

CENTRAL GARDEN & PET CO  
Form 10-Q  
August 05, 2015  
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**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 27, 2015**

**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)**  
**1340 Treat Blvd., Suite 600, Walnut Creek, California 94597**

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

**(Address of principal 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, 2015         | 11,908,317 |
| Class A Common Stock Outstanding as of July 31, 2015 | 36,302,211 |

Class B Stock Outstanding as of July 31, 2015

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, 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 the Form 10-K for the fiscal year ended September 27, 2014, including the factors described in the section entitled Item 1A Risk Factors. If any of these risks or uncertainties materializes, or if any of our underlying assumptions 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, except as required by law. 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;

declines in consumer spending during economic downturns;

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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;

consolidation trends in the retail industry;

competition in our industries;

risks associated with our acquisition strategy, including integration of acquired businesses;

potential goodwill or intangible asset impairment;

dependence upon our key executives and the ability to execute on our succession plan;

continuing 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.

**Table of Contents****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 27,<br/>2015</b> | <b>June 28,<br/>2014</b> | <b>September 27,<br/>2014</b> |
|---|--------------------------|--------------------------|-------------------------------|
| <b>ASSETS</b>   |                          |                          |                               |
| Current assets:   |                          |                          |                               |
| Cash and cash equivalents   | \$ 43,841                | \$ 31,846                | \$ 78,676                     |
| Restricted cash   | 12,590                   | 0                        | 14,283                        |
| Short term investments  | 0                        | 14,220                   | 9,990                         |
| Accounts receivable (less allowance for doubtful accounts of \$18,573, \$29,221 and \$25,212)   | 223,149                  | 214,120                  | 193,729                       |
| Inventories   | 340,233                  | 365,035                  | 326,386                       |
| Prepaid expenses and other  | 54,558                   | 53,689                   | 48,488                        |
| <b>Total current assets</b>   | <b>674,371</b>           | <b>678,910</b>           | <b>671,552</b>                |
| Land, buildings, improvements and equipment net   | 162,969                  | 177,660                  | 166,849                       |
| Goodwill  | 209,089                  | 205,756                  | 208,233                       |
| Other intangible assets net   | 83,841                   | 76,923                   | 87,997                        |
| Deferred income taxes and other assets  | 28,951                   | 26,689                   | 14,096                        |
| <b>Total</b>  | <b>\$ 1,159,221</b>      | <b>\$ 1,165,938</b>      | <b>\$ 1,148,727</b>           |
| <b>LIABILITIES AND EQUITY</b>   |                          |                          |                               |
| Current liabilities:  |                          |                          |                               |
| Accounts payable  | \$ 90,423                | \$ 89,959                | \$ 88,428                     |
| Accrued expenses  | 110,070                  | 89,521                   | 84,379                        |
| Current portion of long-term debt   | 290                      | 296                      | 291                           |
| <b>Total current liabilities</b>  | <b>200,783</b>           | <b>179,776</b>           | <b>173,098</b>                |
| Long-term debt  | 399,879                  | 449,994                  | 449,948                       |
| Other long-term obligations   | 47,147                   | 43,236                   | 39,228                        |
| Equity:   |                          |                          |                               |
| Common stock, \$.01 par value: 11,908,317, 12,308,802, and 12,437,307 shares outstanding at June 27, 2015, June 28, 2014 and September 27, 2014 | 119                      | 123                      | 124                           |

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|  |              |              |              |
|--|--------------|--------------|--------------|
| Class A common stock, \$.01 par value: 35,970,174, 36,479,590 and 36,887,311 shares outstanding at June 27, 2015, June 28, 2014 and September 27, 2014 | 360          | 365          | 369          |
| Class B stock, \$.01 par value: 1,652,262 shares outstanding   | 16           | 16           | 16           |
| Additional paid-in capital   | 388,762      | 398,244      | 396,586      |
| Accumulated earnings   | 120,356      | 90,466       | 86,396       |
| Accumulated other comprehensive income   | 679          | 1,868        | 1,232        |
| <br>   |              |              |              |
| Total Central Garden & Pet Company shareholders equity   | 510,292      | 491,082      | 484,723      |
| Noncontrolling interest  | 1,120        | 1,850        | 1,730        |
| <br>   |              |              |              |
| Total equity   | 511,412      | 492,932      | 486,453      |
| <br>   |              |              |              |
| Total  | \$ 1,159,221 | \$ 1,165,938 | \$ 1,148,727 |

See notes to condensed consolidated financial statements.

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**CENTRAL GARDEN & PET COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

(Unaudited)

|  | <b>Three Months Ended</b> |                          | <b>Nine Months Ended</b> |                          |
|--|---------------------------|--------------------------|--------------------------|--------------------------|
|  | <b>June 27,<br/>2015</b>  | <b>June 28,<br/>2014</b> | <b>June 27,<br/>2015</b> | <b>June 28,<br/>2014</b> |
| Net sales  | \$ 459,446                | \$ 437,987               | \$ 1,264,368             | \$ 1,230,119             |
| Cost of goods sold and occupancy   | 317,409                   | 318,856                  | 884,288                  | 883,651                  |
| Gross profit   | 142,037                   | 119,131                  | 380,080                  | 346,468                  |
| Selling, general and administrative expenses                             | 103,044                   | 100,705                  | 289,978                  | 291,628                  |
| Income from operations   | 38,993                    | 18,426                   | 90,102                   | 54,840                   |
| Interest expense   | (8,978)                   | (10,429)                 | (31,357)                 | (33,051)                 |
| Interest income  | 7                         | 14                       | 96                       | 43                       |
| Other income   | 585                       | 456                      | 96                       | 396                      |
| Income before income taxes and noncontrolling interest                   | 30,607                    | 8,467                    | 58,937                   | 22,228                   |
| Income taxes   | 11,484                    | 3,133                    | 21,527                   | 8,217                    |
| Income including noncontrolling interest                                 | 19,123                    | 5,334                    | 37,410                   | 14,011                   |
| Net income attributable to noncontrolling interest                       | 323                       | 647                      | 1,070                    | 1,137                    |
| Net income attributable to Central Garden & Pet Company                  | \$ 18,800                 | \$ 4,687                 | \$ 36,340                | \$ 12,874                |
| Net income per share attributable to Central Garden & Pet Company:       |                           |                          |                          |                          |
| Basic  | \$ 0.39                   | \$ 0.10                  | \$ 0.75                  | \$ 0.26                  |
| Diluted  | \$ 0.38                   | \$ 0.09                  | \$ 0.73                  | \$ 0.26                  |
| Weighted average shares used in the computation of net income per share: |                           |                          |                          |                          |
| Basic  | 48,167                    | 49,148                   | 48,642                   | 48,732                   |
| Diluted  | 49,290                    | 49,841                   | 49,496                   | 49,201                   |

See notes to condensed consolidated financial statements.

