

CENTRAL GARDEN & PET CO  
Form 10-Q  
August 07, 2014

**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 28, 2014**

**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 ☐ Accelerated filer ☒

Non-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, 2014         | 12,308,802 |
| Class A Common Stock Outstanding as of July 31, 2014 | 36,470,848 |
| Class B Stock Outstanding as of July 31, 2014        | 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, projected cost savings, capital expenditures, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy and the trends we anticipate in the industries in which we operate and other information that is not historical information. When used in this Form 10-Q, the words estimates, expects, anticipates, projects, plans, intends, believes and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, our examination of historical operating trends, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith, and we believe there is a reasonable basis for them, but we cannot assure you that our expectations, beliefs and projections will be realized.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this Form 10-Q. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this Form 10-Q are set forth in our Form 10-K for the fiscal year ended September 28, 2013, including the factors described in the section entitled Item 1A 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;

our inability to pass through cost increases in a timely manner;

risks associated with new product introductions, including the risk that our new products will not produce sufficient sales to recoup our investment;

the impact on our financial results of costs incurred to consider and respond to the unsolicited Harbinger proposal, and the impact of the Harbinger proposal on our business, employees and customer relationships;

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;

access to and cost of additional capital;

dependence on a small number of customers for a significant portion of our business;

disruptions in our business arising from the implementation of our change initiatives and the resulting consequences to our business and results of operations;

increased costs and expenses associated with our change initiatives;

consolidation trends in the retail industry;

competition in our industries;

risks associated with our acquisition strategy;

potential goodwill or intangible asset impairment;

dependence upon our key executives;

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;

regulatory issues;

the impact of product recalls;

potential costs and risks associated with actual or anticipated cyber attacks;

the voting power associated with our Class B stock; and

potential dilution from issuance of authorized shares.

**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****CENTRAL GARDEN & PET COMPANY****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

**Unaudited**

|   | <b>June 28,<br/>2014</b> | <b>June 29,<br/>2013</b> | <b>September 28,<br/>2013</b> |
|---|--------------------------|--------------------------|-------------------------------|
| <b>ASSETS</b>   |                          |                          |                               |
| Current assets:   |                          |                          |                               |
| Cash and cash equivalents   | \$ 31,846                | \$ 20,482                | \$ 15,156                     |
| Short term investments  | 14,220                   | 17,820                   | 17,820                        |
| Accounts receivable (less allowance for doubtful accounts of \$29,221, \$23,355 and \$21,158) | 214,120                  | 243,650                  | 194,260                       |
| Inventories   | 365,035                  | 413,070                  | 391,934                       |
| Prepaid expenses and other  | 53,689                   | 53,751                   | 53,484                        |
| Total current assets  | 678,910                  | 748,773                  | 672,654                       |
| Land, buildings, improvements and equipment net   | 177,660                  | 190,921                  | 188,913                       |
| Goodwill  | 205,756                  | 210,223                  | 205,756                       |
| Other intangible assets net   | 76,923                   | 75,670                   | 79,868                        |
| Deferred income taxes and other assets  | 26,689                   | 19,049                   | 13,969                        |
| Total   | \$ 1,165,938             | \$ 1,244,636             | \$ 1,161,160                  |

**LIABILITIES AND EQUITY**

|   |           |            |            |
|---|-----------|------------|------------|
| Current liabilities:  |           |            |            |
| Accounts payable  | \$ 89,959 | \$ 112,313 | \$ 103,569 |
| Accrued expenses  | 89,521    | 93,213     | 78,618     |
| Current portion of long-term debt   | 296       | 205        | 142        |
| Total current liabilities   | 179,776   | 205,731    | 182,329    |
| Long-term debt  | 449,994   | 509,430    | 472,445    |
| Other long-term obligations   | 43,236    | 37,845     | 36,362     |
| Equity:   |           |            |            |
| Common stock, \$.01 par value: 12,308,802, 12,246,751, and 12,246,751 shares outstanding at June 28, 2014, June 29, 2013 and September 28, 2013 | 123       | 122        | 122        |

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Class A common stock, \$.01 par value: 36,479,590, 35,240,576 and 35,291,001 shares outstanding at June 28, 2014, June 29, 2013 and September 28, 2013

|  |              |              |              |
|--|--------------|--------------|--------------|
|  | 365          | 352          | 353          |
| Class B stock, \$.01 par value: 1,652,262 shares outstanding | 16           | 16           | 16           |
| Additional paid-in capital                                   | 398,244      | 388,443      | 389,153      |
| Accumulated earnings   | 90,466       | 100,173      | 77,592       |
| Accumulated other comprehensive income                       | 1,868        | 840          | 1,442        |
| Total Central Garden & Pet Company shareholders equity       | 491,082      | 489,946      | 468,678      |
| Noncontrolling interest                                      | 1,850        | 1,684        | 1,346        |
| Total equity   | 492,932      | 491,630      | 470,024      |
| Total  | \$ 1,165,938 | \$ 1,244,636 | \$ 1,161,160 |

See notes to condensed consolidated financial statements.

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

|  | <b>Three Months Ended</b> |                          | <b>Nine Months Ended</b> |                          |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
|  | <b>June 28,<br/>2014</b>  | <b>June 29,<br/>2013</b> | <b>June 28,<br/>2014</b> | <b>June 29,<br/>2013</b> |
| Net sales  | \$ 437,987                | \$ 494,130               | \$ 1,230,119             | \$ 1,284,796             |
| Cost of goods sold and occupancy   | 318,856                   | 341,664                  | 883,651                  | 902,201                  |
| Gross profit   | 119,131                   | 152,466                  | 346,468                  | 382,595                  |
| Selling, general and administrative expenses                             | 100,705                   | 119,574                  | 291,628                  | 316,051                  |
| Income from operations   | 18,426                    | 32,892                   | 54,840                   | 66,544                   |
| Interest expense   | (10,429)                  | (11,347)                 | (33,051)                 | (32,599)                 |
| Interest income  | 14                        | 28                       | 43                       | 120                      |
| Other income (expense)   | 456                       | 353                      | 396                      | (676)                    |
| Income before income taxes and noncontrolling interest                   | 8,467                     | 21,926                   | 22,228                   | 33,389                   |
| Income taxes   | 3,133                     | 7,520                    | 8,217                    | 11,370                   |
| Income including noncontrolling interest                                 | 5,334                     | 14,406                   | 14,011                   | 22,019                   |
| Net income attributable to noncontrolling interest                       | 647                       | 681                      | 1,137                    | 1,367                    |
| Net income attributable to Central Garden & Pet Company                  | \$ 4,687                  | \$ 13,725                | \$ 12,874                | \$ 20,652                |
| Net income per share attributable to Central Garden & Pet Company:       |                           |                          |                          |                          |
| Basic  | \$ 0.10                   | \$ 0.28                  | \$ 0.26                  | \$ 0.43                  |
| Diluted  | \$ 0.09                   | \$ 0.28                  | \$ 0.26                  | \$ 0.42                  |
| Weighted average shares used in the computation of net income per share: |                           |                          |                          |                          |
| Basic  | 49,148                    | 48,173                   | 48,732                   | 48,037                   |
| Diluted  | 49,841                    | 48,822                   | 49,201                   | 48,766                   |

See notes to condensed consolidated financial statements.

**CENTRAL GARDEN & PET COMPANY**

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands, except per share amounts)

(unaudited)

|   | <b>Three Months Ended</b> |                          | <b>Nine Months Ended</b> |                          |
|---|---------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>June 28,<br/>2014</b>  | <b>June 29,<br/>2013</b> | <b>June 28,<br/>2014</b> | <b>June 29,<br/>2013</b> |
| Net income  | \$ 5,334                  | \$ 14,406                | \$ 14,011                | \$ 22,019                |
| Other comprehensive income (loss):                                |                           |                          |                          |                          |
| Foreign currency translation, net of tax                          | 339                       | (92)                     | 426                      | (699)                    |
| Total comprehensive income  | 5,673                     | 14,314                   | 14,437                   | 21,320                   |
| Comprehensive income attributable to noncontrolling interests     | 647                       | 681                      | 1,137                    | 1,367                    |
| Comprehensive income attributable to Central Garden & Pet Company | \$ 5,026                  | \$ 13,633                | \$ 13,300                | \$ 19,953                |

See notes to condensed consolidated financial statements.

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

|  | <b>Nine Months Ended</b> |                          |
|--|--------------------------|--------------------------|
|  | <b>June 28,<br/>2014</b> | <b>June 29,<br/>2013</b> |
| Cash flows from operating activities:  |                          |                          |
| Net income   | \$ 14,011                | \$ 22,019                |
| Adjustments to reconcile net loss to net cash provided (used) by operating activities: |                          |                          |
| Depreciation and amortization  | 26,683                   | 24,158                   |
| Stock-based compensation   | 6,365                    | 12,491                   |
| Excess tax benefits from stock-based awards  | (422)                    | (345)                    |
| Deferred income taxes  | 7,420                    | 9,252                    |
| Write-off of deferred financing costs  | 1,731                    | 0                        |
| Unrealized losses on derivative financial instruments                                  | 0                        | 412                      |
| Gain on sale of property and equipment   | (1,996)                  | 0                        |
| Loss on disposal of property and equipment   | 587                      | 412                      |
| Change in assets and liabilities:  |                          |                          |
| Accounts receivable  | (17,399)                 | (41,240)                 |
| Inventories  | 31,356                   | (83,181)                 |
| Prepaid expenses and other assets  | 3,525                    | (149)                    |
| Accounts payable   | (14,687)                 | (15,545)                 |
| Accrued expenses   | 13,597                   | 8,624                    |
| Other long-term obligations  | (1,920)                  | (2,366)                  |
| Net cash provided (used) by operating activities                                       | 68,851                   | (65,458)                 |
| Cash flows from investing activities:  |                          |                          |
| Additions to property and equipment  | (13,707)                 | (19,534)                 |
| Proceeds from sale of property and equipment, net of expenses                          | 5,171                    | 0                        |
| Payments to acquire companies, net of cash acquired                                    | (20,262)                 | (4,835)                  |
| Proceeds from short term investments   | 3,600                    | 4,885                    |
| Net cash used in investing activities  | (25,198)                 | (19,484)                 |
| Cash flows from financing activities:  |                          |                          |
| Repayments of long-term debt   | (282)                    | (257)                    |
| Proceeds from issuance of common stock   | 594                      | 560                      |
| Borrowings under revolving line of credit  | 278,000                  | 281,000                  |
| Repayments under revolving line of credit  | (301,000)                | (221,000)                |
| Repurchase of common stock   | (1,190)                  | (2,625)                  |
| Distribution to noncontrolling interest  | (633)                    | (629)                    |
| Payment of financing costs   | (3,090)                  | 0                        |

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|  |           |           |
|--|-----------|-----------|
| Excess tax benefits from stock-based awards                  | 422       | 345       |
| Net cash (used) provided by financing activities             | (27,179)  | 57,394    |
| Effect of exchange rate changes on cash and cash equivalents | 216       | (445)     |
| Net increase (decrease) in cash and cash equivalents         | 16,690    | (27,993)  |
| Cash and equivalents at beginning of period                  | 15,156    | 48,475    |
| Cash and equivalents at end of period                        | \$ 31,846 | \$ 20,482 |
| Supplemental information:                                    |           |           |
| Cash paid for interest                                       | \$ 22,067 | \$ 22,894 |

See notes to condensed consolidated financial statements.

**CENTRAL GARDEN & PET COMPANY**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Three and Nine Months Ended June 28, 2014**

**(unaudited)**

**1. Basis of Presentation**

The condensed consolidated balance sheets of Central Garden & Pet Company and subsidiaries (the Company or Central) as of June 28, 2014 and June 29, 2013, the condensed consolidated statements of operations for the three and nine months ended June 28, 2014 and June 29, 2013, the condensed consolidated statements of comprehensive income for the three and nine months ended June 28, 2014 and June 29, 2013 and the condensed consolidated statements of cash flows for the nine months ended June 28, 2014 and June 29, 2013 have been prepared by the Company, without audit. In the opinion of management, the interim financial statements include all normal recurring adjustments necessary for a fair statement of the results for the interim periods presented.

For the Company's foreign business in the UK, the local currency is the functional currency. Assets and liabilities are translated using the exchange rate in effect at the balance sheet date. Income and expenses are translated at the average exchange rate for the period. Deferred taxes are not provided on translation gains and losses because the Company expects earnings of its foreign subsidiary to be permanently reinvested. Transaction gains and losses are included in results of operations. See Note 9, Supplemental Equity Information, for further detail.

Due to the seasonal nature of the Company's garden business, the results of operations for the three and nine month periods ended June 28, 2014 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 2013 Annual Report on Form 10-K, which has previously been filed with the Securities and Exchange Commission. The September 28, 2013 balance sheet presented herein was derived from the audited statements.

