN
William E. Brown
Chairman and Chief Executive Officer
(Principal Executive Officer)

/s/ LORI A. VARLAS
Lori A. Varlas
Chief Financial Officer
(Principal Financial Officer)

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), made this 15th day of April, 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 Gus Halas ("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 April 15, 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 President and Chief Executive Officer of the Central Operating Companies. 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 \$650,000 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 seventy five percent (75%) 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, at a minimum, a prorated portion of the target bonus amount measured by the portion of the fiscal year during which Executive is employed by the Company will be deemed earned so long as Executive remains employed by the Company through that time.

7. **Options:** Executive will be granted non-qualified Performance Based Stock Options to purchase 357,010 shares at an exercise price of \$12.50 per share and 357,010 shares at an exercise price of \$15.00 per share of Company Common Stock (CENT). 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:** [This section intentionally left blank]
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. During the term of this agreement, the Company shall also pay Executive a monthly housing-related cost differential allowance of \$10,500.
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. 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:** 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: _____

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/ Gus Halas

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 fifteenth (15th) day of April, 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 Gus Halas ("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 twenty-four (24) 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: 4-15-11

Dated: _____

/s/ Gus Halas

Central Garden & Pet Company

/s/ William E. Brown

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 15th day of April, 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 Gus Halas ("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:

/s/ Gus Halas

Gus Halas

/s/ William E. Brown

For Central Garden & Pet Company

Exhibit C

General Release of AH Claims

This Release of All Claims is entered into by Gus Halas ("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 April 15, 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 waives 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: _____

/s/ Gus Halas

Gus Halas

Dated: _____

Central Garden & Pet Company

ELECTION FOR ADDITIONAL COMPENSATION AND RELEASE AGREEMENT

I, Glen R. Fleischer, elect to receive additional compensation from Central Garden & Pet Company (the "Company"), under the terms below. I understand that by signing this Election for Additional Compensation and Release Agreement (referred to as the "Agreement"), I will receive compensation and benefits from the Company above what is ordinarily offered to employees who voluntarily resign or are terminated "for cause". I understand that this Agreement shall become effective on the eighth day after it is signed by me, provided that it has not been previously revoked by me in a timely manner as set forth in Section 7 below.

RECITALS

The Company has offered to provide "Additional Compensation" as described below in return for the promises I make in this Agreement, and I have decided to accept the terms of this Agreement.

TERMS OF ADDITIONAL COMPENSATION

- 1) **Consideration by the Company.** As separate consideration for my waiver and release of claims as found in paragraph 3(a) of this agreement, provided I sign, return, and do not revoke this Election for Additional Compensation and Release Agreement, within the applicable time frame, I will receive the following:
 - a) **Severance Pay.** Following my resignation from the Company effective on June 30, 2011 ("Termination Date"), I will receive severance pay equal to nine (9) months of my base salary. The severance/salary continuance and benefits (except for 401(k) Plan) continuance will run from June 30, 2011 to March 31, 2012. None of the severance/salary continuance and benefits provided herein are deferred so as to be subject to Section 409A Delay as defined in Section 17 of my Employment Agreement.
 - b) **Benefits Continuation.** I understand that if I do not sign and return this Agreement, my active employee benefits (medical/dental) will cease on June 30, 2011. I understand that if I sign and return this Agreement within the twenty-one (21) days Consideration Period, referenced in Section 7, then my active employee benefits will be reinstated for the total severance/salary continuance time frame and then cease on March 31, 2012.
- 2) **Termination Benefits.** I will receive the benefits described below:
 - a) **Vacation Payout.** I will be paid on March 31, 2012, for any earned, unused vacation benefits through my effective termination date of June 30, 2011. Specifically, the Company will pay me six (6) weeks of earned and unused vacation benefits. No further vacation benefits will accrue beyond June 30, 2011.