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**CENTRAL GARDEN & PET COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in thousands, except per share amounts)

(Unaudited)

|  | Three Months Ended |                  | Nine Months Ended |                  |
|--|--------------------|------------------|-------------------|------------------|
|  | June 27,<br>2015   | June 28,<br>2014 | June 27,<br>2015  | June 28,<br>2014 |
| Net income   | \$ 19,123          | \$ 5,334         | \$ 37,410         | \$ 14,011        |
| Other comprehensive income (loss):                                     |                    |                  |                   |                  |
| Unrealized loss on securities  | 0                  | 0                | (10)              | 0                |
| Reclassification of realized loss on securities included in net income | 0                  | 0                | 20                | 0                |
| Foreign currency translation   | 615                | 339              | (563)             | 426              |
| Total comprehensive income   | 19,738             | 5,673            | 36,857            | 14,437           |
| Comprehensive income attributable to noncontrolling interest           | 323                | 647              | 1,070             | 1,137            |
| Comprehensive income attributable to Central Garden & Pet Company      | \$ 19,415          | \$ 5,026         | \$ 35,787         | \$ 13,300        |

See notes to condensed consolidated financial statements.

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|  | <b>Nine Months Ended</b> |                          |
|--|--------------------------|--------------------------|
|  | <b>June 27,<br/>2015</b> | <b>June 28,<br/>2014</b> |
| <b>Cash flows from operating activities:</b>   |                          |                          |
| Net income   | \$ 37,410                | \$ 14,011                |
| <b>Adjustments to reconcile net income to net cash provided by operating activities:</b> |                          |                          |
| Depreciation and amortization  | 25,076                   | 26,683                   |
| Stock-based compensation   | 5,970                    | 6,365                    |
| Excess tax benefits from stock-based awards  | (685)                    | (422)                    |
| Deferred income taxes  | 6,416                    | 7,420                    |
| Write-off of deferred financing costs  | 537                      | 1,731                    |
| Gain on sale of property and equipment   | 0                        | (1,996)                  |
| Loss on disposal of property and equipment   | 662                      | 587                      |
| Other  | (51)                     | 0                        |
| <b>Change in assets and liabilities:</b>   |                          |                          |
| Accounts receivable  | (29,468)                 | (17,399)                 |
| Inventories  | (13,791)                 | 31,356                   |
| Prepaid expenses and other assets  | (2,819)                  | 3,525                    |
| Accounts payable   | 1,694                    | (14,687)                 |
| Accrued expenses   | 25,733                   | 13,597                   |
| Other long-term obligations  | (87)                     | (1,920)                  |
| <b>Net cash provided by operating activities</b>   | <b>56,597</b>            | <b>68,851</b>            |
| <b>Cash flows from investing activities:</b>   |                          |                          |
| Additions to property and equipment  | (18,160)                 | (13,707)                 |
| Proceeds from sale of property and equipment, net of expenses                            | 0                        | 5,171                    |
| Payments to acquire companies, net of cash acquired, and investment in joint ventures    | (16,000)                 | (20,262)                 |
| Change in restricted cash  | 1,693                    | 0                        |
| Investment in short-term investments   | (17)                     | 0                        |
| Proceeds from short term investments   | 9,997                    | 3,600                    |
| Other investing activities   | (489)                    | 0                        |
| <b>Net cash used in investing activities</b>   | <b>(22,976)</b>          | <b>(25,198)</b>          |
| <b>Cash flows from financing activities:</b>   |                          |                          |
| Repayments of long-term debt   | (50,216)                 | (282)                    |
| Proceeds from issuance of common stock   | 2,148                    | 594                      |

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|  |           |           |
|--|-----------|-----------|
| Borrowings under revolving line of credit                    | 312,000   | 278,000   |
| Repayments under revolving line of credit                    | (312,000) | (301,000) |
| Repurchase of common stock                                   | (19,021)  | (1,190)   |
| Distribution to noncontrolling interest                      | (1,680)   | (633)     |
| Payment of financing costs                                   | 0         | (3,090)   |
| Excess tax benefits from stock-based awards                  | 685       | 422       |
| Net cash used by financing activities                        | (68,084)  | (27,179)  |
| Effect of exchange rate changes on cash and cash equivalents | (372)     | 216       |
| Net increase (decrease) in cash and cash equivalents         | (34,835)  | 16,690    |
| Cash and equivalents at beginning of period                  | 78,676    | 15,156    |
| Cash and equivalents at end of period                        | \$ 43,841 | \$ 31,846 |
| <b>Supplemental information:</b>                             |           |           |
| Cash paid for interest                                       | \$ 22,470 | \$ 22,067 |

See notes to condensed consolidated financial statements.

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**CENTRAL GARDEN & PET COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Three and Nine Months Ended June 27, 2015**

**(Unaudited)**

**1. Basis of Presentation**

The condensed consolidated balance sheets of Central Garden & Pet Company and subsidiaries (the Company or Central ) as of June 27, 2015 and June 28, 2014, the condensed consolidated statements of operations for the three months and nine months ended June 27, 2015 and June 28, 2014, the condensed consolidated statements of comprehensive income for the three months and nine months ended June 27, 2015 and June 28, 2014 and the condensed consolidated statements of cash flows for the nine months ended June 27, 2015 and June 28, 2014 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 8, 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 27, 2015 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 2014 Annual Report on Form 10-K, which has previously been filed with the Securities and Exchange Commission. The September 27, 2014 balance sheet presented herein was derived from the audited financial statements.

***Noncontrolling Interest***

Noncontrolling interest in the Company's condensed consolidated financial statements represents the 20% interest not owned by Central in a consolidated subsidiary. Since the Company controls this subsidiary, its financial statements are 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 8, 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. As of June 27, 2015 and June 28, 2014, the Company had no outstanding derivative instruments.

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

#### *Discontinued Operations*

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

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

*Stock Based Compensation*

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

*Consolidation*

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

*Debt Issuance Costs*

In April 2015, the FASB issued ASU No. 2015-03 (ASU 2015-03), *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. This standard amends the existing guidance to require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the related debt liability instead of as a deferred charge. ASU 2015-03 is effective on a retrospective basis for annual and interim reporting periods beginning after December 15, 2015, but early adoption is permitted. As of June 27, 2015, the Company had approximately \$5.6 million of net deferred financing costs that would be reclassified from a long-term asset to a reduction in the carrying amount of its debt upon adoption of the standard.