***Noncontrolling Interest***

Noncontrolling interest in the Company's condensed consolidated financial statements represents the 20% interest not owned by Central in a consolidated subsidiary. Since the Company controls this subsidiary, its financial statements are consolidated with those of the Company, and the noncontrolling owner's 20% share of the subsidiary's net assets and results of operations is deducted and reported as noncontrolling interest on the consolidated balance sheets and as net income (loss) attributable to noncontrolling interest in the consolidated statements of operations. See Note 9, Supplemental Equity 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, options and swap contracts to reduce the volatility of price fluctuations of corn, which impacts the cost of raw materials. The Company's primary objective when entering into these derivative contracts is to achieve greater certainty with regard to the future price of commodities purchased for use in its supply chain. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. The Company does not enter into derivative contracts for speculative purposes and

does not use leveraged instruments.

The Company does not perform the assessments required to achieve hedge accounting for commodity derivative positions. Accordingly, the changes in the values of these derivatives are recorded currently in other income (expense) in its condensed consolidated statements of operations. See Note 4, Derivative Instruments, for additional information.

### ***Recent Accounting Pronouncements***

#### ***Comprehensive Income***

In February 2013, the FASB issued Accounting Standards Update No. 2013-02, *Comprehensive Income (Topic 220) Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (ASU 2013-02)*. This guidance requires entities to disclose, either in the notes to the consolidated financial statements or parenthetically on the face of the statement that reports comprehensive income (loss), items reclassified out of accumulated other comprehensive income (loss) and into net earnings in their entirety and the effect of the reclassification on each affected statement of operations line item. In addition, for accumulated other comprehensive income (loss) reclassification items that are not reclassified in their entirety into net earnings, a cross reference to other required

accounting standard disclosures is required. This guidance became effective for the Company on September 29, 2013. This new guidance did not have a material impact on the Company's condensed consolidated financial statements.

### ***Discontinued Operations***

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

### ***Revenue Recognition***

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers*. This update was issued as Accounting Standards Codification Topic 606. The core principle of this amendment is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with earlier adoption not permitted. The guidance permits two implementation approaches, one requiring retrospective application of the new standard with restatement of prior years and one requiring prospective application of the new standard with disclosure of results under old standards. The adoption of this guidance is not expected to have a significant impact on the Company's consolidated financial statements.

## **2. Business Combinations**

### ***Four Star Microbial Products***

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

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

|                       | Amounts<br>Previously<br>Recognized<br>as of<br>Acquisition Date <sup>(1)</sup> | Measurement<br>Period<br>Adjustments | Amounts<br>Recognized as of<br>Acquisition Date<br>(as<br>Adjusted) |
|-----------------------|---|--------------------------------------|---|
| <i>(In thousands)</i> |   |                                      |   |

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|  |    |         |    |                      |    |         |
|--|----|---------|----|----------------------|----|---------|
| Current assets, net of cash and cash equivalents acquired          | \$ | 220     | \$ | 0                    | \$ | 220     |
| Fixed assets   |    | 40      |    | 0                    |    | 40      |
| Goodwill   |    | 0       |    | 3,243                |    | 3,243   |
| Intangible assets  |    | 1,144   |    | 5,958                |    | 7,102   |
| Other long-term assets   |    | 5,406   |    | (5,406)              |    | 0       |
| Current liabilities  |    | (13)    |    | 0                    |    | (13)    |
| Other long-term liabilities  |    | 0       |    | (4,165)              |    | (4,165) |
|  |    | 6,797   |    | (370) <sup>(2)</sup> |    | 6,427   |
| Assets of acquiree recorded prior to purchase of majority interest |    | (1,962) |    | 370                  |    | (1,592) |
| Net assets acquired, less cash and cash equivalents                | \$ | 4,835   | \$ | 0                    | \$ | 4,835   |

- (1) As previously reported in our Form 10-Q for the period ended December 29, 2012.
- (2) The Company recognized a loss of approximately \$370 on its prior ownership interest in the acquiree.

During fiscal 2013, the fair value measurements of assets acquired and liabilities assumed of FourStar Microbial as of the acquisition date were refined. This refinement did not have a significant impact on the Company's condensed consolidated statements of operations, balance sheets or cash flows in any period and, therefore, the Company has not retrospectively adjusted its financial statements. These fair value assessments were finalized and reflected in the Company's Form 10-K for the year ended September 28, 2013. Financial results for FourStar Microbial have been included in the results of operations within the Pet segment since the date of acquisition.

### ***Envincio***

On April 1, 2014, the Company purchased certain assets of Envincio LLC, including brands, EPA registrations, inventory and trade receivables, for approximately \$20 million. The purchase price exceeded the fair value of the net tangible assets acquired by approximately \$14 million, which is included in deferred taxes and other assets in our condensed consolidated balance sheets as of June 28, 2014, as the Company has not yet finalized the allocation of the purchase price to the fair value of the intangible assets acquired. The operating results of this acquisition did not have a material impact on the Company's consolidated financial statements. This acquisition is expected to enable the Company to be a key supplier and product innovator in the growing natural insecticides product market, often characterized as EPA-exempt products, and expand its offerings in traditional pesticides.

### **3. Fair Value Measurements**

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

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

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

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

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

### ***Assets and Liabilities Measured at Fair Value on a Recurring Basis***

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of June 28, 2014 (in thousands):

|  | Level 1 | Level 2   | Level 3 | Total     |
|--|---------|-----------|---------|-----------|
| <b>Assets:</b>                         |         |           |         |           |
| Certificates of deposit <sup>(a)</sup> | \$ 0    | \$ 14,220 | \$ 0    | \$ 14,220 |

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|   |    |   |           |    |          |           |
|---|----|---|-----------|----|----------|-----------|
| Total assets  | \$ | 0 | \$ 14,220 | \$ | 0        | \$ 14,220 |
| Liabilities:  |    |   |           |    |          |           |
| Liability for contingent consideration <sup>(c)</sup> | \$ | 0 | \$        | 0  | \$ 4,414 | \$ 4,414  |
| Total liabilities                                     | \$ | 0 | \$        | 0  | \$ 4,414 | \$ 4,414  |

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of June 29, 2013:

|  | Level 1     | Level 2          | Level 3     | Total            |
|--|-------------|------------------|-------------|------------------|
| <b>Assets:</b>                         |             |                  |             |                  |
| Certificates of deposit <sup>(a)</sup> | \$ 0        | \$ 17,820        | \$ 0        | \$ 17,820        |
| <b>Total assets</b>                    | <b>\$ 0</b> | <b>\$ 17,820</b> | <b>\$ 0</b> | <b>\$ 17,820</b> |
| <b>Liabilities:</b>                    |             |                  |             |                  |
| Derivative liabilities <sup>(b)</sup>  | \$ 0        | \$ 197           | \$ 0        | \$ 197           |
| <b>Total liabilities</b>               | <b>\$ 0</b> | <b>\$ 197</b>    | <b>\$ 0</b> | <b>\$ 197</b>    |

The following table presents our financial assets and liabilities at fair value on a recurring basis based upon the level within the fair value hierarchy in which the fair value measurements fall, as of September 28, 2013:

|   | Level 1     | Level 2          | Level 3         | Total            |
|---|-------------|------------------|-----------------|------------------|
| <b>Assets:</b>  |             |                  |                 |                  |
| Certificates of deposit <sup>(a)</sup>                | \$ 0        | \$ 17,820        | \$ 0            | \$ 17,820        |
| <b>Total assets</b>                                   | <b>\$ 0</b> | <b>\$ 17,820</b> | <b>\$ 0</b>     | <b>\$ 17,820</b> |
| <b>Liabilities:</b>                                   |             |                  |                 |                  |
| Liability for contingent consideration <sup>(c)</sup> | \$ 0        | \$ 0             | \$ 4,165        | \$ 4,165         |
| <b>Total liabilities</b>                              | <b>\$ 0</b> | <b>\$ 0</b>      | <b>\$ 4,165</b> | <b>\$ 4,165</b>  |

- (a) The fair value of our time deposits is based on the most recent observable inputs for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable. These are presented as short term investments in the condensed consolidated balance sheets.
- (b) Derivative assets and liabilities were valued using quoted forward pricing from bank counterparties and are presented as other current assets and liabilities in the condensed consolidated balance sheets.
- (c) The liability for contingent consideration relates to an earn-out for B2E, acquired in December 2012. The fair value of the contingent consideration arrangement is determined based on the Company's evaluation as to the probability and discounted amount of any earn-out that will be achieved based on expected future performance by the acquired entity. This is presented as part of accrued expenses and long-term liabilities in the condensed consolidated balance sheets.

The following table provides a summary of changes in fair value of our Level 3 financial instruments for the period ended September 28, 2013 and June 28, 2014 (in thousands):

|   | <b>Amount</b> |
|---|---------------|
| Balance as of September 28, 2013  | \$ 4,165      |
| Changes in the fair value of contingent performance-based payments established at the time of acquisition | 249           |
| Balance as of June 28, 2014   | \$ 4,414      |

***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 28, 2014, the Company was not required to measure any significant non-financial assets and liabilities at fair value.

***Fair Value of Other Financial Instruments***

The estimated fair value of the Company's \$450.0 million 8.25% senior subordinated notes due 2018 as of June 28, 2014, June 29, 2013 and September 28, 2013, was \$469.1 million, \$457.3 million and \$449.5 million, respectively, compared to a carrying value of \$449.5 million, \$449.4 million and \$449.4 million, respectively. The estimated fair value is based on quoted market prices for these notes, which are Level 2 inputs within the fair value hierarchy.

#### 4. Derivative Instruments

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

Commodity and commodity index futures, swaps and option contracts are used to economically hedge commodity input prices on grains and proteins. These derivative contracts are entered into for periods consistent with the related underlying exposures and do not constitute positions independent of those exposures. Generally, the Company economically hedges a portion of its anticipated consumption of commodity inputs for periods of up to 12 months. As of September 28, 2013 and June 28, 2014, the Company had no outstanding derivative instruments. As of June 29, 2013, the Company had economically hedged certain portions of its anticipated consumption of commodity inputs using derivative instruments with expiration dates through July 2013.

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

The following table presents the fair value of all derivative instruments outstanding in the condensed consolidated balance sheets (in thousands):

|  | June 28, 2014 |             | June 29, 2013 |             | September 28, 2013 |             |
|--|---------------|-------------|---------------|-------------|--------------------|-------------|
|  | Other         | Current     | Other         | Current     | Other              | Current     |
|  | Assets        | Liabilities | Assets        | Liabilities | Assets             | Liabilities |
| Derivatives not designated as hedging instruments: |               |             |               |             |                    |             |
| Commodity contracts                                | \$ 0          | \$ 0        | \$ 0          | \$ 197      | \$ 0               | \$ 0        |
| Total derivative instruments                       | \$ 0          | \$ 0        | \$ 0          | \$ 197      | \$ 0               | \$ 0        |

The following table presents the effect of derivative instruments recorded in other income (expense) on the condensed consolidated statements of operations (in thousands):

|   | Three Months Ended |               | Nine Months Ended |               |
|---|--------------------|---------------|-------------------|---------------|
|   | June 28, 2014      | June 29, 2013 | June 28, 2014     | June 29, 2013 |
| Derivatives Not Designated as Hedging Instruments |                    |               |                   |               |
| Commodity contracts                               | \$ 0               | \$ (185)      | \$ 0              | \$ (922)      |
| Total derivative instruments                      | \$ 0               | \$ (185)      | \$ 0              | \$ (922)      |

The following table presents the gross contract notional volume of outstanding derivative contracts:

| Commodity | Metric  | June 28, 2014 | June 29, 2013 | September 28, 2013 |
|-----------|---------|---------------|---------------|--------------------|
| Corn      | Bushels | 0             | 366,000       | 0                  |

**5. Inventories, net**

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

|                               | <b>June 28, 2014</b> | <b>June 29, 2013</b> | <b>September 28, 2013</b> |
|-------------------------------|----------------------|----------------------|---------------------------|
| Raw materials                 | \$ 93,922            | \$ 130,597           | \$ 121,695                |
| Work in progress              | 17,592               | 19,848               | 19,856                    |
| Finished goods                | 240,337              | 255,112              | 236,322                   |
| Supplies                      | 13,184               | 7,513                | 14,060                    |
| <b>Total inventories, net</b> | <b>\$ 365,035</b>    | <b>\$ 413,070</b>    | <b>\$ 391,934</b>         |

**6. 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 its reporting units to the Company's total market capitalization. Based on the Company's annual analysis of goodwill performed during the fourth quarter of fiscal 2013, it concluded the carrying value of the Company's Garden segment goodwill was impaired, resulting in a non-cash goodwill impairment charge of \$7.7 million.