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- b) COBRA Coverage. I understand that I (or my covered dependents) are entitled to the continuation of health benefit coverage under the provisions of the Consolidated Omnibus Budget Reconciliation Act, 29 U.S.C.1161, et seq., regardless of whether I enter into this Agreement. Furthermore, I acknowledge that nothing herein affects my (or my covered dependent's) eligibility for COBRA continuation coverage consistent with federal requirements upon the termination of my Company provided medical/dental benefits. The Company-designated COBRA Administrator will provide further information about my COBRA rights after Employment Termination Date.
- c) Conversion Options. If permitted by other Company plans in effect as of my Employment Termination Date, such as life insurance, I may elect to convert any other group insurance coverage to individual policies and self pay for such coverage according to any individual conversion privileges contained in such Plans.
- d) 401(k) Participation. Effective June 30, 2011, I understand that I am no longer eligible to participate in the Company's 401(k) Plan and if actively participating will complete an "ING Employee Data Change Request Form" to reflect this change in my participation eligibility. I understand that I may withdraw all accrued and vested funds from the Plan, pursuant to the terms of distributions from the Plan.
- e) Unemployment Compensation. Although the Company does not make the determination, the Company expects that I may be eligible for unemployment compensation benefits. I acknowledge that it is my obligation to apply for unemployment compensation, should I wish to do so.
- f) References. Should the Company receive requests for references from my prospective employers, the Company will limit its response to the dates of my employment, job duties or any other information that may be generally known to others, unless I provide a written release to the Company authorizing them to provide more detailed information.
- 3) Consideration by Employee. In exchange for the additional consideration provided by the Company above in Section 1(a) and (b), I agree and promise as follows:
- a) Complete Release of Claims. I agree (except as indicated in the final paragraph of this Section) for myself and my heirs, representatives, executors, and successors, to forever and fully waive, release and discharge the Company, its subsidiaries and affiliated concerns, and all of their respective owners, officers, directors, trustees, agents, employees, employee's spouses, insurers, either past or present, and all of their successors, agents or assigns (collectively "Releasees," who I expressly agree are third-party beneficiaries of this Agreement), from any and all claims and damages of every kind and nature, known and unknown, which exist or can arise out of my employment and/or termination of employment with the Company, through and including the date of my signing of this Agreement. This release includes, but is not limited to, all contract (express or implied) and tort claims of all kinds and nature, as well as any rights or claims arising under the California Constitution; California

statutory and common law (including contract law, employment law and tort law); the California Fair Employment and Housing Act; Title VII of the Civil Rights Act of 1964; the Age Discrimination in Employment Act, the Americans with Disabilities Act; and any other federal, state, or local law (be it statutory law, common law or decisional law), ordinance or regulation; as well as the public policies set forth in any of the above.

Notwithstanding the release of claims otherwise provided for in the paragraph immediately above, it is expressly understood that nothing in this Agreement will prevent me from filing a charge of discrimination with the Equal Employment Opportunity Commission or any of its state or local deferral agencies, or participating in any investigation by the Equal Employment Opportunity Commission or any of its state or local deferral agencies, although I understand and agree that by signing this Agreement I hereby waive the right to recover any damages or to receive other monetary relief in any claim brought by or through the Equal Employment Opportunity Commission or any other state or local agency on my behalf. Further, I also expressly understand that nothing in this Agreement shall be construed to be a waiver by me of any benefit that vested in any benefit plan or 401(k) Plan prior to my Termination Date or as a waiver of my right to continue any benefit in accordance with the terms of a benefit plan. Likewise, I understand that nothing in this Agreement shall be construed to waive any right that is not subject to waiver by private agreement, including any right that I may have under California Labor Code Section 2802 to indemnification of any employee expenses or losses incurred in discharging my employment duties. I also expressly understand that nothing in this Agreement shall be construed to prohibit me from bringing any complaint, claim or action seeking to challenge the validity of this Agreement and/or alleging a breach of this Agreement by the Company. Finally, nothing herein constitutes a release or waiver by me of: (i) any claim or right I may have under COBRA; (ii) any claim or right I may have for unemployment insurance or workers' compensation benefits; or (iii) any claim or right that is based on events, fact or circumstances occurring after the execution of this Agreement.