*Cloud Computing Costs*

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

#### *Inventory Measurement*

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

**Table of Contents****2. 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 27, 2015 (in thousands):

|   | Level 1     | Level 2     | Level 3         | Total           |
|---|-------------|-------------|-----------------|-----------------|
| <b>Liabilities:</b>                                   |             |             |                 |                 |
| Liability for contingent consideration <sup>(b)</sup> | \$ 0        | \$ 0        | \$ 4,343        | \$ 4,343        |
| <b>Total liabilities</b>                              | <b>\$ 0</b> | <b>\$ 0</b> | <b>\$ 4,343</b> | <b>\$ 4,343</b> |

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

|                   |    |   |    |   |         |    |       |
|-------------------|----|---|----|---|---------|----|-------|
| Total liabilities | \$ | 0 | \$ | 0 | \$4,414 | \$ | 4,414 |
|-------------------|----|---|----|---|---------|----|-------|

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

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

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

The following table provides a summary of changes in fair value of our Level 3 financial instruments for the periods ended June 27, 2015 and June 28, 2014 (in thousands):

|   |                 |
|---|-----------------|
|   | <b>Amount</b>   |
| Balance as of September 27, 2014  | \$ 4,414        |
| Changes in the fair value of contingent performance-based payments established at the time of acquisition | (71)            |
| <b>Balance as of June 27, 2015</b>  | <b>\$ 4,343</b> |
|   | <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             |
| <b>Balance as of June 28, 2014</b>  | <b>\$ 4,414</b> |

**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 periods ended June 27, 2015 and 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***

In January 2015, the Company called \$50 million aggregate principal amount of the 2018 Notes for redemption on March 1, 2015 at a price of 102.063%. The estimated fair value of the Company's remaining \$400.0 million aggregate principal amount of the 2018 Notes as of June 27, 2015 was \$406.0 million, compared to a carrying value of \$399.7 million. The estimated fair value of the Company's \$450 million principal amount of 2018 Notes as of June 28, 2014 and September 27, 2014, was \$469.1 million and \$459.5 million, respectively, compared to a carrying value of \$449.5 million and \$449.5 million, respectively. The estimated fair value is based on quoted market prices for these notes, which are Level 1 inputs within the fair value hierarchy.

**Table of Contents****3. Acquisitions and Investments in Joint Ventures*****Envincio LLC***

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

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

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

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

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

***Investment in Joint Ventures***

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

**4. Inventories, net**

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

|                               | <b>June 27, 2015</b> | <b>June 28, 2014</b> | <b>September 27, 2014</b> |
|-------------------------------|----------------------|----------------------|---------------------------|
| Raw materials                 | \$ 98,293            | \$ 93,922            | \$ 93,678                 |
| Work in progress              | 16,624               | 17,592               | 13,397                    |
| Finished goods                | 216,668              | 240,337              | 207,818                   |
| Supplies                      | 8,648                | 13,184               | 11,493                    |
| <b>Total inventories, net</b> | <b>\$ 340,233</b>    | <b>\$ 365,035</b>    | <b>\$ 326,386</b>         |

**Table of Contents****5. 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.

**6. Other Intangible Assets**

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

|                                     |                | Gross    | Accumulated<br>Amortization<br>(in<br>millions) | Impairment | Net<br>Carrying<br>Value |
|-------------------------------------|----------------|----------|---|------------|--------------------------|
| June 27, 2015                       |                |          |   |            |                          |
| Marketing-related intangible assets | amortizable    | \$ 14.1  | \$ (10.4)                                       | \$ 0       | \$ 3.7                   |
| Marketing-related intangible assets | nonamortizable | 59.6     | 0   | (16.9)     | 42.7                     |
| Total                               |                | 73.7     | (10.4)  | (16.9)     | 46.4                     |
| Customer-related intangible assets  | amortizable    | 43.3     | (21.8)  | 0          | 21.5                     |
| Other acquired intangible assets    | amortizable    | 19.3     | (10.0)  | 0          | 9.3                      |
| Other acquired intangible assets    | nonamortizable | 7.8      | 0   | (1.2)      | 6.6                      |
| Total                               |                | 27.1     | (10.0)  | (1.2)      | 15.9                     |
| Total other intangible assets       |                | \$ 144.1 | \$ (42.2)                                       | \$ (18.1)  | \$ 83.8                  |

|                                     |                | Gross   | Accumulated<br>Amortization<br>(in<br>millions) | Impairment | Net<br>Carrying<br>Value |
|-------------------------------------|----------------|---------|---|------------|--------------------------|
| June 28, 2014                       |                |         |   |            |                          |
| Marketing-related intangible assets | amortizable    | \$ 12.5 | \$ (9.6)  | \$ 0       | \$ 2.9                   |
| Marketing-related intangible assets | nonamortizable | 59.6    | 0   | (16.9)     | 42.7                     |

|                                    |                |          |           |           |         |
|------------------------------------|----------------|----------|-----------|-----------|---------|
| Total                              |                | 72.1     | (9.6)     | (16.9)    | 45.6    |
| 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 |

|                                     |                | Gross    | Accumulated<br>Amortization<br>(in<br>millions) | Impairment | Net<br>Carrying<br>Value |
|-------------------------------------|----------------|----------|---|------------|--------------------------|
| September 27, 2014                  |                |          |   |            |                          |
| Marketing-related intangible assets | amortizable    | \$ 15.5  | \$ (9.9)  | \$ 0       | \$ 5.6                   |
| Marketing-related intangible assets | nonamortizable | 59.6     | 0   | (16.9)     | 42.7                     |
| Total                               |                | 75.1     | (9.9)   | (16.9)     | 48.3                     |
| Customer-related intangible assets  | amortizable    | 42.8     | (20.2)  | 0          | 22.6                     |
| Other acquired intangible assets    | amortizable    | 19.4     | (8.8)   | 0          | 10.6                     |
| Other acquired intangible assets    | nonamortizable | 7.7      | 0   | (1.2)      | 6.5                      |
| Total                               |                | 27.1     | (8.8)   | (1.2)      | 17.1                     |
| Total other intangible assets       |                | \$ 145.0 | \$ (38.9)                                       | \$ (18.1)  | \$ 88.0                  |

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Other acquired intangible assets include contract-based and technology-based 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 2014, 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 2014 or during the nine months ended June 27, 2015, and accordingly, no impairment testing was performed on these assets.

The Company amortizes its acquired intangible assets with definite lives over periods ranging from 1 to 25 years; over weighted average remaining lives of eight years for marketing-related intangibles, 15 years for customer-related intangibles and 14 years for other acquired intangibles. Amortization expense for intangibles subject to amortization was approximately \$1.4 million and \$1.0 million for the three month periods ended June 27, 2015 and June 28, 2014, respectively and \$3.3 million and \$3.0 million for the nine months ended June 27, 2015 and June 28, 2014, 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 \$4 million to \$5 million per year from fiscal 2015 through fiscal 2019.

**7. Long-Term Debt**

Long-term debt consists of the following:

|   | June 27, 2015  | June 28, 2014 | September 27, 2014 |
|---|----------------|---------------|--------------------|
|   | (in thousands) |               |                    |
| Senior subordinated notes, net of unamortized discount <sup>(1)</sup> , interest at 8.25%, payable semi-annually, principal due March 2018                          | \$ 399,664     | \$ 449,500    | \$ 449,529         |
| Asset-based revolving credit facility, interest at LIBOR plus a margin of 1.25% to 1.75% or Base Rate plus a margin of 0.25% to 0.75%, final maturity December 2018 | 0              | 0             | 0                  |
| Other notes payable   | 505            | 790           | 710                |
| Total   | 400,169        | 450,290       | 450,239            |
| Less current portion  | (290)          | (296)         | (291)              |
| Long-term portion   | \$ 399,879     | \$ 449,994    | \$ 449,948         |

(1) Represents unamortized original issue discount of \$336, \$500 and \$471 as of June 27, 2015, June 28, 2014 and September 27, 2014, respectively.

**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 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.

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

The Company may redeem some or all of the remaining 2018 Notes at any time after March 1, 2015 for 102.063% and on or after March 1, 2016 for 100%, plus accrued and unpaid interest. The holders of the 2018 Notes 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.