**7. Other Intangible Assets**

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

|  | <b>Gross</b> | <b>Accumulated<br/>Amortization<br/>(in millions)</b> | <b>Impairment</b> | <b>Net<br/>Carrying<br/>Value</b> |
|--|--------------|---|-------------------|-----------------------------------|
| <b>June 28, 2014</b>                               |              |   |                   |                                   |
| Marketing-related intangible assets amortizable    | \$ 12.5      | \$ (9.6)  | \$ 0              | \$ 2.9                            |
| Marketing-related intangible assets nonamortizable | 59.6         | 0   | (16.9)            | 42.7                              |
| <b>Total</b>                                       | <b>72.1</b>  | <b>(9.6)</b>  | <b>(16.9)</b>     | <b>45.6</b>                       |
| Customer-related intangible assets amortizable     | 42.8         | (19.6)  | 0                 | 23.2                              |
| Other acquired intangible assets amortizable       | 16.6         | (8.5)   | 0                 | 8.1                               |
| Other acquired intangible assets nonamortizable    | 1.2          | 0   | (1.2)             | 0                                 |

|       |      |       |       |     |
|-------|------|-------|-------|-----|
| Total | 17.8 | (8.5) | (1.2) | 8.1 |
|-------|------|-------|-------|-----|

|                               |          |           |           |         |
|-------------------------------|----------|-----------|-----------|---------|
| Total other intangible assets | \$ 132.7 | \$ (37.7) | \$ (18.1) | \$ 76.9 |
|-------------------------------|----------|-----------|-----------|---------|

|                                     |                | <b>Gross</b> | <b>Accumulated<br/>Amortization<br/>(in millions)</b> | <b>Impairment</b> | <b>Net<br/>Carrying<br/>Value</b> |
|-------------------------------------|----------------|--------------|---|-------------------|-----------------------------------|
| June 29, 2013                       |                |              |   |                   |                                   |
| Marketing-related intangible assets | amortizable    | \$ 12.3      | \$ (8.1)  | \$ 0              | \$ 4.2                            |
| Marketing-related intangible assets | nonamortizable | 59.6         | 0   | (16.9)            | 42.7                              |
| Total                               |                | 71.9         | (8.1)   | (16.9)            | 46.9                              |
| Customer-related intangible assets  | amortizable    | 42.7         | (17.2)  | 0                 | 25.5                              |
| Other acquired intangible assets    | amortizable    | 10.8         | (7.5)   | 0                 | 3.3                               |
| Other acquired intangible assets    | nonamortizable | 1.2          | 0   | (1.2)             | 0                                 |
| Total                               |                | 12.0         | (7.5)   | (1.2)             | 3.3                               |
| Total other intangible assets       |                | \$ 126.6     | \$ (32.8)   | \$ (18.1)         | \$ 75.7                           |

|                                     |                | <b>Gross</b> | <b>Accumulated<br/>Amortization<br/>(in millions)</b> | <b>Impairment</b> | <b>Net<br/>Carrying<br/>Value</b> |
|-------------------------------------|----------------|--------------|---|-------------------|-----------------------------------|
| September 28, 2013                  |                |              |   |                   |                                   |
| Marketing-related intangible assets | amortizable    | \$ 12.5      | \$ (8.9)  | \$ 0              | \$ 3.6                            |
| Marketing-related intangible assets | nonamortizable | 59.6         | 0   | (16.9)            | 42.7                              |
| Total                               |                | 72.1         | (8.9)   | (16.9)            | 46.3                              |
| Customer-related intangible assets  | amortizable    | 42.8         | (17.9)  | 0                 | 24.9                              |
| Other acquired intangible assets    | amortizable    | 16.6         | (7.9)   | 0                 | 8.7                               |
| Other acquired intangible assets    | nonamortizable | 1.2          | 0   | (1.2)             | 0                                 |
| Total                               |                | 17.8         | (7.9)   | (1.2)             | 8.7                               |
| Total other intangible assets       |                | \$ 132.7     | \$ (34.7)   | \$ (18.1)         | \$ 79.9                           |

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

As part of its acquisition of the remaining majority interest in FourStar Microbial during the first quarter of fiscal 2013, the Company acquired approximately \$0.1 million of marketing-related intangible assets, \$0.1 million of customer-related intangible assets and \$6.9 million of other intangible assets.

The Company evaluates long-lived assets, including amortizable and indefinite-lived intangible assets, for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. The Company evaluates indefinite-lived intangible assets on an annual basis. In fiscal 2013, the Company tested its indefinite-lived intangible assets and no impairment was indicated. Other factors indicating the carrying value of the Company's amortizable intangible assets may not be recoverable were not present in fiscal 2013 or during the nine months ended June 28, 2014, and accordingly, no impairment testing was performed on these assets.

The Company is currently amortizing its acquired intangible assets with definite lives over periods ranging from 1 to 25 years; over weighted average remaining lives of six years for marketing-related intangibles, 15 years for customer-related intangibles and 15 years for other acquired intangibles. Amortization expense for intangibles subject to amortization was approximately \$1.0 and \$1.1 million for each of three month periods ended June 28, 2014 and June 29, 2013, respectively, and \$3.0 million and \$3.1 million for the nine months ended June 28, 2014 and June 29, 2013, respectively, and is classified within operating expenses in the condensed consolidated statements of operations. Estimated annual amortization expense related to acquired intangible assets in each of the succeeding five years is estimated to be approximately \$5 million per year from fiscal 2014 through fiscal 2018.

## 8. Long-Term Debt

Long-term debt consists of the following:

June 28, 2014      June 29, 2013      September 28, 2013

|   | (in thousands) |            |            |
|---|----------------|------------|------------|
| Senior subordinated notes, net of unamortized discount <sup>(1)</sup> , interest at 8.25%, payable semi-annually, principal due March 2018                          | \$ 449,500     | \$ 449,390 | \$ 449,417 |
| Asset-based revolving credit facility, interest at LIBOR plus a margin of 1.25% to 1.75% or Base Rate plus a margin of 0.25% to 0.75%, final maturity December 2018 | 0              | 0          | 0          |
| 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      | 0              | 60,000     | 23,000     |
| Other notes payable   | 790            | 245        | 170        |
| Total   | 450,290        | 509,635    | 472,587    |
| Less current portion  | (296)          | (205)      | (142)      |
| Long-term portion   | \$ 449,994     | \$ 509,430 | \$ 472,445 |

- (1) Represents unamortized original issue discount of \$500, \$610 and \$583 as of June 28, 2014, June 29, 2013 and September 28, 2013, respectively.

### ***Asset Backed Loan Facility***

On December 5, 2013, the Company entered into a credit agreement which provides up to a \$390 million principal amount senior secured asset-based revolving credit facility, with up to an additional \$200 million principal amount available with the consent of the Lenders if the Company exercises the accordion feature set forth therein (collectively, the Credit Facility). The Credit Facility matures on December 5, 2018 and replaced the Company's prior revolving credit facility. The Company may borrow, repay and reborrow amounts under the Credit Facility until its maturity date, at which time all amounts outstanding under the Credit Facility must be repaid in full. As of June 28, 2014, there were no borrowings outstanding under the Credit Facility. There were no letters of credit outstanding under the Credit Facility as of June 28, 2014. There were other letters of credit of \$14.2 million outstanding as of June 28, 2014.

The Credit Facility is subject to a borrowing base, calculated using a formula based upon eligible receivables and inventory, minus certain reserves and subject to restrictions. The borrowing availability as of June 28, 2014 was \$390 million, the maximum amount available under the credit facility. Borrowings under the Credit Facility will bear interest at an index based on LIBOR or, at the option of the Company, the Base Rate (defined as the highest of (a) the SunTrust prime rate, (b) the Federal Funds Rate plus 0.5% and (c) one-month LIBOR plus 1.00%), plus, in either case, an applicable margin based on the Company's total outstanding borrowings. Such applicable margin for LIBOR-based borrowings fluctuates between 1.25%-1.75% (and was 1.25% at June 28, 2014) and such applicable margin for Base Rate borrowings fluctuates between 0.25%-0.75% (and was 0.25% at June 28, 2014). As of June 28, 2014, the applicable interest rate related to Base Rate borrowings was 3.5%, and the applicable interest rate related to LIBOR-based borrowings was 1.4%.

The Credit Facility contains customary covenants, including financial covenants which require the Company to maintain a minimum fixed charge coverage ratio of 1.00:1.00 upon reaching certain borrowing levels. The Credit Facility is secured by substantially all assets of the Company. The Company was in compliance with all covenants under the Credit Facility during the period ended June 28, 2014.

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

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

### ***Senior Subordinated Notes***

On March 8, 2010, the Company issued \$400 million aggregate principal amount of 8.25% senior subordinated notes due March 1, 2018 (the 2018 Notes). On February 13, 2012, the Company issued an additional \$50 million aggregate principal amount of its 2018 Notes at a price of 98.501%, plus accrued interest from September 1, 2011, in a private placement. The Company used the net proceeds from the offering to pay a portion of the outstanding balance under its prior revolving credit facility.

The estimated fair value of our \$450 million of 2018 Notes as of June 28, 2014 was approximately \$469.1 million. The estimated fair value is based on quoted market prices for these 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 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. 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 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. The Company was in compliance with all financial covenants in the 2018 Notes indenture as of June 28, 2014.

## 9. Supplemental Equity Information

The following table provides a summary of the changes in the carrying amounts of equity attributable to controlling interest and noncontrolling interest for the nine months ended June 28, 2014 and June 29, 2013:

| (in thousands)                          | Controlling Interest    |                         |                               |                      |   |          | Noncontrolling |          |            |
|---|-------------------------|-------------------------|-------------------------------|----------------------|---|----------|----------------|----------|------------|
|   | Class A<br>Common Stock | Class B<br>Common Stock | Additional<br>Paid In Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income | Total    | Interest       | Total    |            |
| Balance<br>September 28,<br>2013        | \$ 122                  | \$ 353                  | \$ 16                         | \$ 389,153           | \$ 77,592                                       | \$ 1,442 | \$ 468,678     | \$ 1,346 | \$ 470,024 |
| Comprehensive income                    |                         |                         |                               |                      | 12,874  | 426      | 13,300         | 1,137    | 14,437     |
| Stock based compensation                |                         |                         |                               | 3,734                |   |          | 3,734          |          | 3,734      |
| Restricted share activity               | 1                       | 9                       |                               | 3,940                |   |          | 3,950          |          | 3,950      |
| Issuance of common stock                |                         | 3                       |                               | 995                  |   |          | 998            |          | 998        |
| Tax benefit on stock option exercise    |                         |                         |                               | 422                  |   |          | 422            |          | 422        |
| Distribution to Noncontrolling interest |                         |                         |                               |                      |   |          |                | (633)    | (633)      |
| Balance June 28,<br>2014                | \$ 123                  | \$ 365                  | \$ 16                         | \$ 398,244           | \$ 90,466                                       | \$ 1,868 | \$ 491,082     | \$ 1,850 | \$ 492,932 |

| (in thousands)             | Controlling Interest |              |         |                            |                   |  |            | Noncontrolling Interest | Total      |
|----------------------------|----------------------|--------------|---------|----------------------------|-------------------|--|------------|-------------------------|------------|
|                            | Class A              |              | Class B | Additional Paid In Capital | Retained Earnings | Accumulated Other Comprehensive Income |            |                         |            |
|                            | Common Stock         | Common Stock |         |                            |                   |  |            |                         |            |
| Balance September 29, 2012 | \$ 122               | \$ 347       | \$ 16   | \$ 382,195                 | \$ 79,718         | \$ 1,539                               | \$ 463,937 | \$ 946                  | \$ 464,883 |
| Comprehensive income       |                      |              |         |                            | 20,652            | (699)                                  | 19,953     | 1,367                   | 21,320     |

|   |        |         |       |            |            |            |
|---|--------|---------|-------|------------|------------|------------|
| Stock based compensation                |        | 3,489   |       | 3,489      |            | 3,489      |
| Restricted share activity               | 4      | 2,478   |       | 2,482      |            | 2,482      |
| Issuance of common stock                | 1      | 1,240   |       | 1,241      |            | 1,241      |
| Repurchase of common stock              |        | (1,304) | (197) | (1,501)    |            | (1,501)    |
| Tax benefit on stock option exercise    |        | 345     |       | 345        |            | 345        |
| Distribution to Noncontrolling interest |        |         |       |            | (629)      | (629)      |
| <b>Balance June 29, 2013</b>            |        |         |       |            |            |            |
|   | \$ 122 | \$ 352  | \$ 16 | \$ 388,443 | \$ 100,173 | \$ 840     |
|   |        |         |       |            | \$ 489,946 | \$ 1,684   |
|   |        |         |       |            |            | \$ 491,630 |

#### 10. Stock-Based Compensation

The Company recognized share-based compensation expense of \$6.4 million and \$12.5 million for the nine month periods ended June 28, 2014 and June 29, 2013, 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 28, 2014 and June 29, 2013 was \$2.3 million and \$4.8 million, respectively.