I further agree and acknowledge that the release provided by this Agreement shall apply to all unknown and unanticipated injuries and/or damages (as well as those now disclosed). I acknowledge and understand that Section 1542 of the Civil Code of the State of California provides as follows:

“A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor”.

Being aware of this Section, I hereby expressly waive the provisions of such Section and any other similar provisions of law that may be applicable.

- b) Confidential and Proprietary Information. I acknowledge that in the course of my employment by the Company, I acquired or developed confidential or proprietary

information not generally known to the public (collectively “Confidential Information”), which could include, by way of example, information concerning the Company’s business, technology, sales, distributors, customers and prospective customers, production methods and pricing. I agree that this Confidential Information belongs to and is the Company’s property. I acknowledge that the use, misappropriation or disclosure of the Confidential Information by or for a person or entity other than the Company would constitute a breach of trust and could cause irreparable injury to the Company. I further acknowledge that it is essential to the protection of the Company’s competitive position that the Company’s Confidential Information be kept secret and that it not be used for my own advantage or the advantage of others. I agree that upon termination of my employment: a) I will return all Company materials which may contain Confidential Information; b) I will not retain any copies or derivatives of any such materials; and c) I will not use or disclose Confidential Information after my separation of employment with the Company.

- 4) Consultation with Legal Counsel. I have carefully read all of the provisions of this Agreement. I further acknowledge that the Company has encouraged and is by this Agreement advising me to review and discuss all aspects of this Agreement with legal counsel and that I have taken advantage of that opportunity to the full extent that I deem appropriate.
- 5) Waiver of Rights Under ADEA. I understand that by signing this Agreement, I am expressly waiving all rights or claims against the parties being released arising under the Age Discrimination in Employment Act of 1967 (the “ADEA”), except that I also understand that I am not waiving any rights or claims under the ADEA that may arise after the date this Agreement is signed by me. I also acknowledge that the waiver of my rights or claims arising under the ADEA is in exchange for consideration payable to me under this Agreement that is substantially above and beyond that which I would otherwise be entitled to receive except for this Agreement.
- 6) Voluntary Election. I understand and acknowledge the significance and consequences of this Agreement, that it is voluntary, that it has not been given as a result of any coercion, and expressly confirm that it is to be given full force and effect according to all of its terms, including those relating to unknown claims.
- 7) Consideration Period. I acknowledge that I have been given twenty-one (21) days in which to consider this Agreement. I further understand that I may voluntarily choose to waive this twenty-one (21) day period by signing this Agreement in less time, and that my signature below in less than twenty-one (21) days will indicate my agreement to have this period voluntarily waived.
- 8) Revocation Period. I understand that this Agreement will not be effective for seven (7) days after it is signed by the Company and me, and that I can revoke my election at any time during that seven (7) day period by providing written notice of that revocation to the

Company. I understand that if I choose to exercise my right to revoke, this Agreement shall become null and void and of no force or effect, and all rights and obligations of the parties under this Agreement shall be canceled and voided.