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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 27, 2015.

### ***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 27, 2015, there were no borrowings and no letters of credit outstanding under the Credit Facility. There were other letters of credit of \$7.2 million outstanding as of June 27, 2015.

The Credit Facility is subject to a borrowing base, calculated using a formula based upon eligible receivables and inventory, minus certain reserves and subject to restrictions. The borrowing availability as of June 27, 2015 was \$384 million. Borrowings under the Credit Facility bear interest at an index based on LIBOR or, at the option of the Company, the Base Rate (defined as the highest of (a) the SunTrust prime rate, (b) the Federal Funds Rate plus 0.5% and (c) one-month LIBOR plus 1.00%), plus, in either case, an applicable margin based on the Company's total outstanding borrowings. Such applicable margin for LIBOR-based borrowings fluctuates between 1.25%-1.75% (and was 1.25% at June 27, 2015) and such applicable margin for Base Rate borrowings fluctuates between 0.25%-0.75% (and was 0.25% at June 27, 2015). As of June 27, 2015, the applicable interest rate related to Base Rate borrowings was 3.5%, and the applicable interest rate related to LIBOR-based borrowings was 1.4%.

The Credit Facility contains customary covenants, including financial covenants which require the Company to maintain a minimum fixed charge coverage ratio of 1.00:1.00 upon reaching certain borrowing levels. The Credit Facility is secured by substantially all assets of the Company. The Company was in compliance with all financial covenants under the Credit Facility during the period ended June 27, 2015.

The Company incurred approximately \$3.1 million of costs in conjunction with this transaction, which included banking fees and legal expenses. These costs are being 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.

**Table of Contents****8. 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 27, 2015 and June 28, 2014:

| (in thousands)                          | Controlling Interest |                      |                            |                   |  |          |            | Noncontrolling Interest |            |
|---|----------------------|----------------------|----------------------------|-------------------|--|----------|------------|-------------------------|------------|
|   | Class A Common Stock | Class B Common Stock | Additional Paid In Capital | Retained Earnings | Accumulated Other Comprehensive Income | Total    | Total      |                         |            |
| <b>Balance September 27, 2014</b>       | \$ 124               | \$ 369               | \$ 16                      | \$ 396,586        | \$ 86,396                              | \$ 1,232 | \$ 484,723 | \$ 1,730                | \$ 486,453 |
| Comprehensive income                    |                      |                      |                            |                   | 36,340                                 | (553)    | 35,787     | 1,070                   | 36,857     |
| Stock based compensation                |                      |                      |                            | 4,513             |  |          | 4,513      |                         | 4,513      |
| Restricted share activity               |                      |                      |                            | (1,200)           |  |          | (1,200)    |                         | (1,200)    |
| Issuance of common stock                |                      | 3                    |                            | 904               |  |          | 907        |                         | 907        |
| Repurchase of common stock              | (5)                  | (12)                 |                            | (12,726)          | (2,380)                                |          | (15,123)   |                         | (15,123)   |
| Tax benefit on stock option exercise    |                      |                      |                            | 685               |  |          | 685        |                         | 685        |
| Distribution to Noncontrolling interest |                      |                      |                            |                   |  |          |            | (1,680)                 | (1,680)    |
| <b>Balance June 27, 2015</b>            | \$ 119               | \$ 360               | \$ 16                      | \$ 388,762        | \$ 120,356                             | \$ 679   | \$ 510,292 | \$ 1,120                | \$ 511,412 |

| (in thousands)                    | Controlling Interest |                      |                            |                   |  |          |            | Noncontrolling Interest |            |
|-----------------------------------|----------------------|----------------------|----------------------------|-------------------|--|----------|------------|-------------------------|------------|
|                                   | Class A Common Stock | Class B Common Stock | Additional Paid In Capital | Retained Earnings | Accumulated Other Comprehensive Income | Total    | Total      |                         |            |
| <b>Balance September 28, 2013</b> | \$ 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)     |          |            |          |            |
| <b>Balance June 28, 2014</b>            | \$ 123 | \$ 365 | \$ 16 | \$ 398,244 | \$ 90,466 | \$ 1,868 | \$ 491,082 | \$ 1,850 | \$ 492,932 |

### 9. Stock-Based Compensation

The Company recognized share-based compensation expense of \$6.0 million and \$6.4 million for the nine month periods ended June 27, 2015 and June 28, 2014, 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 27, 2015 and June 28, 2014 was \$2.1 million and \$2.3 million, respectively.

**Table of Contents****10. 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 27, 2015 |        |           | Nine Months Ended<br>June 27, 2015 |        |           |
|---|-------------------------------------|--------|-----------|------------------------------------|--------|-----------|
|   | Income                              | Shares | Per Share | Income                             | Shares | Per Share |
| (in thousands, except per share amounts)    |                                     |        |           |                                    |        |           |
| Basic EPS:                                  |                                     |        |           |                                    |        |           |
| Net income available to common shareholders | \$ 18,800                           | 48,167 | \$ 0.39   | \$ 36,340                          | 48,642 | \$ 0.75   |
| Effect of dilutive securities:              |                                     |        |           |                                    |        |           |
| Options to purchase common stock            |                                     | 538    | 0.00      |                                    | 309    | (0.01)    |
| Restricted shares                           |                                     | 585    | (0.01)    |                                    | 545    | (0.01)    |
| Diluted EPS:                                |                                     |        |           |                                    |        |           |
| Net income available to common shareholders | \$ 18,800                           | 49,290 | \$ 0.38   | \$ 36,340                          | 49,496 | \$ 0.73   |

|   | 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   |

Options to purchase 7.4 million shares of common stock at prices ranging from \$6.43 to \$15.00 per share were outstanding at June 27, 2015, and 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.

For the three month periods ended June 27, 2015 and June 28, 2014, options to purchase 3.2 million and 9.5 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.

For the nine month periods ended June 27, 2015 and June 28, 2014, options to purchase 4.8 million and 10.3 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.