**11. 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<br>June 28, 2014      |        |           | Nine Months Ended<br>June 28, 2014 |        |           |
|---|--|--------|-----------|------------------------------------|--------|-----------|
|   | Income                                   | Shares | Per Share | Income                             | Shares | Per Share |
|   | (in thousands, except per share amounts) |        |           |                                    |        |           |
| Basic EPS:                                  |  |        |           |                                    |        |           |
| Net income available to common shareholders | \$ 4,687                                 | 49,148 | \$ 0.10   | \$ 12,874                          | 48,732 | \$ 0.26   |
| Effect of dilutive securities:              |  |        |           |                                    |        |           |
| Options to purchase common stock            |  | 154    | 0         |                                    | 35     | 0         |
| Restricted shares                           |  | 539    | (0.01)    |                                    | 434    | 0         |
| Diluted EPS:                                |  |        |           |                                    |        |           |
| Net income available to common shareholders | \$ 4,687                                 | 49,841 | \$ 0.09   | \$ 12,874                          | 49,201 | \$ 0.26   |

|   | Three Months Ended<br>June 29, 2013      |        |           | Nine Months Ended<br>June 29, 2013 |        |           |
|---|--|--------|-----------|------------------------------------|--------|-----------|
|   | Income                                   | Shares | Per Share | Income                             | Shares | Per Share |
|   | (in thousands, except per share amounts) |        |           |                                    |        |           |
| Basic EPS:                                  |  |        |           |                                    |        |           |
| Net income available to common shareholders | \$ 13,725                                | 48,173 | \$ 0.28   | \$ 20,652                          | 48,037 | \$ 0.43   |
| Effect of dilutive securities:              |  |        |           |                                    |        |           |
| Options to purchase common stock            |  | 141    | 0         |                                    | 284    | 0         |
| Restricted shares                           |  | 508    | 0         |                                    | 445    | (0.01)    |
| Diluted EPS:                                |  |        |           |                                    |        |           |
| Net income available to common shareholders | \$ 13,725                                | 48,822 | \$ 0.28   | \$ 20,652                          | 48,766 | \$ 0.42   |

Options to purchase 11.2 million shares of common stock at prices ranging from \$6.43 to \$16.23 per share were outstanding at June 28, 2014 and options to purchase 11.6 million shares of common stock at prices ranging from \$4.60 to \$16.23 per share were outstanding at June 29, 2013.

For the three month periods ended June 28, 2014 and June 29, 2013, options to purchase 9.5 million and 10.7 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.

For the nine month periods ended June 28, 2014 and June 29, 2013, options to purchase 10.3 million and 7.5 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.



**12. Segment Information**

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

|   | <b>Three Months Ended</b> |                          | <b>Nine Months Ended</b> |                          |
|---|---------------------------|--------------------------|--------------------------|--------------------------|
|   | <b>June 28,<br/>2014</b>  | <b>June 29,<br/>2013</b> | <b>June 28,<br/>2014</b> | <b>June 29,<br/>2013</b> |
| Net sales:  |                           |                          |                          |                          |
| Pet segment   | \$ 227,082                | \$ 237,851               | \$ 628,431               | \$ 667,781               |
| Garden segment  | 210,905                   | 256,279                  | 601,688                  | 617,015                  |
| Total net sales   | \$ 437,987                | \$ 494,130               | \$ 1,230,119             | \$ 1,284,796             |
| Income (loss) from operations:                          |                           |                          |                          |                          |
| Pet segment   | 28,435                    | \$ 33,144                | 67,014                   | \$ 70,782                |
| Garden segment  | 4,011                     | 13,668                   | 34,579                   | 39,090                   |
| Corporate   | (14,020)                  | (13,920)                 | (46,753)                 | (43,328)                 |
| Total income from operations                            | 18,426                    | 32,892                   | 54,840                   | 66,544                   |
| Interest expense net                                    | (10,415)                  | (11,319)                 | (33,008)                 | (32,479)                 |
| Other income (expense)                                  | 456                       | 353                      | 396                      | (676)                    |
| Income taxes  | 3,133                     | 7,520                    | 8,217                    | 11,370                   |
| Income including noncontrolling interest                | 5,334                     | 14,406                   | 14,011                   | 22,019                   |
| Net income attributable to noncontrolling interest      | 647                       | 681                      | 1,137                    | 1,367                    |
| Net income attributable to Central Garden & Pet Company | \$ 4,687                  | \$ 13,725                | \$ 12,874                | \$ 20,652                |
| Depreciation and amortization:                          |                           |                          |                          |                          |
| Pet segment   | \$ 4,483                  | \$ 3,489                 | \$ 12,853                | \$ 11,208                |
| Garden segment  | 1,721                     | 1,624                    | 5,126                    | 4,902                    |
| Corporate   | 2,967                     | 2,698                    | 8,704                    | 8,048                    |
| Total depreciation and amortization                     | \$ 9,171                  | \$ 7,811                 | \$ 26,683                | \$ 24,158                |

|                | <b>June 28,<br/>2014</b> | <b>June 29,<br/>2013</b> | <b>September 28,<br/>2013</b> |
|----------------|--------------------------|--------------------------|-------------------------------|
| Assets:        |                          |                          |                               |
| Pet segment    | \$ 444,740               | \$ 443,854               | \$ 425,988                    |
| Garden segment | 372,175                  | 447,756                  | 388,581                       |
| Corporate      | 349,023                  | 353,026                  | 346,591                       |

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|  |              |              |              |
|--|--------------|--------------|--------------|
| Total assets                                   | \$ 1,165,938 | \$ 1,244,636 | \$ 1,161,160 |
| Goodwill (included in corporate assets above): |              |              |              |
| Pet segment                                    | \$ 205,756   | \$ 202,514   | \$ 205,756   |
| Garden segment                                 | 0            | 7,709        | 0            |
| Total goodwill                                 | \$ 205,756   | \$ 210,223   | \$ 205,756   |

**13. Consolidating Condensed Financial Information of Guarantor Subsidiaries**

Certain 100% wholly-owned subsidiaries of the Company (as listed below, collectively the Guarantor Subsidiaries ) have guaranteed fully and unconditionally, on a joint and several basis, the obligation to pay principal and interest on the Company's 2018 Notes. Certain subsidiaries and operating divisions are not guarantors of the Notes (collectively, the Non-Guarantor entities ) 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.

Gulfstream Home & Garden, Inc.

Kaytee Products, Inc.

Matson, LLC

New England Pottery, LLC

Pennington Seed, Inc. (including Gro Tec, Inc. and All-Glass Aquarium Co., Inc.)

Pets International, Ltd.

T.F.H. Publications, Inc.

Wellmark International (including B2E Corporation and B2E Biotech LLC)

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

**CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS**

**Three Months Ended June 28, 2014**

**(in thousands)**

**(unaudited)**

|  | Parent     | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|------------|---------------------------|--------------|--------------|
| Net sales                                    | \$ 147,331 | \$ 303,377                | \$ (12,721)  | \$ 437,987   |
| Cost of products sold and occupancy          | 127,478    | 204,099                   | (12,721)     | 318,856      |
| Gross profit                                 | 19,853     | 99,278                    | 0            | 119,131      |
| Selling, general and administrative expenses | 30,301     | 70,404                    | 0            | 100,705      |
| Income from operations                       | (10,448)   | 28,874                    | 0            | 18,426       |
| Interest net                                 | (10,396)   | (19)                      | 0            | (10,415)     |
| Other income (loss)                          | (2,588)    | 3,044                     | 0            | 456          |

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|  |          |           |             |          |
|--|----------|-----------|-------------|----------|
| Income (loss) before income taxes  | (23,432) | 31,899    | 0           | 8,467    |
| Income taxes (tax benefit)   | (8,897)  | 12,030    | 0           | 3,133    |
| Income (loss) including noncontrolling interest  | (14,535) | 19,869    |             | 5,334    |
| Income attributable to noncontrolling interest   | 647      | 0         | 0           | 647      |
| Income (loss) attributable to Central Garden & Pet Co. before equity in undistributed income of guarantor subsidiaries | (15,182) | 19,869    | 0           | 4,687    |
| Equity in undistributed income of guarantor subsidiaries   | 19,869   | 0         | (19,869)    | 0        |
| Net income attributable to Central Garden & Pet Co.  | \$ 4,687 | \$ 19,869 | \$ (19,869) | \$ 4,687 |

**CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS****Three Months Ended June 29, 2013****(in thousands)****(unaudited)**

|  | Parent     | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|------------|---------------------------|--------------|--------------|
| Net sales  | \$ 145,836 | \$ 361,067                | \$ (12,773)  | \$ 494,130   |
| Cost of products sold and occupancy  | 107,459    | 246,978                   | (12,773)     | 341,664      |
| Gross profit   | 38,377     | 114,089                   | 0            | 152,466      |
| Selling, general and administrative expenses   | 42,959     | 76,615                    | 0            | 119,574      |
| Income from operations   | (4,582)    | 37,474                    | 0            | 32,892       |
| Interest net   | (11,220)   | (99)                      | 0            | (11,319)     |
| Other income (loss)  | (2,722)    | 3,075                     | 0            | 353          |
| Income (loss) before income taxes  | (18,524)   | 40,450                    | 0            | 21,926       |
| Income taxes (tax benefit)   | (7,007)    | 14,527                    | 0            | 7,520        |
| Income (loss) including noncontrolling interest  | (11,517)   | 25,923                    |              | 14,406       |
| Income attributable to noncontrolling interest   | 681        | 0                         | 0            | 681          |
| Income (loss) attributable to Central Garden & Pet Co. before equity in undistributed income of guarantor subsidiaries | (12,198)   | 25,923                    | 0            | 13,725       |
| Equity in undistributed income of guarantor subsidiaries   | 25,923     | 0                         | (25,923)     | 0            |
| Net income attributable to Central Garden & Pet Co.  | \$ 13,725  | \$ 25,923                 | \$ (25,923)  | \$ 13,725    |

**CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS****Nine Months Ended June 28, 2014****(in thousands)****(unaudited)**

|  | Parent     | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|------------|---------------------------|--------------|--------------|
| Net sales                                    | \$ 413,897 | \$ 853,573                | \$ (37,351)  | \$ 1,230,119 |
| Cost of products sold and occupancy          | 329,674    | 591,328                   | (37,351)     | 883,651      |
| Gross profit                                 | 84,223     | 262,245                   | 0            | 346,468      |
| Selling, general and administrative expenses | 93,519     | 198,109                   | 0            | 291,628      |
| Income from operations                       | (9,296)    | 64,136                    | 0            | 54,840       |
| Interest net                                 | (32,964)   | (44)                      | 0            | (33,008)     |
| Other income (loss)                          | (4,549)    | 4,945                     | 0            | 396          |
| Income (loss) before income taxes            | (46,809)   | 69,037                    | 0            | 22,228       |

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|  |           |           |             |           |
|--|-----------|-----------|-------------|-----------|
| Income taxes (tax benefit)   | (17,543)  | 25,760    | 0           | 8,217     |
| Income (loss) including noncontrolling interest  | (29,266)  | 43,277    |             | 14,011    |
| Income attributable to noncontrolling interest   | 1,137     | 0         | 0           | 1,137     |
| Income (loss) attributable to Central Garden & Pet Co. before equity in undistributed income of guarantor subsidiaries | (30,403)  | 43,277    | 0           | 12,874    |
| Equity in undistributed income of guarantor subsidiaries   | 43,277    | 0         | (43,277)    | 0         |
| Net income attributable to Central Garden & Pet Co.  | \$ 12,874 | \$ 43,277 | \$ (43,277) | \$ 12,874 |

**CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS****Nine Months Ended June 29, 2013****(in thousands)****(unaudited)**

|  | Parent     | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|------------|---------------------------|--------------|--------------|
| Net sales  | \$ 400,778 | \$ 921,693                | \$ (37,675)  | \$ 1,284,796 |
| Cost of products sold and occupancy  | 298,861    | 641,015                   | (37,675)     | 902,201      |
| Gross profit   | 101,917    | 280,678                   | 0            | 382,595      |
| Selling, general and administrative expenses   | 108,405    | 207,646                   | 0            | 316,051      |
| Income (loss) from operations  | (6,488)    | 73,032                    | 0            | 66,544       |
| Interest net   | (32,441)   | (38)                      | 0            | (32,479)     |
| Other income (loss)  | (5,539)    | 4,863                     | 0            | (676)        |
| Income (loss) before income taxes  | (44,468)   | 77,857                    | 0            | 33,389       |
| Income taxes (tax benefit)   | (15,995)   | 27,365                    | 0            | 11,370       |
| Income (loss) including noncontrolling interest  | (28,473)   | 50,492                    |              | 22,019       |
| Income attributable to noncontrolling interest   | 1,367      | 0                         | 0            | 1,367        |
| Income (loss) attributable to Central Garden & Pet Co. before equity in undistributed income of guarantor subsidiaries | (29,840)   | 50,492                    | 0            | 20,652       |
| Equity in undistributed income of guarantor subsidiaries   | 50,492     | 0                         | (50,492)     | 0            |
| Net income attributable to Central Garden & Pet Co.  | \$ 20,652  | \$ 50,492                 | \$ (50,492)  | \$ 20,652    |