- 9) Other Employment I understand that all severance benefits/salary continuation will be reduced by any compensation I earn from equivalent full-time employment during the severance period. My right to severance benefits/salary continuation shall not be reduced or negated by any part-time consulting work I perform during the severance period provided that such consulting work is consistent with the restrictive covenants and obligations of confidentiality set forth in my Employment Agreement; provided however, that any consulting or employment work that violates the restrictive covenants or confidentiality provisions of my employment Agreement shall reduce or negate my right to severance benefits/salary continuation hereunder.
- 10) Responsibility and Confidentiality of the Release Agreement. I agree that I will not disclose the facts, terms or amounts recited in this Release Agreement to anyone other than a member of my immediate family or legal counsel, and even as to such person, only if this person is informed of and agrees to honor the confidentiality of this Agreement. I further agree to avoid making any oral or written statements of a derogatory or disparaging nature which would cause the Company any embarrassment or humiliation, which would cause the Company to be held in disrepute by the general public or employees, or which is damaging to or otherwise contrary to the Company's best interests. The Company agrees to avoid making any oral or written statements of a derogatory or disparaging nature which would cause me any embarrassment or humiliation, which would cause me to be held in disrepute by the general public or employees, or which is damaging to me or otherwise contrary to my best interests. However, nothing in this Agreement shall preclude either party from making truthful statements or disclosures that are required by applicable law, regulation or legal process.
- 11) Company Property. I understand that all Company property is to be returned on my Employment Termination Date. I have advised the Company that it is my belief that the only Company property that I currently possess consists of my Company-provided laptop computer, Verizon air card and my Corporate VISA credit card which shall be returned as provided herein. If the Company believes or contends that I possess other Company property, it will identify such property and I will have a reasonable time to return such property or dispute such contention. I understand that this Agreement will become null and void if I do not return all Company property in my possession or if the company property returned is damaged, altered or destroyed. The Company will allow me to transfer my cell phone number to my personal telephone plan.
- 12) Successors. This Agreement shall be binding upon the parties, and their heirs, representatives, executors, administrators, successors and assigns, and shall inure to the benefit of each and all of the Releasees, and to their heirs, representatives, executors, administrators, successors and assigns.

13) General Provisions.

- a) This Agreement is made and entered into in the State of California and shall in all respects be interpreted, enforced and governed under the laws of that State. The separate provisions of this Agreement shall be construed as a whole and according to their fair meaning, and not strictly for or against either party.
- b) If any of the provisions of this Agreement are determined by a Court of Law to be illegal or invalid, the remaining provisions shall not be affected thereby, and the illegal or invalid provision shall be deemed not to be a part of this Agreement. However, I understand that if the "Complete Release of Claims" section is held to be illegal or unenforceable in any respect, the Company may elect to rescind this Agreement and demand reimbursement of all compensation paid to me pursuant to the Agreement.
- c) This Agreement represents and contains the entire understanding between the Company and me in connection with my separation from the Company. I acknowledge that I have not signed this Agreement in reliance on any promise, representation, or statement not contained herein.

14) Non-Admission of Liability. This Agreement shall not be construed in any way as an admission by the Company of any liability or wrongdoing whatsoever. Likewise, this Agreement shall not be construed in any way as an admission by me of any misconduct or impropriety.

PLEASE READ CAREFULLY. THIS AGREEMENT INCLUDES A RELEASE OF ALL KNOWN OR UNKNOWN CLAIMS.

Dated: 5/31/2011

Accepted: /s/ Glen R. Fleischer
Glen R. Fleischer

Dated: 5/31/2011

Accepted: /s/ Frank Palantoni
Frank Palantoni
Executive Vice President
On behalf of Central Garden & Pet Company

I, William E. Brown, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended June 25, 2011 of Central Garden & Pet Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2011

/s/ WILLIAM E. BROWN

William E. Brown
Chairman and Chief Executive Officer
(Principal Executive Officer)

I, Lori A. Varlas, certify that:

1. I have reviewed this report on Form 10-Q for the quarter ended June 25, 2011 of Central Garden & Pet Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2011

/s/ LORI A. VARLAS
Lori A. Varlas
Chief Financial Officer
(Principal Financial Officer)

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

In connection with the accompanying quarterly report on Form 10-Q of Central Garden & Pet Company for the quarter ended June 25, 2011 (the "Report"), I, William E. Brown, Chairman and Chief Executive Officer of Central Garden & Pet Company, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

August 4, 2011

/s/ WILLIAM E. BROWN

William E. Brown
Chairman 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 quarterly report on Form 10-Q of Central Garden & Pet Company for the quarter ended June 25, 2011 (the "Report"), I, Lori A. Varlas, Chief Financial Officer of Central Garden & Pet Company, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

August 4, 2011

/s/ LORI A. VARLAS

Lori A. Varlas
Chief Financial Officer
(Principal Financial Officer)