**Table of Contents****11. 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 27,<br/>2015</b>  | <b>June 28,<br/>2014</b> | <b>June 27,<br/>2015</b>      | <b>June 28,<br/>2014</b> |
| <b>Net sales:</b>  |                           |                          |                               |                          |
| Pet segment  | \$ 238,126                | \$ 227,082               | \$ 658,931                    | \$ 628,431               |
| Garden segment   | 221,320                   | 210,905                  | 605,437                       | 601,688                  |
| <b>Total net sales</b>   | <b>\$ 459,446</b>         | <b>\$ 437,987</b>        | <b>\$ 1,264,368</b>           | <b>\$ 1,230,119</b>      |
| <b>Income (loss) from operations:</b>                              |                           |                          |                               |                          |
| Pet segment  | 32,939                    | 28,435                   | 80,565                        | 67,014                   |
| Garden segment   | 23,458                    | 4,011                    | 59,248                        | 34,579                   |
| Corporate  | (17,404)                  | (14,020)                 | (49,711)                      | (46,753)                 |
| <b>Total income from operations</b>                                | <b>38,993</b>             | <b>18,426</b>            | <b>90,102</b>                 | <b>54,840</b>            |
| Interest expense - net   | (8,971)                   | (10,415)                 | (31,261)                      | (33,008)                 |
| Other income   | 585                       | 456                      | 96                            | 396                      |
| Income taxes   | 11,484                    | 3,133                    | 21,527                        | 8,217                    |
| <b>Income including noncontrolling interest</b>                    | <b>19,123</b>             | <b>5,334</b>             | <b>37,410</b>                 | <b>14,011</b>            |
| <b>Net income attributable to noncontrolling interest</b>          | <b>323</b>                | <b>647</b>               | <b>1,070</b>                  | <b>1,137</b>             |
| <b>Net income attributable to Central Garden &amp; Pet Company</b> | <b>\$ 18,800</b>          | <b>\$ 4,687</b>          | <b>\$ 36,340</b>              | <b>\$ 12,874</b>         |
| <b>Depreciation and amortization:</b>                              |                           |                          |                               |                          |
| Pet segment  | \$ 3,891                  | \$ 4,483                 | \$ 11,710                     | \$ 12,853                |
| Garden segment   | 1,465                     | 1,721                    | 4,514                         | 5,126                    |
| Corporate  | 2,906                     | 2,967                    | 8,852                         | 8,704                    |
| <b>Total depreciation and amortization</b>                         | <b>\$ 8,262</b>           | <b>\$ 9,171</b>          | <b>\$ 25,076</b>              | <b>\$ 26,683</b>         |
|  | <b>June 27,<br/>2015</b>  | <b>June 28,<br/>2014</b> | <b>September 27,<br/>2014</b> |                          |
| <b>Assets:</b>   |                           |                          |                               |                          |
| Pet segment  | \$ 450,198                | \$ 444,740               | \$ 414,279                    |                          |
| Garden segment   | 352,147                   | 372,175                  | 337,461                       |                          |
| Corporate  | 356,876                   | 349,023                  | 396,987                       |                          |

|  |              |              |              |
|--|--------------|--------------|--------------|
| Total assets                                   | \$ 1,159,221 | \$ 1,165,938 | \$ 1,148,727 |
| Goodwill (included in corporate assets above): |              |              |              |
| Pet segment                                    | \$ 209,089   | \$ 205,756   | \$ 208,233   |

**Table of Contents****12. Consolidating Condensed Financial Information of Guarantor Subsidiaries**

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

Farnam Companies, Inc.

Four Paws Products Ltd.

Gulfstream Home & Garden, Inc.

Kaytee Products, Inc.

Matson, LLC

New England Pottery, LLC

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

Pets International, Ltd.

T.F.H. Publications, Inc.

Wellmark International (including B2E Corporation and B2E Biotech LLC)

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

**CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS**  
**Three Months Ended June 27, 2015**  
(in thousands)

|  | Parent     | Non-Guarantor<br>Subsidiaries | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|------------|-------------------------------|---------------------------|--------------|--------------|
| Net sales                                    | \$ 133,886 | \$ 31,291                     | \$ 319,470                | \$ (25,201)  | \$ 459,446   |
| Cost of goods sold and occupancy             | 104,121    | 22,399                        | 214,110                   | (23,221)     | 317,409      |
| Gross profit                                 | 29,765     | 8,892                         | 105,360                   | (1,980)      | 142,037      |
| Selling, general and administrative expenses | 31,223     | 5,461                         | 68,340                    | (1,980)      | 103,044      |
| Income (loss) from operations                | (1,458)    | 3,431                         | 37,020                    | (0)          | 38,993       |
| Interest expense                             | (8,924)    | (52)                          | (2)                       | (0)          | (8,978)      |

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|   |           |          |           |             |           |
|---|-----------|----------|-----------|-------------|-----------|
| Interest income   | 6         | 1        | 0         | 0           | 7         |
| Other income  | 318       | 0        | 267       | (0)         | 585       |
| Income (loss) before taxes and equity in earnings of affiliates | (10,058)  | 3,380    | 37,285    | (0)         | 30,607    |
| Income tax expense (benefit)                                    | (3,982)   | 1,265    | 14,201    | (0)         | 11,484    |
| Equity in earnings of affiliates                                | 24,876    | 0        | 1,780     | (26,656)    | 0         |
| Net income including noncontrolling interest                    | 18,800    | 2,115    | 24,864    | (26,656)    | 19,123    |
| Net income attributable to noncontrolling interest              | 0         | 323      | 0         | 0           | 323       |
| Net income attributable to Central Garden & Pet Company         | \$ 18,800 | \$ 1,792 | \$ 24,864 | \$ (26,656) | \$ 18,800 |

**Table of Contents****CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS****Three Months Ended June 28, 2014 (As Revised)**  
(in thousands)

|   | Parent     | Non-Guarantor Subsidiaries | Guarantor Subsidiaries | Eliminations | Consolidated |
|---|------------|----------------------------|------------------------|--------------|--------------|
| Net sales   | \$ 124,433 | \$ 38,251                  | \$ 300,652             | \$ (25,349)  | \$ 437,987   |
| Cost of goods sold and occupancy                                | 109,833    | 31,182                     | 201,249                | (23,408)     | 318,856      |
| Gross profit  | 14,600     | 7,069                      | 99,403                 | (1,941)      | 119,131      |
| Selling, general and administrative expenses                    | 27,659     | 4,582                      | 70,405                 | (1,941)      | 100,705      |
| Income (loss) from operations                                   | (13,059)   | 2,487                      | 28,998                 | 0            | 18,426       |
| Interest expense  | (10,390)   | (20)                       | (19)                   | 0            | (10,429)     |
| Interest income   | 14         | 0                          | 0                      | 0            | 14           |
| Other income  | 237        | 0                          | 219                    | 0            | 456          |
| Income (loss) before taxes and equity in earnings of affiliates | (23,198)   | 2,467                      | 29,198                 | 0            | 8,467        |
| Income tax expense (benefit)                                    | (8,737)    | 862                        | 11,008                 | 0            | 3,133        |
| Equity in earnings of affiliates                                | 19,148     | 0                          | 580                    | (19,728)     | 0            |
| Net income including noncontrolling interest                    | 4,687      | 1,605                      | 18,770                 | (19,728)     | 5,334        |
| Net income attributable to noncontrolling interest              | 0          | 647                        | 0                      | 0            | 647          |
| Net income attributable to Central Garden & Pet Company         | \$ 4,687   | \$ 958                     | \$ 18,770              | \$ (19,728)  | \$ 4,687     |

**CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS****Nine Months Ended June 27, 2015**  
(in thousands)

|  | Parent     | Non-Guarantor Subsidiaries | Guarantor Subsidiaries | Eliminations | Consolidated |
|--|------------|----------------------------|------------------------|--------------|--------------|
| Net sales                                    | \$ 380,862 | \$ 86,048                  | \$ 865,589             | \$ (68,131)  | \$ 1,264,368 |
| Cost of goods sold and occupancy             | 296,568    | 66,522                     | 584,604                | (63,406)     | 884,288      |
| Gross profit                                 | 84,294     | 19,526                     | 280,985                | (4,725)      | 380,080      |
| Selling, general and administrative expenses | 89,917     | 14,799                     | 189,987                | (4,725)      | 289,978      |
| Income (loss) from operations                | (5,623)    | 4,727                      | 90,998                 | (0)          | 90,102       |
| Interest expense                             | (31,226)   | (128)                      | (3)                    | (0)          | (31,357)     |
| Interest income                              | 94         | 2                          | 0                      | 0            | 96           |