**CONSOLIDATING CONDENSED STATEMENTS OF COMPREHENSIVE INCOME****Three Months Ended June 28, 2014****(in thousands)****(unaudited)**

|   | Parent      | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|-------------|---------------------------|--------------|--------------|
| Net income (loss)   | \$ (14,535) | \$ 19,869                 | \$ 0         | \$ 5,334     |
| Other comprehensive income:                                   |             |                           |              |              |
| Foreign currency translation                                  | 339         | 0                         | 0            | 339          |
| Total comprehensive income (loss)                             | (14,196)    | 19,869                    | 0            | 5,673        |
| Comprehensive income attributable to noncontrolling interests | 647         | 0                         | 0            | 647          |

|  |    |          |    |        |    |   |    |       |
|--|----|----------|----|--------|----|---|----|-------|
| Comprehensive income (loss) attributable to Central Garden & Pet Company | \$ | (14,843) | \$ | 19,869 | \$ | 0 | \$ | 5,026 |
|--|----|----------|----|--------|----|---|----|-------|

**CONSOLIDATING  
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
Three Months Ended June 29, 2013  
(in thousands)  
(unaudited)

|  | Parent      | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|-------------|---------------------------|--------------|--------------|
| Net income (loss)  | \$ (11,517) | \$ 25,923                 | \$ 0         | \$ 14,406    |
| Other comprehensive loss:  |             |                           |              |              |
| Foreign currency translation   | (92)        | 0                         | 0            | (92)         |
| Total comprehensive income (loss)  | (11,609)    | 25,923                    | 0            | 14,314       |
| Comprehensive income attributable to noncontrolling interests            | 681         | 0                         | 0            | 681          |
| Comprehensive income (loss) attributable to Central Garden & Pet Company | \$ (12,290) | \$ 25,923                 | \$ 0         | \$ 13,633    |

**CONSOLIDATING CONDENSED STATEMENTS OF COMPREHENSIVE  
INCOME**

**Nine Months Ended June 28, 2014**

**(in thousands)**

**(unaudited)**

|  | Parent      | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|-------------|---------------------------|--------------|--------------|
| Net income (loss)  | \$ (29,266) | \$ 43,277                 | \$ 0         | \$ 14,011    |
| Other comprehensive income:  |             |                           |              |              |
| Foreign currency translation   | 426         | 0                         | 0            | 426          |
| Total comprehensive income (loss)  | (28,840)    | 43,277                    | 0            | 14,437       |
| Comprehensive income attributable to noncontrolling interests            | 1,137       | 0                         | 0            | 1,137        |
| Comprehensive income (loss) attributable to Central Garden & Pet Company | \$ (29,977) | \$ 43,277                 | \$ 0         | \$ 13,300    |

**CONSOLIDATING CONDENSED STATEMENTS OF COMPREHENSIVE  
INCOME**

**Nine Months Ended June 29, 2013**

**(in thousands)**

**(unaudited)**

|  | Parent      | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|-------------|---------------------------|--------------|--------------|
| Net income (loss)  | \$ (28,473) | \$ 50,492                 | \$ 0         | \$ 22,019    |
| Other comprehensive income:  |             |                           |              |              |
| Foreign currency translation   | (699)       | 0                         | 0            | (699)        |
| Total comprehensive income (loss)  | (29,172)    | 50,492                    | 0            | 21,320       |
| Comprehensive income attributable to noncontrolling interests            | 1,367       | 0                         | 0            | 1,367        |
| Comprehensive income (loss) attributable to Central Garden & Pet Company | \$ (30,539) | \$ 50,492                 | \$ 0         | \$ 19,953    |

**CONSOLIDATING CONDENSED BALANCE SHEET****June 28, 2014****(in thousands)****(unaudited)**

|   | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|---|---------------|-----------------------------------|---------------------|---------------------|
| <b>ASSETS</b>   |               |                                   |                     |                     |
| Cash and cash equivalents                                     | \$ 29,045     | \$ 2,801                          | \$ 0                | \$ 31,846           |
| Short term investments  | 14,220        | 0                                 | 0                   | 14,220              |
| Accounts receivable, net                                      | 63,829        | 153,411                           | (3,120)             | 214,120             |
| Inventories   | 106,595       | 258,440                           | 0                   | 365,035             |
| Prepaid expenses and other assets                             | 26,419        | 27,270                            | 0                   | 53,689              |
| Total current assets  | 240,108       | 441,922                           | (3,120)             | 678,910             |
| Land, buildings, improvements and equipment, net              | 75,452        | 102,208                           | 0                   | 177,660             |
| Goodwill  | 0             | 205,756                           | 0                   | 205,756             |
| Investment in guarantors                                      | 694,076       | 0                                 | (694,076)           | 0                   |
| Deferred income taxes and other assets                        | 56,572        | 47,040                            | 0                   | 103,612             |
| Total   | \$ 1,066,208  | \$ 796,926                        | \$ (697,196)        | \$ 1,165,938        |
| <b>LIABILITIES AND EQUITY</b>                                 |               |                                   |                     |                     |
| Accounts payable  | \$ 39,423     | \$ 53,656                         | \$ (3,120)          | \$ 89,959           |
| Accrued expenses and other current liabilities                | 45,790        | 44,027                            | 0                   | 89,817              |
| Total current liabilities                                     | 85,213        | 97,683                            | (3,120)             | 179,776             |
| Long-term debt  | 449,887       | 107                               | 0                   | 449,994             |
| Other long-term obligations                                   | 38,176        | 5,060                             | 0                   | 43,236              |
| Shareholders' equity attributable to Central Garden & Pet Co. | 491,082       | 694,076                           | (694,076)           | 491,082             |
| Noncontrolling interest                                       | 1,850         | 0                                 | 0                   | 1,850               |
| Total equity  | 492,932       | 694,076                           | (694,076)           | 492,932             |
| Total   | \$ 1,066,208  | \$ 796,926                        | \$ (697,196)        | \$ 1,165,938        |

**CONSOLIDATING CONDENSED BALANCE SHEET**  
**September 28, 2013**  
(in thousands)

|   | Parent       | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|--------------|---------------------------|--------------|--------------|
| <b>ASSETS</b>   |              |                           |              |              |
| Cash and cash equivalents                                 | \$ 12,441    | \$ 2,715                  | \$ 0         | \$ 15,156    |
| Short term investments                                    | 17,820       | 0                         | 0            | 17,820       |
| Accounts receivable, net                                  | 43,660       | 153,734                   | (3,134)      | 194,260      |
| Inventories   | 114,662      | 277,272                   | 0            | 391,934      |
| Prepaid expenses and other assets                         | 24,747       | 28,737                    | 0            | 53,484       |
| Total current assets                                      | 213,330      | 462,458                   | (3,134)      | 672,654      |
| Land, buildings, improvements and equipment, net          | 78,662       | 110,251                   | 0            | 188,913      |
| Goodwill  | 0            | 205,756                   | 0            | 205,756      |
| Investment in guarantors                                  | 693,615      | 0                         | (693,615)    | 0            |
| Other assets  | 57,255       | 36,582                    | 0            | 93,837       |
| Total   | \$ 1,042,862 | \$ 815,047                | \$ (696,749) | \$ 1,161,160 |
| <b>LIABILITIES AND EQUITY</b>                             |              |                           |              |              |
| Accounts payable  | \$ 36,869    | \$ 69,834                 | \$ (3,134)   | \$ 103,569   |
| Accrued expenses and other liabilities                    | 33,664       | 45,096                    | 0            | 78,760       |
| Total current liabilities                                 | 70,533       | 114,930                   | (3,134)      | 182,329      |
| Long-term debt  | 472,418      | 27                        | 0            | 472,445      |
| Other long-term obligations                               | 29,887       | 6,475                     | 0            | 36,362       |
| Shareholders' equity attributable to Central Garden & Pet | 468,678      | 693,615                   | (693,615)    | 468,678      |
| Noncontrolling interest                                   | 1,346        | 0                         | 0            | 1,346        |
| Total equity  | 470,024      | 693,615                   | (693,615)    | 470,024      |
| Total   | \$ 1,042,862 | \$ 815,047                | \$ (696,749) | \$ 1,161,160 |

**CONSOLIDATING CONDENSED BALANCE SHEET**  
**June 29, 2013**  
(in thousands)  
(unaudited)

|                                   | Parent    | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|-----------------------------------|-----------|---------------------------|--------------|--------------|
| <b>ASSETS</b>                     |           |                           |              |              |
| Cash and cash equivalents         | \$ 18,109 | \$ 2,373                  | \$ 0         | \$ 20,482    |
| Short term investments            | 17,820    | 0                         | 0            | 17,820       |
| Accounts receivable, net          | 69,602    | 178,236                   | (4,188)      | 243,650      |
| Inventories                       | 135,301   | 277,769                   | 0            | 413,070      |
| Prepaid expenses and other assets | 24,040    | 29,711                    | 0            | 53,751       |

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|  |         |         |           |         |
|--|---------|---------|-----------|---------|
| Total current assets                             | 264,872 | 488,089 | (4,188)   | 748,773 |
| Land, buildings, improvements and equipment, net | 82,107  | 108,814 | 0         | 190,921 |
| Goodwill   | 0       | 210,223 | 0         | 210,223 |
| Investment in guarantors                         | 733,748 | 0       | (733,748) | 0       |
| Deferred income taxes and other assets           | 53,049  | 41,670  | 0         | 94,719  |

|       |              |            |              |              |
|-------|--------------|------------|--------------|--------------|
| Total | \$ 1,133,776 | \$ 848,796 | \$ (737,936) | \$ 1,244,636 |
|-------|--------------|------------|--------------|--------------|

LIABILITIES AND EQUITY

|  |           |           |            |            |
|--|-----------|-----------|------------|------------|
| Accounts payable                               | \$ 46,305 | \$ 70,196 | \$ (4,188) | \$ 112,313 |
| Accrued expenses and other current liabilities | 50,276    | 43,142    | 0          | 93,418     |

|   |         |         |           |         |
|---|---------|---------|-----------|---------|
| Total current liabilities                                     | 96,581  | 113,338 | (4,188)   | 205,731 |
| Long-term debt  | 509,397 | 33      | 0         | 509,430 |
| Other long-term obligations                                   | 36,168  | 1,677   | 0         | 37,845  |
| Shareholders' equity attributable to Central Garden & Pet Co. | 489,946 | 733,748 | (733,748) | 489,946 |
| Noncontrolling interest                                       | 1,684   | 0       | 0         | 1,684   |

|              |         |         |           |         |
|--------------|---------|---------|-----------|---------|
| Total equity | 491,630 | 733,748 | (733,748) | 491,630 |
|--------------|---------|---------|-----------|---------|

|       |              |            |              |              |
|-------|--------------|------------|--------------|--------------|
| Total | \$ 1,133,776 | \$ 848,796 | \$ (737,936) | \$ 1,244,636 |
|-------|--------------|------------|--------------|--------------|

**CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS****Nine Months Ended June 28, 2014****(in thousands)****(unaudited)**

|  | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|--|---------------|-----------------------------------|---------------------|---------------------|
| Net cash provided (used) by operating activities     | \$ 47,393     | \$ 64,735                         | \$ (43,277)         | \$ 68,851           |
| Additions to property and equipment                  | (7,210)       | (6,497)                           | 0                   | (13,707)            |
| Proceeds from sale of property and equipment         | 0             | 5,171                             | 0                   | 5,171               |
| Proceeds from short term investments                 | 3,600         | 0                                 | 0                   | 3,600               |
| Payments to acquire companies                        | 0             | (20,262)                          | 0                   | (20,262)            |
| Investment in guarantor subsidiaries                 | (461)         | (42,816)                          | 43,277              | 0                   |
| Net cash provided (used) by investing activities     | (4,071)       | (64,404)                          | 43,277              | (25,198)            |
| Repayments of long-term debt                         | (172)         | (110)                             | 0                   | (282)               |
| Borrowings under revolving line of credit            | 278,000       | 0                                 | 0                   | 278,000             |
| Repayments under revolving line of credit            | (301,000)     | 0                                 | 0                   | (301,000)           |
| Repurchase of common stock                           | (1,190)       | 0                                 | 0                   | (1,190)             |
| Proceeds from issuance of common stock               | 594           | 0                                 | 0                   | 594                 |
| Payment of deferred financing costs                  | (3,090)       | 0                                 | 0                   | (3,090)             |
| Distribution to minority interest                    | (633)         | 0                                 | 0                   | (633)               |
| Excess tax benefits from stock-based awards          | 422           | 0                                 | 0                   | 422                 |
| Net cash provided (used) by financing activities     | (27,069)      | (110)                             | 0                   | (27,179)            |
| Effect of exchange rate changes on cash              | 351           | (135)                             | 0                   | 216                 |
| Net increase (decrease) in cash and cash equivalents | 16,604        | 86                                | 0                   | 16,690              |
| Cash and cash equivalents at beginning of period     | 12,441        | 2,715                             | 0                   | 15,156              |
| Cash and cash equivalents at end of period           | \$ 29,045     | \$ 2,801                          | \$ 0                | \$ 31,846           |

**CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS****Nine Months Ended June 29, 2013****(in thousands)****(unaudited)**

|  | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|--|---------------|-----------------------------------|---------------------|---------------------|
| Net cash provided (used) by operating activities | \$ 11         | \$ (14,977)                       | \$ (50,492)         | \$ (65,458)         |

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|  |           |          |        |           |
|--|-----------|----------|--------|-----------|
| Additions to property and equipment                  | (8,965)   | (10,569) | 0      | (19,534)  |
| Proceeds from short term investments                 | 4,885     | 0        | 0      | 4,885     |
| Payment to acquire companies                         | 0         | (4,835)  | 0      | (4,835)   |
| Investment in guarantor subsidiaries                 | (79,386)  | 28,894   | 50,492 | 0         |
| Net cash provided (used) by investing activities     | (83,466)  | 13,490   | 50,492 | (19,484)  |
| Repayments of long-term debt                         | (161)     | (96)     | 0      | (257)     |
| Borrowings under revolving line of credit            | 281,000   | 0        | 0      | 281,000   |
| Repayments under revolving line of credit            | (221,000) | 0        | 0      | (221,000) |
| Repurchase of common stock                           | (2,625)   | 0        | 0      | (2,625)   |
| Proceeds from issuance of common stock               | 560       | 0        | 0      | 560       |
| Distribution to minority interest                    | (629)     | 0        | 0      | (629)     |
| Excess tax benefits from stock-based awards          | 345       | 0        | 0      | 345       |
| Net cash provided (used) by financing activities     | 57,490    | (96)     | 0      | 57,394    |
| Effect of exchange rate changes on cash              | (588)     | 143      | 0      | (445)     |
| Net increase (decrease) in cash and cash equivalents | (26,553)  | (1,440)  | 0      | (27,993)  |
| Cash and cash equivalents at beginning of period     | 44,662    | 3,813    | 0      | 48,475    |
| Cash and cash equivalents at end of period           | \$ 18,109 | \$ 2,373 | \$ 0   | \$ 20,482 |

The Company and its guarantor subsidiaries participate in a cash pooling program. As part of this program, cash balances are generally swept on a daily basis between the guarantor subsidiary bank accounts and those of the Company. In addition, the Company pays expenses on behalf of its guarantor subsidiaries on a regular basis. These types of transactions have been accounted for as investments in guarantor subsidiaries within investing activities.

#### **14. Contingencies**

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

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

### Our Company

Central Garden & Pet Company 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 food and supplies industry is estimated to be approximately \$30 billion in annual retail sales. We estimate the annual retail sales of the pet supplies and super-premium pet food markets in the categories in which we participate to be approximately \$13.5 billion. The total lawn and garden industry in the United States, which includes equipment, supplies and services, is estimated to be approximately \$21 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. In addition, we participate in the pottery and seasonal décor markets.

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

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

In fiscal 2013, our consolidated net sales were \$1.7 billion, of which our Pet segment, or Pet, accounted for approximately \$888 million and our Lawn and Garden segment, or Garden, accounted for approximately \$765 million. In fiscal 2013, our branded product sales were approximately \$1.4 billion, or approximately 83% of total sales, sales of other manufacturers' products were approximately 17% of total sales. In fiscal 2013, our income from operations, before corporate expenses and eliminations of \$64 million, was \$104 million, of which the Pet segment accounted for \$96 million and the Garden segment accounted for \$8 million. See Note 12 to our consolidated financial statements for financial information about our two operating segments.

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

### Recent Developments

#### *Harbinger Proposals*

During June 2014, we received an unsolicited letter from Harbinger Group Inc. requesting that our Board discuss with Harbinger a possible acquisition by Harbinger of all outstanding shares of our common stock at \$10 per share in cash or, alternatively, the acquisition of our Pet segment for \$750 million in cash, subject to due diligence. Our Board has retained independent financial and legal advisors to assist the Board in its review of the two proposals. We expect that

administrative expenses will increase during this review.

*Garden Segment Discontinued Product Charge*

During fiscal 2013, we introduced two new Garden products. Despite enthusiastic support from our retailers and substantial marketing spend, the new products did not sell through as expected, and we took a significant charge related to inventory and product and packaging changes at the end of the fourth quarter of fiscal 2013 relating to the new products. Despite a concerted effort to improve consumer takeaway of the products through product, packaging and placement changes, as well as aggressive promotions, we continued to experience weak consumer sales of the products in their second season and late in the third quarter major retailers indicated that they would not support the products going forward. Consequently, we have made the decision to discontinue the two products at the end of the 2014 garden season. As a result, we recorded a \$16.9 million charge ( garden charge ) to operating income in the quarter ended June 28, 2014, to write off the remaining inventory of these products and to account for product returns, promotional allowances and other costs related to the discontinuance of the products. The Company estimates that it may incur up to an additional \$2.5 million in related disposal costs which would be reflected in the fourth quarter of 2014 and future quarters.

*Use of Non-GAAP Financial Measures*

The Company reports its financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that certain non-GAAP financial measures that exclude the impact of the garden charge and a gain recognized during the quarter ended June 28, 2014 in the garden segment related to the sale of plant assets may be useful in certain instances to provide additional meaningful comparisons between current results and results in prior operating periods that should be considered when assessing our ongoing performance. Additionally, we have provided a comparison of our net debt amounts which can be used as a measure of our net debt balances. The Company believes that these non-GAAP financial measures provide useful information to investors and other users of its financial statements, such as lenders. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating the Company's performance. While the Company's management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace the Company's GAAP financial results and should be read in conjunction with those GAAP results.

**GAAP to Non-GAAP Reconciliation**

(unaudited, in thousands, except per share amounts)

**For the Three Months Ended****Gain on Sale**

|   | <b>June 28,<br/>2014<br/>GAAP</b> | <b>Garden<br/>Charge<sup>(A)</sup></b> | <b>Of<br/>Fixed<br/>Assets<sup>(B)</sup></b> | <b>June 28, 2014<br/>As<br/>Adjusted</b> | <b>June 29, 2013<br/>GAAP</b> |
|---|-----------------------------------|--|--|--|-------------------------------|
| Net sales   | \$ 437,987                        | \$ 7,035                               | \$   | \$ 445,022                               | \$ 494,130                    |
| Cost of goods sold and occupancy                                      | 318,856                           | (9,873)                                |  | 308,983                                  | 341,664                       |
| Gross profit  | \$ 119,131                        | \$ 16,908                              | \$   | \$ 136,039                               | \$ 152,466                    |
| Selling, general and administrative expenses                          | 100,705                           |  | 1,996  | 102,701                                  | 119,574                       |
| Income from operations  | 18,426                            | 16,908                                 | (1,996)                                      | 33,338                                   | 32,892                        |
| Net Income  | \$ 4,687                          | \$ 10,652                              | \$ (1,258)                                   | \$ 14,081                                | \$ 13,725                     |
| Earnings per share Diluted  | \$ 0.09                           | \$ 0.21                                | \$ (0.02)                                    | \$ 0.28                                  | \$ 0.28                       |
| Weighted Shares Outstanding   | 49,841                            | 49,841                                 | 49,841                                       | 49,841                                   | 48,822                        |
| Gross margin  | 27.2%                             |  |  | 30.6%                                    | 30.9%                         |
| Selling, general and administrative expenses as a percentage of sales | 23.0%                             |  |  | 23.1%                                    | 24.2%                         |
| Operating margin  | 4.2%                              |  |  | 7.5%                                     | 6.7%                          |

**For the Nine Months Ended****Gain on****Sale****Of****Fixed****Assets<sup>(B)</sup>**

|           | <b>June 28, 2014<br/>GAAP</b> | <b>Garden<br/>Charge<sup>(A)</sup></b> | <b>June 28,<br/>2014 As<br/>Adjusted</b> | <b>June 29,<br/>2013<br/>GAAP</b> |
|-----------|-------------------------------|--|--|-----------------------------------|
| Net sales | \$ 1,230,119                  | \$ 7,035                               | \$ 1,237,154                             | \$ 1,284,796                      |

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|   |            |           |            |            |            |
|---|------------|-----------|------------|------------|------------|
| Cost of goods sold and occupancy                                      | 883,651    | (9,873)   |            | 873,778    | 902,201    |
| Gross profit  | \$ 346,468 | \$ 16,908 | \$         | \$ 363,376 | \$ 382,595 |
| Selling, general and administrative expenses                          | 291,628    |           | 1,996      | 293,624    | 316,051    |
| Income from operations  | 54,840     | 16,908    | (1,996)    | 69,752     | 66,544     |
| Net Income  | \$ 12,874  | \$ 10,652 | \$ (1,258) | \$ 22,268  | \$ 20,652  |
| Earnings per share Diluted  | \$ 0.26    | \$ 0.22   | \$ (0.03)  | \$ 0.45    | \$ 0.42    |
| Weighted Shares Outstanding   | 49,201     | 49,201    | 49,201     | 49,201     | 48,766     |
| Gross margin  | 28.2%      |           |            | 29.4%      | 29.8%      |
| Selling, general and administrative expenses as a percentage of sales | 23.7%      |           |            | 23.7%      | 24.6%      |
| Operating margin  | 4.5%       |           |            | 5.6%       | 5.2%       |

|   | For the Three Months Ended |           | For the Nine Months Ended |           |
|---|----------------------------|-----------|---------------------------|-----------|
|   | Net Sales                  |           | Net Sales                 |           |
| Garden Segment:                             |                            |           |                           |           |
| June 28, 2014 as reported (GAAP)            | \$                         | 210,905   | \$                        | 601,688   |
| Garden charge <sup>(A)</sup>                |                            | 7,035     |                           | 7,035     |
| June 28, 2014 as adjusted                   | \$                         | 217,940   | \$                        | 608,723   |
|   | For the Three Months Ended |           | For the Nine Months Ended |           |
|   | Income from                | Operating | Income from               | Operating |
|   | Operations                 | Margin    | Operations                | Margin    |
| June 28, 2014 as reported (GAAP)            | \$                         | 4,011     | \$                        | 34,579    |
| Garden Charge <sup>(A)</sup>                |                            | 16,908    |                           | 16,908    |
| Gain on sale of fixed assets <sup>(B)</sup> |                            | (1,996)   |                           | (1,996)   |
| June 28, 2014 as adjusted                   | \$                         | 18,923    | \$                        | 49,491    |
| June 29, 2013 as reported (GAAP)            | \$                         | 13,668    | \$                        | 39,090    |
|   |                            | 1.9%      |                           | 5.7%      |
|   |                            | 8.7%      |                           | 8.1%      |
|   |                            | 5.3%      |                           | 6.3%      |

(A) The Non-GAAP financial information excludes the impact of a garden segment charge to write off inventory, account for product returns and promotional allowances and other costs related to the discontinuance of certain products introduced in 2013.

(B) The gain on sale of fixed assets correlates to the sale of plant assets during the quarter ended June 28, 2014 related to a product the garden segment will now purchase rather than produce.

**Net Debt Calculation**  
(unaudited, in thousands)  
**June 28,**      **June 29,**  
**2014**      **2013**

|                                   |         |         |
|-----------------------------------|---------|---------|
| <b>Net Debt:</b>                  |         |         |
| Current portion of long term debt | \$ 296  | \$ 205  |
| Long term debt                    | 449,994 | 509,430 |
| Total long term debt              | 450,290 | 509,635 |
| Less:                             |         |         |
| Cash and cash equivalents         | 31,846  | 20,482  |
| Short term investments            | 14,220  | 17,820  |

Net debt       \$       404,224   \$       471,333

***Fiscal 2014 Third Quarter Financial Performance Compared to Fiscal 2013 Third Quarter:***

Our net sales decreased \$56.1 million, or 11.4%, to \$438.0 million due primarily to a \$45.4 million decrease in our garden segment impacted by a shift in the timing of sales between the second and third quarter and a product return and promotional allowance for discontinued products.