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|   |           |          |           |             |           |
|---|-----------|----------|-----------|-------------|-----------|
| Other income (expense)  | (359)     | (0)      | 455       | (0)         | 96        |
| Income (loss) before taxes and equity in earnings of affiliates | (37,114)  | 4,601    | 91,450    | (0)         | 58,937    |
| Income tax expense (benefit)                                    | (13,562)  | 1,773    | 33,316    | (0)         | 21,527    |
| Equity in earnings of affiliates                                | 59,892    | 0        | 1,989     | (61,881)    | 0         |
| Net income including noncontrolling interest                    | 36,340    | 2,828    | 60,123    | (61,881)    | 37,410    |
| Net income attributable to noncontrolling interest              | 0         | 1,070    | 0         | 0           | 1,070     |
| Net income attributable to Central Garden & Pet Company         | \$ 36,340 | \$ 1,758 | \$ 60,123 | \$ (61,881) | \$ 36,340 |

**Table of Contents****CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS****Nine Months Ended June 28, 2014 (As Revised)**  
**(in thousands)**

|   | <b>Parent</b> | <b>Non-Guarantor Subsidiaries</b> | <b>Guarantor Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|---|---------------|-----------------------------------|-------------------------------|---------------------|---------------------|
| Net sales   | \$ 356,715    | \$ 92,046                         | \$ 844,334                    | \$ (62,976)         | \$ 1,230,119        |
| Cost of goods sold and occupancy                                | 287,782       | 72,843                            | 581,614                       | (58,588)            | 883,651             |
| Gross profit  | 68,933        | 19,203                            | 262,720                       | (4,388)             | 346,468             |
| Selling, general and administrative expenses                    | 83,313        | 14,594                            | 198,109                       | (4,388)             | 291,628             |
| Income (loss) from operations                                   | (14,380)      | 4,609                             | 64,611                        | 0                   | 54,840              |
| Interest expense  | (32,956)      | (51)                              | (44)                          | 0                   | (33,051)            |
| Interest income   | 43            | 0                                 | 0                             | 0                   | 43                  |
| Other income  | 244           | 0                                 | 152                           | 0                   | 396                 |
| Income (loss) before taxes and equity in earnings of affiliates | (47,049)      | 4,558                             | 64,719                        | 0                   | 22,228              |
| Income tax expense (benefit)                                    | (17,555)      | 1,773                             | 23,999                        | 0                   | 8,217               |
| Equity in earnings of affiliates                                | 42,368        | 0                                 | 1,633                         | (44,001)            | 0                   |
| Net income including noncontrolling interest                    | 12,874        | 2,785                             | 42,353                        | (44,001)            | 14,011              |
| Net income attributable to noncontrolling interest              | 0             | 1,137                             | 0                             | 0                   | 1,137               |
| Net income attributable to Central Garden & Pet Company         | \$ 12,874     | \$ 1,648                          | \$ 42,353                     | \$ (44,001)         | \$ 12,874           |

**CONSOLIDATING CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****Three Months Ended June 27, 2015****(in thousands)**

|   | <b>Parent</b> | <b>Non-Guarantor Subsidiaries</b> | <b>Guarantor Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|---|---------------|-----------------------------------|-------------------------------|---------------------|---------------------|
| Net income  | \$ 18,800     | \$ 2,115                          | \$ 24,864                     | \$ (26,656)         | \$ 19,123           |
| Other comprehensive income:                                   |               |                                   |                               |                     |                     |
| Foreign currency translation                                  | 615           | 456                               | 24                            | (480)               | 615                 |
| Total comprehensive income                                    | 19,415        | 2,571                             | 24,888                        | (27,136)            | 19,738              |
| Comprehensive income attributable to noncontrolling interests | 0             | 323                               | 0                             | 0                   | 323                 |
|   | \$ 19,415     | \$ 2,248                          | \$ 24,888                     | \$ (27,136)         | \$ 19,415           |

Comprehensive income attributable  
to Central Garden & Pet Company

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

|  | Parent   | Non-<br>Guarantor<br>Subsidiaries | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|----------|-----------------------------------|---------------------------|--------------|--------------|
| Net income   | \$ 4,687 | \$ 1,605                          | \$ 18,770                 | \$ (19,728)  | \$ 5,334     |
| Other comprehensive income:                                      |          |                                   |                           |              |              |
| Foreign currency translation                                     | 0        | 339                               | 0                         | 0            | 339          |
| Total comprehensive income                                       | 4,687    | 1,944                             | 18,770                    | (19,728)     | 5,673        |
| Comprehensive income attributable to noncontrolling interests    | 0        | 647                               | 0                         | 0            | 647          |
| Comprehensive income attributable to Central Garden &Pet Company | \$ 4,687 | \$ 1,297                          | \$ 18,770                 | \$ (19,728)  | \$ 5,026     |

**CONSOLIDATING CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
**Nine Months Ended June 27, 2015**  
(in thousands)

|  | Parent    | Non-<br>Guarantor<br>Subsidiaries | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|-----------|-----------------------------------|---------------------------|--------------|--------------|
| Net income   | \$ 36,340 | \$ 2,828                          | \$ 60,123                 | \$ (61,881)  | \$ 37,410    |
| Other comprehensive income (loss):                                     |           |                                   |                           |              |              |
| Unrealized loss on securities  | (10)      | 0                                 | 0                         | 0            | (10)         |
| Reclassification of realized loss on securities included in net income | 20        | 0                                 | 0                         | 0            | 20           |
| Foreign currency translation   | (563)     | (244)                             | (244)                     | 488          | (563)        |
| Total comprehensive income   | 35,787    | 2,584                             | 59,879                    | (61,393)     | 36,857       |
| Comprehensive income attributable to noncontrolling interests          | 0         | 1,070                             | 0                         | 0            | 1,070        |
| Comprehensive income attributable to Central Garden &Pet Company       | \$ 35,787 | \$ 1,514                          | \$ 59,879                 | \$ (61,393)  | \$ 35,787    |

**CONSOLIDATING CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
**Nine Months Ended June 28, 2014 (As Revised)**  
(in thousands)

|            | Parent    | Non-<br>Guarantor<br>Subsidiaries | Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|------------|-----------|-----------------------------------|---------------------------|--------------|--------------|
| Net income | \$ 12,874 | \$ 2,785                          | \$ 42,353                 | \$ (44,001)  | \$ 14,011    |

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Other comprehensive income:

|   |           |          |           |             |           |
|---|-----------|----------|-----------|-------------|-----------|
| Foreign currency translation                                      | 0         | 426      | 0         | 0           | 426       |
| Total comprehensive income  | 12,874    | 3,211    | 42,353    | (44,001)    | 14,437    |
| Comprehensive income attributable to noncontrolling interests     | 0         | 1,137    | 0         | 0           | 1,137     |
| Comprehensive income attributable to Central Garden & Pet Company | \$ 12,874 | \$ 2,074 | \$ 42,353 | \$ (44,001) | \$ 13,300 |

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**CONSOLIDATING CONDENSED BALANCE SHEET**  
**June 27, 2015**  
**(in thousands)**

|   | Parent              | Non-<br>Guarantor<br>Subsidiaries | Guarantor<br>Subsidiaries | Eliminations          | Consolidated        |
|---|---------------------|-----------------------------------|---------------------------|-----------------------|---------------------|
| <b>ASSETS</b>   |                     |                                   |                           |                       |                     |
| Cash and cash equivalents                                 | \$ 30,640           | \$ 10,606                         | \$ 2,595                  | \$ 0                  | \$ 43,841           |
| Restricted cash   | 12,590              | 0                                 | 0                         | 0                     | 12,590              |
| Accounts receivable, net                                  | 56,528              | 11,152                            | 155,469                   | 0                     | 223,149             |
| Inventories   | 86,211              | 14,409                            | 239,613                   | 0                     | 340,233             |
| Prepaid expenses and other                                | 25,727              | 1,260                             | 27,571                    | 0                     | 54,558              |
| <b>Total current assets</b>                               | <b>211,696</b>      | <b>37,427</b>                     | <b>425,248</b>            | <b>0</b>              | <b>674,371</b>      |
| Land, buildings, improvements and equipment, net          | 54,176              | 3,540                             | 105,253                   | 0                     | 162,969             |
| Goodwill  | 0                   | 0                                 | 209,089                   | 0                     | 209,089             |
| Other long term assets                                    | 31,739              | 3,877                             | 80,193                    | (3,017)               | 112,792             |
| Intercompany receivable                                   | 36,989              | 0                                 | 386,955                   | (423,944)             | 0                   |
| Investment in subsidiaries                                | 1,042,817           | 0                                 | 0                         | (1,042,817)           | 0                   |
| <b>Total</b>  | <b>\$ 1,377,417</b> | <b>\$ 44,844</b>                  | <b>\$ 1,206,738</b>       | <b>\$ (1,469,778)</b> | <b>\$ 1,159,221</b> |
| <b>LIABILITIES AND EQUITY</b>                             |                     |                                   |                           |                       |                     |
| Accounts payable  | \$ 28,927           | \$ 6,501                          | \$ 54,995                 | \$ 0                  | \$ 90,423           |
| Accrued expenses  | 59,275              | 2,928                             | 47,867                    | 0                     | 110,070             |
| Current portion of long-term debt                         | 260                 | 0                                 | 30                        | 0                     | 290                 |
| <b>Total current liabilities</b>                          | <b>88,462</b>       | <b>9,429</b>                      | <b>102,892</b>            | <b>0</b>              | <b>200,783</b>      |
| Long-term debt  | 399,806             | 0                                 | 73                        | 0                     | 399,879             |
| Intercompany payable                                      | 377,284             | 46,660                            | 0                         | (423,944)             | 0                   |
| Losses in excess of investment in subsidiaries            | 0                   | 0                                 | 12,324                    | (12,324)              | 0                   |
| Other long-term obligations                               | 1,573               | 0                                 | 48,591                    | (3,017)               | 47,147              |
| <b>Total Central Garden &amp; Pet shareholders equity</b> | <b>510,292</b>      | <b>(12,365)</b>                   | <b>1,042,858</b>          | <b>(1,030,493)</b>    | <b>510,292</b>      |
| Noncontrolling interest                                   | 0                   | 1,120                             | 0                         | 0                     | 1,120               |
| <b>Total equity</b>                                       | <b>510,292</b>      | <b>(11,245)</b>                   | <b>1,042,858</b>          | <b>(1,030,493)</b>    | <b>511,412</b>      |
| <b>Total</b>  | <b>\$ 1,377,417</b> | <b>\$ 44,844</b>                  | <b>\$ 1,206,738</b>       | <b>\$ (1,469,778)</b> | <b>\$ 1,159,221</b> |

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

|   | Parent              | Non-<br>Guarantor<br>Subsidiaries | Guarantor<br>Subsidiaries | Eliminations          | Consolidated        |
|---|---------------------|-----------------------------------|---------------------------|-----------------------|---------------------|
| <b>ASSETS</b>   |                     |                                   |                           |                       |                     |
| Cash and cash equivalents                                 | \$ 16,182           | \$ 12,863                         | \$ 2,801                  | \$ 0                  | \$ 31,846           |
| Short term investments                                    | 14,220              | 0                                 | 0                         | 0                     | 14,220              |
| Accounts receivable, net                                  | 50,219              | 12,220                            | 151,681                   | 0                     | 214,120             |
| Inventories   | 87,570              | 18,551                            | 258,914                   | 0                     | 365,035             |
| Prepaid expenses and other                                | 25,489              | 1,102                             | 27,098                    | 0                     | 53,689              |
| <b>Total current assets</b>                               | <b>193,680</b>      | <b>44,736</b>                     | <b>440,494</b>            | <b>0</b>              | <b>678,910</b>      |
| Land, buildings, improvements and equipment, net          | 71,940              | 3,512                             | 102,208                   | 0                     | 177,660             |
| Goodwill  | 0                   | 0                                 | 205,756                   | 0                     | 205,756             |
| Other long term assets                                    | 17,147              | 3,492                             | 85,679                    | (2,706)               | 103,612             |
| Intercompany receivable                                   | 38,865              | 0                                 | 287,318                   | (326,183)             | 0                   |
| Investment in subsidiaries                                | 974,815             | 0                                 | 0                         | (974,815)             | 0                   |
| <b>Total</b>  | <b>\$ 1,296,447</b> | <b>\$ 51,740</b>                  | <b>\$ 1,121,455</b>       | <b>\$ (1,303,704)</b> | <b>\$ 1,165,938</b> |
| <b>LIABILITIES AND EQUITY</b>                             |                     |                                   |                           |                       |                     |
| Accounts payable  | \$ 31,968           | \$ 7,765                          | \$ 50,226                 | \$ 0                  | \$ 89,959           |
| Accrued expenses  | 42,836              | 2,688                             | 43,997                    | 0                     | 89,521              |
| Current portion of long-term debt                         | 266                 | 0                                 | 30                        | 0                     | 296                 |
| <b>Total current liabilities</b>                          | <b>75,070</b>       | <b>10,453</b>                     | <b>94,253</b>             | <b>0</b>              | <b>179,776</b>      |
| Long-term debt  | 449,887             | 0                                 | 107                       | 0                     | 449,994             |
| Intercompany payable                                      | 278,840             | 47,343                            | 0                         | (326,183)             |                     |
| Losses in excess of investment in subsidiaries            | 0                   | 0                                 | 7,467                     | (7,467)               | 0                   |
| Other long-term obligations                               | 1,568               | 0                                 | 44,374                    | (2,706)               | 43,236              |
| <b>Total Central Garden &amp; Pet shareholders equity</b> | <b>491,082</b>      | <b>(7,906)</b>                    | <b>975,254</b>            | <b>(967,348)</b>      | <b>491,082</b>      |
| Noncontrolling interest                                   | 0                   | 1,850                             | 0                         | 0                     | 1,850               |
| <b>Total equity</b>                                       | <b>491,082</b>      | <b>(6,056)</b>                    | <b>975,254</b>            | <b>(967,348)</b>      | <b>492,932</b>      |
| <b>Total</b>  | <b>\$ 1,296,447</b> | <b>\$ 51,740</b>                  | <b>\$ 1,121,455</b>       | <b>\$ (1,303,704)</b> | <b>\$ 1,165,938</b> |