Gross profit declined \$33.4 million and our gross margin declined 370 basis points to 27.2% due primarily to the \$16.9 million garden charge for the two controls and fertilizer products that will be discontinued at the end of the garden season. Adjusting for the \$16.9 million garden charge, gross profit was \$136.0 million and gross margin was 30.6% compared to 30.9% in the prior year quarter.

Selling, general & administrative expenses decreased as a percentage of net sales to 23.0% from 24.2% in the prior year quarter. Adjusting for the gain on the sale of fixed assets in our garden segment, selling, general and administrative expense as a percentage of net sales was 23.1%.

Operating income decreased \$14.5 million to \$18.4 million. Adjusting for the \$16.9 million garden charge and the \$2.0 million gain on the sale of fixed assets, operating income increased \$0.4 million to \$33.3 million compared to the prior year quarter.

Our effective income tax rate was 37.0% in the second quarter of fiscal 2014, compared to 34.3% in the third quarter of fiscal 2013.

Our net income in the third quarter of fiscal 2014 was \$4.7 million, or \$0.09 per share, compared to \$13.7 million, or \$0.28 per share, in the third quarter of fiscal 2013. Adjusting for the \$16.9 million garden charge and the \$2.0 million gain on the sale of fixed assets, our net income was \$14.1 million, or \$0.28 per share.

Net debt, defined as long-term debt less cash and cash equivalents and short-term investments, was \$404.2 million, a \$67.1 million improvement over the prior year.

## **Results of Operations**

### **Three Months Ended June 28, 2014**

### **Compared with Three Months Ended June 29, 2013**

#### ***Net Sales***

Net sales for the three months ended June 28, 2014 decreased \$56.1 million, or 11.4%, to \$438.0 million from \$494.1 million for the three months ended June 29, 2013 primarily attributable to the garden segment. Our branded product sales decreased \$60.2 million and sales of other manufacturers' products increased \$4.1 million due to expanded distribution.

Pet net sales decreased \$10.7 million, or 4.5%, to \$227.1 million for the three months ended June 28, 2014 from \$237.8 million for the three months ended June 29, 2013. Pet branded product sales decreased \$17.4 million, due primarily to a \$7.5 million decrease in our bird and small animal category and a \$5.7 million decrease in our aquatic category, partially offset by a \$6.7 million increase in sales of other manufacturers' products due primarily to expanded distribution. Both our bird and small animal and aquatic category decreases were primarily volume driven. The decrease in sales in the pet segment was due in part to industry weakness and lost shelf space in the categories in which we participate. Increased competition in the flea & tick category also was a factor. Within our animal health category, lower flea and tick product sales were partially offset by increased professional sales.

Garden net sales decreased \$45.4 million, or 17.7%, to \$210.9 million for the three months ended June 28, 2014 from \$256.3 million for the three months ended June 29, 2013. Garden branded product sales decreased \$42.8 million and sales of other manufacturers' products decreased \$2.6 million. The sales decrease in our garden branded products was due primarily to a \$23.9 million decrease in controls and fertilizers, a \$6.5 million decrease in grass seed, a \$6.3 million decrease in wild bird feed, and a \$9.6 million decrease in other garden supplies. Sales were impacted by an early inventory build by the retailers in anticipation of an early spring garden season which shifted sales from our third fiscal quarter into our second fiscal quarter. The decrease in controls and fertilizers was primarily volume related. Controls and fertilizer net sales also included a \$7 million charge for product returns and promotional allowances for the two discontinued garden products. While grass seed and wild bird feed sales were impacted primarily by the sales shift between quarters, wild bird feed was also secondarily impacted by reduced pricing due to reduced commodity related costs.

#### ***Gross Profit***

Gross profit for the three months ended June 28, 2014 decreased \$33.4 million, or 21.9%, to \$119.1 million from \$152.5 million for the three months ended June 29, 2013. The decrease in gross profit was primarily in the garden segment. Gross margin declined from 30.9% for the three months ended June 29, 2013 to 27.2% for the three months ended June 28, 2014. The gross margin decline was due to a decline in the garden segment, partially offset by an increased gross margin in the pet segment. Adjusting for the \$16.9 million garden charge, gross profit for the three months ended June 28, 2014 was \$136.0 million, a decrease of \$16.5 million, or 10.8%. Gross margin, adjusted for the garden charge, was 30.6% as compared to 30.9% in the comparable prior year quarter.

Gross profit decreased in the pet segment for the three months ended June 28, 2014 due to decreased sales, but the impact was partially offset by an improved gross margin. The largest contributor to the pet segment margin improvement was our small animal business which benefitted from lower commodity costs and manufacturing efficiency gains. In the garden segment, both gross profit and gross margin decreased for the three months ended June 28, 2014, as compared to the prior year quarter, due primarily to the \$16.9 million garden charge. Additionally, gross margin decreased in grass seed due primarily to higher costs, and controls and fertilizers, impacted by lower sales volumes and a sales mix shift. These decreases were partially offset by improved gross margins in wild bird feed which benefitted from lower commodity costs.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses decreased \$18.9 million, or 15.8%, to \$100.7 million for the three months ended June 28, 2014 from \$119.6 million for the three months ended June 29, 2013. As a percentage of net sales, selling, general and administrative expenses decreased to 23.0% for the three months ended June 28, 2014, compared to 24.2% in the comparable prior year quarter. Excluding the garden charge and gain on the sale of fixed assets in our garden segment, selling, general and administrative expenses decreased \$16.9 million from prior year, to \$102.7 million, and were 23.1%, as a percentage of net sales.

Selling and delivery expense decreased \$14.4 million, or 19.0%, to \$61.2 million for the three months ended June 28, 2014 from \$75.6 million for the three months ended June 29, 2013. The decrease was due primarily to decreased marketing program expenses, primarily advertising, associated with our controls and fertilizers and grass seed categories in our garden segment.

Warehouse and administrative expense decreased \$4.5 million, or 10.2%, to \$39.5 million for the quarter ended June 28, 2014 from \$44.0 million in the quarter ended June 29, 2013. The decrease was due primarily to a \$2.0 million gain in our garden segment from the sale of plant assets related to a seasonal product we intend to purchase rather than produce as well as decreased volume. Corporate expenses are included within administrative expense and relate to the costs of unallocated executive, administrative, finance, legal, human resource, and information technology functions.

### ***Operating Income***

Operating income decreased \$14.5 million, or 44.0%, to \$18.4 million for the three months ended June 28, 2014. Operating income was adversely impacted by lower sales and the \$16.9 million garden charge, partially offset by lower selling, general and administrative expenses. Operating margin was 4.2% for the three months ended June 28, 2014 and 6.7% for the three months ended June 29, 2013. Excluding the garden charge and the gain on the sale of fixed assets in our garden segment, the adjusted operating income was \$33.3 million, as compared to \$32.9 million in the prior year quarter, and operating margin was 7.5% as compared to 6.7% in the prior year quarter.

Pet operating income decreased \$4.7 million, or 14.2% to \$28.4 million for the three months ended June 28, 2014 from \$33.1 million for the three months ended June 29, 2013. The decrease was due primarily to decreased sales, which drove lower gross profit, and increased selling, general and administrative expenses. Pet operating margin decreased from 13.9% for the three months ended June 29, 2013 to 12.5% for the three months ended June 28, 2014. Garden operating income decreased \$9.7 million, or 70.8%, to \$4.0 million from \$13.7 million in fiscal 2013 due to the \$16.9 million garden charge. Adjusting for the garden charge and the gain on the sale of fixed assets, operating income increased \$5.2 million to \$18.9 million, and operating margin was 9.0% as compared to 5.3% in the prior year quarter.

### ***Net Interest Expense***

Net interest expense for the three months ended June 28, 2014 decreased \$0.9 million, or 8.0%, to \$10.4 million from \$11.3 million for the three months ended June 29, 2013. Interest expense decreased due primarily to lower average debt outstanding during the quarter ended June 28, 2014. Debt outstanding on June 28, 2014 was \$450.3 million compared to \$509.6 million as of June 29, 2013, a decrease of \$59.3 million.

### ***Other Income / Expense***

Other income increased \$0.1 million to \$0.5 million. Other income is comprised of income from investments accounted for under the equity method of accounting, foreign currency exchange gains and losses, and realized and unrealized gains and losses from derivative contracts used to economically hedge anticipated commodity purchases for use in our products.

### ***Income Taxes***

Our effective income tax rate was 37.0% for the quarter ended June 28, 2014 and 34.3% for the quarter ended June 29, 2013. The income tax rate increase was due primarily to tax credits available in the prior year quarter that were not available in the current year quarter.

**Nine Months Ended June 28, 2014**

**Compared with Nine Months Ended June 29, 2013**

*Net Sales*

Net sales for the nine months ended June 28, 2014 decreased \$54.7 million, or 4.3%, to \$1230.1 million from \$1,284.8 million for the nine months ended June 29, 2013. Our branded product sales decreased \$71.6 million, while sales of other manufacturers' products increased \$16.9 million due to expanded distribution.

Pet net sales decreased \$39.4 million, or 5.9%, to \$628.4 million for the nine months ended June 28, 2014 from \$667.8 million in the comparable fiscal 2013 period. The decline in pet sales was due in part to industry weakness and lost shelf space in the categories in which we participate. Pet branded product sales decreased \$54.4 million from the prior year period, due primarily to a \$14.5 million decrease in our animal health category, a \$14.3 million decrease in our bird and small animal category and a \$13.9 million

decrease in our aquatics category; all of these decreases were primarily volume driven. Our animal health category was impacted by lower sales in the flea and tick category, which was impacted by increased competition. Sales of other manufacturers' products increased approximately \$15.0 million benefitting from expanded distribution compared to the prior year nine month period.

Garden net sales decreased \$15.3 million, or 2.5%, to \$601.7 million for the nine months ended June 28, 2014 from \$617.0 million in the comparable fiscal 2013 period. Garden branded product sales decreased \$17.2 million due to a \$19.7 million decrease in our controls and fertilizer category which was impacted by reduced volumes, including reduced sales of the two garden products introduced in 2013. Our controls and fertilizer category was also impacted by a \$7 million charge for amounts related to returns and promotional allowances for the two discontinued garden products. The decrease in controls and fertilizers was partially offset by volume driven sales increases in grass seed and wild bird feed. Sales of other manufacturers' products increased approximately \$1.9 million compared to the comparable prior year period.

### ***Gross Profit***

Gross profit for the nine months ended June 28, 2014 decreased \$36.1 million, or 9.4%, to \$346.5 million from \$382.6 million for the nine months ended June 29, 2013. Gross profit as a percentage of net sales decreased from 29.8% for the nine months ended June 29, 2013 to 28.2% for the nine months ended June 28, 2014, with a gross margin decline in the garden segment, including the garden charge, partially offset by an increase in the pet segment. Adjusting for the \$16.9 million garden charge, gross profit for the nine months ended June 28, 2014 decreased \$19.2 million, or 5.1%, to \$363.4 million from \$382.6 million for the nine months ended June 29, 2013. Adjusted gross margin decreased from 29.8% for the nine months ended June 29, 2013 to 29.4% for the nine months ended June 28, 2014.

Gross profit decreased in the pet segment for the nine months ended June 28, 2014 due to decreased sales, partially offset by an improved gross margin. The largest contributor to the margin increase was our bird and small animal business which benefitted from lower commodity costs in wild bird feed. Gross profit and gross margin decreased in the garden segment for the nine months ended June 28, 2014 due primarily to the \$16.9 million garden charge. Additionally, decreased gross margins in grass seed, due primarily to higher costs, and controls and fertilizers, impacted by lower sales volumes and a sales mix shift impacted gross profit and gross margin. These decreases in the garden gross margin were partially offset by improved gross margins in wild bird feed, which benefitted from lower commodity costs.

### ***Selling, General and Administrative Expenses***

Selling, general and administrative expenses decreased \$24.5 million, or 7.7%, to \$291.6 million for the nine months ended June 28, 2014 from \$316.1 million for the nine months ended June 29, 2013. As a percentage of net sales, selling, general and administrative expenses decreased to 23.7% for the nine months ended June 28, 2014, compared to 24.6% in the prior year nine month period. As adjusted, our selling, general and administrative expenses decreased \$22.5 million from the prior year period to \$293.6 million and was 23.7% as a percentage of net sales.

Selling and delivery expense decreased \$19.9 million, or 10.9%, to \$162.6 million for the nine months ended June 28, 2014 from \$182.5 million for the nine months ended June 29, 2013. The decrease was due primarily to decreased marketing program expenses, primarily advertising, associated with our controls and fertilizers and grass seed categories in our garden segment.

Warehouse and administrative expense decreased \$4.6 million to \$129.0 million for the nine months ended June 28, 2014 from \$133.6 million in the nine months ended June 29, 2013. Decreased costs in both our operating segments were partially offset by increased costs at corporate. In our pet segment, the prior year warehouse consolidations are now yielding savings and in our garden segment we recorded a \$2 million gain from the sale of plant assets related to

a seasonal product we intend to purchase rather than produce. Corporate operating expense increased due primarily to increased insurance program costs and information technology third party provider costs.

### ***Operating Income***

Operating income decreased \$11.7 million, or 17.6%, to \$54.8 million for the nine months ended June 28, 2014. Operating income was adversely impacted by lower sales and the \$16.9 million garden charge, partially offset by lower selling, general and administrative expenses. Operating margin was 4.5% for the nine months ended June 28, 2014 and 5.2% for the nine months ended June 29, 2013. Excluding the garden charge and the gain on the sale of fixed assets in the garden segment, the adjusted operating income was \$69.8 million, as compared to \$66.5 million in the prior year, and operating margin was 5.6% as compared to 5.2% in the prior year.

Pet segment operating income decreased \$3.7 million, or 5.2%, to \$67.0 million for the nine months ended June 28, 2014 from \$70.7 million for the nine months ended June 29, 2013. The decrease was due primarily to decreased sales, which drove lower gross profit, partially offset by decreased selling, general and administrative expenses. Pet operating margin increased from 10.6% for the nine months ended June 29, 2013 to 10.7% for the nine months ended June 28, 2014. Garden operating income decreased

\$4.5 million, or 11.5%, to \$34.6 million due to the \$16.9 million garden charge. The adjusted operating income in garden was \$49.5 million, as compared to \$39.1 million in the prior year nine month period, and the adjusted operating margin was 8.1% as compared to 6.3% in the prior year nine month period. Corporate operating expenses increased \$3.5 million due primarily to increased insurance program costs and information technology third party provider costs.

### ***Net Interest Expense***

Net interest expense for the nine months ended June 28, 2014 increased \$0.5 million or 1.6%, to \$33.0 million from \$32.5 million for the nine months ended June 29, 2013. The increase was due primarily to a non-cash charge of \$1.7 million in the first quarter of fiscal 2014 related to the write-off of unamortized deferred financing costs related to our prior revolving credit facility as a result of our entry into a new asset-based credit facility. The write-off of the unamortized deferred financing costs was partially offset by lower interest expense due primarily to our lower average debt outstanding during the nine month period ended June 28, 2014 as compared to the prior year nine month period.

### ***Other Expense***

Other income was \$0.4 million for the nine months ended June 28, 2014, compared to expense of \$0.7 million for the nine months ended June 29, 2013, an improvement of \$1.1 million. The improvement was due primarily to realized and unrealized gains and losses incurred in the prior year nine month period from derivative contracts used to economically hedge anticipated commodity purchases for use in our products.

### ***Income Taxes***

Our effective income tax rate was 37.0% for the nine months ended June 28, 2014 and 34.1% for the nine months ended June 29, 2013. Our 2013 tax rate benefited primarily from additional tax credits available in 2013.

### ***Inflation***

Our revenues and margins are dependent on various economic factors, including rates of inflation, energy costs, consumer attitudes toward discretionary spending, currency fluctuations, and other macro-economic factors which may impact levels of consumer spending. 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 controls and fertilizers. Rising costs have made it difficult for us to increase prices to our retail customers at a pace sufficient to enable us to maintain margins.

In recent years, our business was negatively impacted by low consumer confidence, as well as other macro-economic factors. In fiscal 2012 and throughout most of fiscal 2013, commodity costs continued to increase. Recently, commodity costs have been declining although we have seen increases in our grass seed costs. We continue to monitor commodity prices in order to take action to mitigate the impact of increasing raw material costs.

### ***Weather and Seasonality***

Our sales of lawn and garden products are influenced by weather and climate conditions in the different markets we serve. Additionally, our garden segment's business is highly seasonal. In fiscal 2013, approximately 68% of our garden segment's net sales and 60% of our total net sales occurred during our second and third fiscal quarters. Substantially all of our garden segment's operating income is typically generated in this period, which has historically offset the operating loss incurred during the first fiscal quarter of the year.

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

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

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

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 our Garden segment's net sales occurring during the second and third fiscal quarters. This seasonality requires the shipment of large quantities of product well ahead of the peak consumer buying periods. To encourage retailers and distributors to stock large quantities of inventory, industry practice has been for manufacturers to give extended credit terms and/or promotional discounts.

### ***Operating Activities***

Net cash provided by operating activities increased by \$134.3 million, from \$65.4 million of cash used in operating activities for the nine months ended June 29, 2013, to \$68.9 million of cash provided by operating activities for the nine months ended June 28, 2014. The increase in cash provided by operating activities was due primarily to decreased working capital investment, specifically our investment in inventory. In the prior year period, we built safety stock to ensure our ability to service our customers would not be disrupted. We are focused on bringing our investment in inventory down over time, while maintaining high fill rates and service levels to our customers.

### ***Investing Activities***

Net cash used in investing activities increased \$5.7 million, from \$19.5 million for the nine months ended June 29, 2013 to \$25.2 million during the nine months ended June 28, 2014. The increase in cash used in investing activities was due primarily to our acquisition of certain assets of Envincio LLC in April 2014 for approximately \$20 million. The impact of our acquisition activity was partially offset by a decrease in capital expenditures in the current year as compared to the prior year period due to reduced expenditures related to facilities and our ERP implementation, as well as proceeds received from the sale of certain property and equipment.

### ***Financing Activities***

Net cash used in financing activities increased \$ 84.6 million, from \$57.4 million of cash provided by financing activities for the nine months ended June 29, 2013, to \$27.2 million of cash used in financing activities for the nine months ended June 28, 2014. The increase in cash used was due primarily to higher net repayments under our revolving credit facility during the nine months ended June 28, 2014 compared to the nine months ended June 29, 2013.

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

We anticipate that our capital expenditures, which are related primarily to replacements and upgrades to plant and equipment and investment in our implementation of a scalable enterprise-wide information technology platform, will not exceed \$20 million during fiscal 2014. We are investing in this information technology platform to improve existing operations, support future growth and enable us to take advantage of new applications and technologies. We invested approximately \$82 million from fiscal 2005 through fiscal 2013 in this initiative. Capital expenditures for 2014 and beyond will depend upon the pace of conversion of those remaining legacy systems. This initiative, when complete, will combine our numerous information systems, 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.

At June 28, 2014, our total debt outstanding was \$450.3 million, as compared with \$509.6 million at June 29, 2013, a reduction of \$59.3 million.

***Asset Backed Loan Facility***

On December 5, 2013, we entered into a credit agreement which provides up to a \$390 million principal amount senior secured asset-based revolving credit facility, with up to an additional \$200 million principal amount available with the consent of the Lenders if we exercise the accordion feature set forth therein (collectively, the Credit Facility ). The Credit Facility matures on December 5, 2018 and replaced our prior revolving credit facility. We may borrow, repay and reborrow amounts under the Credit Facility until its maturity date, at which time all amounts outstanding under the Credit Facility must be repaid in full. As of June 28, 2014, there were no borrowings outstanding under the Credit Facility. There were no letters of credit outstanding under the Credit Facility as of June 28, 2014. There were other letters of credit of \$14.2 million outstanding as of June 28, 2014.

The Credit Facility is subject to a borrowing base, calculated using a formula based upon eligible receivables and inventory, minus certain reserves and subject to restrictions. The borrowing availability as of June 28, 2014 was \$390 million, the maximum amount available under the credit facility. Borrowings under the Credit Facility will bear interest at an index based on LIBOR or, at the option of the Company, the Base Rate (defined as the highest of (a) the SunTrust prime rate, (b) the Federal Funds Rate plus 0.5% and (c) one-month LIBOR plus 1.00%), plus, in either case, an applicable margin based on the Company's total outstanding borrowings. Such applicable margin for LIBOR-based borrowings fluctuates between 1.25%-1.75% (and was 1.25% at June 28, 2014) and such applicable margin for Base Rate borrowings fluctuates between 0.25%-0.75% (and was 0.25 % at June 28, 2014). As of June 28, 2014, the applicable interest rate related to Base Rate borrowings was 3.5%, and the applicable interest rate related to LIBOR-based borrowings was 1.4%.

The Credit Facility contains customary covenants, including financial covenants which require us to maintain a minimum fixed charge coverage ratio of 1.00:1.00 upon reaching certain borrowing levels. The Credit Facility is secured by substantially all assets of the Company. We were in compliance with all covenants under the Credit Facility during the period ended June 28, 2014.

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

We recorded a non-cash charge of \$1.7 million for the three month period ended December 29, 2013, as part of interest expense, related to the write-off of unamortized deferred financing costs under the prior revolving credit facility.

### ***Senior Subordinated Notes***

On March 8, 2010, we issued \$400 million aggregate principal amount of 8.25% senior subordinated notes due March 1, 2018 (the 2018 Notes). On February 13, 2012, we issued an additional \$50 million aggregate principal amount of our 2018 Notes at a price of 98.501%, plus accrued interest from September 1, 2011, in a private placement. We used the net proceeds from the offering to pay a portion of the outstanding balance under our prior credit facility.

The estimated fair value of our \$450 million of 2018 Notes as of June 28, 2014 was approximately \$469.1 million. The estimated fair value is based on quoted market prices for these 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 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 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. 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 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. We were in compliance with all financial covenants related to the 2018 Notes indenture as of June 28, 2014.

### **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 28, 2013 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 28, 2013.

### **New Accounting Pronouncements**

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

### **Critical Accounting Policies, Estimates and Judgments**

There have been no material changes to our critical accounting policies, estimates and assumptions or the judgments affecting the application of those accounting policies since our Annual Report on Form 10-K for the fiscal year ended September 28, 2013.

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

There has been no material change in our exposure to market risk from that discussed in our Annual Report on Form 10-K for the fiscal year ended September 28, 2013.

### **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 28, 2014.

(b) *Changes in Internal Control Over Financial Reporting.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated whether any change in our internal control over financial reporting occurred during the third quarter of fiscal 2014. Based on that evaluation, management concluded that there has been no change in our internal control over financial reporting during the third quarter of fiscal 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

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

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

### **Item 1A. Risk Factors**

There have been no material changes from the risk factors previously disclosed in Item 1A to Part I of our Form 10-K for the fiscal year ended September 28, 2013 with the except for the following.

***We could have a significant increase in legal and other third party costs relating to unsolicited proposals received from Harbinger, and the pending proposals could have an adverse impact on our employees and customers.***

During June 2014, we received an unsolicited letter from Harbinger Group Inc. requesting that we discuss with Harbinger a possible acquisition by Harbinger of all outstanding shares of Central's common stock at \$10 per share in

cash or, alternatively, the acquisition of our Pet segment for \$750 million in cash, subject to due diligence. Our Board has retained independent financial and legal advisors to assist it in its review of the two proposals. We may incur significant legal expenses and advisory fees as part of the review. In addition, the uncertainty created by the pending proposals could cause current and prospective employees to experience uncertainty about their future roles with us, which may materially adversely affect our ability to attract and retain key employees. Moreover, the uncertainty created by the pending proposals could have a negative impact on our customer relationships, which could adversely impact our sales and financial results.

**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 28, 2014 and the dollar amount of authorized share repurchases remaining under our stock repurchase program.

| Period         |               | Total Number<br>of Shares<br>(or Units)<br>Purchased | Average<br>Price Paid<br>per<br>Share<br>(or<br>Units) | Total Number<br>of Shares<br>(or Units)<br>Purchased<br>as<br>Part of Publicly<br>Announced Plans<br>or<br>Programs | Maximum Number (or<br>Approximate Dollar Value)<br>of Shares<br>(or Units)<br>that May Yet Be Purchased<br>Under the Plans or<br>Programs <sup>(1)</sup> |
|----------------|---------------|--|--|---|--|
| March 30, 2014 | May 3, 2014   | 1,318 <sup>(2)</sup>                                 | \$ 8.44  | 0   | \$ 50,091,000  |
| May 4, 2014    | May 31, 2014  | 2,383 <sup>(2)</sup>                                 | \$ 7.85  | 0   | \$ 50,091,000  |
| June 1, 2014   | June 28, 2014 | 10,012 <sup>(2)</sup>                                | \$ 9.43  | 0   | \$ 50,091,000  |
| Total          |               | 13,713   | \$ 9.06  | 0   | \$ 50,091,000  |

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

**Item 3. Defaults Upon Senior Securities**

Not applicable

**Item 4. Mine Safety Disclosures**

Not applicable

**Item 5. Other Information**

Not applicable

**Item 6. Exhibits**

31.1 Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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|           |   |
|-----------|---|
| 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.                        |
| 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 7, 2014

/s/ JOHN R. RANELLI

John R. Ranelli

President and Chief Executive Officer

*(Principal Executive Officer)*

/s/ LORI A. VARLAS

Lori A. Varlas

Chief Financial Officer

*(Principal Financial Officer)*