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

|   | Parent              | Non-<br>Guarantor<br>Subsidiaries | Guarantor<br>Subsidiaries | Eliminations          | Consolidated        |
|---|---------------------|-----------------------------------|---------------------------|-----------------------|---------------------|
| <b>ASSETS</b>   |                     |                                   |                           |                       |                     |
| Cash and cash equivalents                                 | \$ 63,471           | \$ 12,806                         | \$ 2,399                  | \$ 0                  | \$ 78,676           |
| Restricted cash   | 14,283              | 0                                 | 0                         | 0                     | 14,283              |
| Short term investments                                    | 9,990               | 0                                 | 0                         | 0                     | 9,990               |
| Accounts receivable, net                                  | 41,235              | 8,268                             | 144,226                   | 0                     | 193,729             |
| Inventories   | 79,199              | 15,210                            | 231,977                   | 0                     | 326,386             |
| Prepaid expenses and other                                | 26,092              | 816                               | 21,580                    | 0                     | 48,488              |
| <b>Total current assets</b>                               | <b>234,270</b>      | <b>37,100</b>                     | <b>400,182</b>            | <b>0</b>              | <b>671,552</b>      |
| Land, buildings, improvements and equipment, net          | 63,059              | 3,649                             | 100,141                   | 0                     | 166,849             |
| Goodwill  | 0                   | 0                                 | 208,233                   | 0                     | 208,233             |
| Other long term assets                                    | 25,230              | 4,244                             | 83,713                    | (11,094)              | 102,093             |
| Intercompany receivable                                   | 16,906              | 0                                 | 351,423                   | (368,329)             | 0                   |
| Investment in subsidiaries                                | 983,413             | 0                                 | 0                         | (983,413)             | 0                   |
| <b>Total</b>  | <b>\$ 1,322,878</b> | <b>\$ 44,993</b>                  | <b>\$ 1,143,692</b>       | <b>\$ (1,362,836)</b> | <b>\$ 1,148,727</b> |
| <b>LIABILITIES AND EQUITY</b>                             |                     |                                   |                           |                       |                     |
| Accounts payable  | \$ 28,937           | \$ 3,542                          | \$ 55,949                 | \$ 0                  | \$ 88,428           |
| Accrued expenses  | 34,151              | 1,868                             | 48,360                    | 0                     | 84,379              |
| Current portion of long term debt                         | 261                 | 0                                 | 30                        | 0                     | 291                 |
| <b>Total current liabilities</b>                          | <b>63,349</b>       | <b>5,410</b>                      | <b>104,339</b>            | <b>0</b>              | <b>173,098</b>      |
| Long-term debt  | 449,855             | 0                                 | 93                        | 0                     | 449,948             |
| Intercompany payable                                      | 323,314             | 45,015                            | 0                         | (368,329)             | 0                   |
| Losses in excess of investment in subsidiaries            | 0                   | 0                                 | 7,594                     | (7,594)               | 0                   |
| Other long-term obligations                               | 1,636               | 0                                 | 48,686                    | (11,094)              | 39,228              |
| <b>Total Central Garden &amp; Pet shareholders equity</b> | <b>484,724</b>      | <b>(7,162)</b>                    | <b>982,980</b>            | <b>(975,819)</b>      | <b>484,723</b>      |
| Noncontrolling interest                                   | 0                   | 1,730                             | 0                         | 0                     | 1,730               |
| <b>Total equity</b>                                       | <b>484,724</b>      | <b>(5,432)</b>                    | <b>982,980</b>            | <b>(975,819)</b>      | <b>486,453</b>      |
| <b>Total</b>  | <b>\$ 1,322,878</b> | <b>\$ 44,993</b>                  | <b>\$ 1,143,692</b>       | <b>\$ (1,362,836)</b> | <b>\$ 1,148,727</b> |

**Table of Contents****CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS****Nine Months Ended June 27, 2015****(in thousands)****Non-Guarantor**

|  | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|--|---------------|-----------------------------------|---------------------|---------------------|---------------------|
| Net cash provided by operating activities            | \$ 6,844      | \$ 4,862                          | \$ 51,610           | \$ (6,719)          | \$ 56,597           |
| Additions to property, plant and equipment           | (2,044)       | (180)                             | (15,936)            | (0)                 | (18,160)            |
| Payments to acquire companies, net of cash acquired  | (16,000)      | 0                                 | 0                   | 0                   | (16,000)            |
| Change in restricted cash and cash equivalents       | 1,693         | (0)                               | (0)                 | (0)                 | 1,693               |
| Maturities of short term investments                 | 9,997         | 0                                 | 0                   | 0                   | 9,997               |
| Investment in short term investments                 | (17)          | (0)                               | (0)                 | (0)                 | (17)                |
| Other investing activities                           | (489)         |                                   |                     |                     | (489)               |
| Intercompany investing activities                    | (20,083)      | (0)                               | (35,533)            | 55,616              | (0)                 |
| Net cash used by investing activities                | (26,943)      | (180)                             | (51,469)            | 55,616              | (22,976)            |
| Repayments on revolving line of credit               | (312,000)     | 0                                 | 0                   | 0                   | (312,000)           |
| Borrowings on revolving line of credit               | 312,000       | 0                                 | 0                   | 0                   | 312,000             |
| Repayments of long-term debt                         | (50,196)      | (0)                               | (20)                | (0)                 | (50,216)            |
| Proceeds from issuance of common stock               | 2,148         | 0                                 | 0                   | 0                   | 2,148               |
| Excess tax benefits from stock-based awards          | 685           | 0                                 | 0                   | 0                   | 685                 |
| Repurchase of common stock                           | (19,021)      | (0)                               | (0)                 | (0)                 | (19,021)            |
| Distribution to parent                               | 0             | (6,719)                           | 0                   | 6,719               | 0                   |
| Distribution to noncontrolling interest              | 0             | (1,680)                           | 0                   | 0                   | (1,680)             |
| Intercompany financing activities                    | 53,971        | 1,645                             | 0                   | (55,616)            | 0                   |
| Net cash used by financing activities                | (12,413)      | (6,754)                           | (20)                | (48,897)            | (68,084)            |
| Effect of exchange rates on cash                     | (319)         | (128)                             | 75                  | (0)                 | (372)               |
| Net increase (decrease) in cash and cash equivalents | (32,831)      | (2,200)                           | 196                 | 0                   | (34,835)            |
| Cash and cash equivalents at beginning of period     | 63,471        | 12,806                            | 2,399               | 0                   | 78,676              |
| Cash and cash equivalents at end of period           | \$ 30,640     | \$ 10,606                         | \$ 2,595            | \$ 0                | \$ 43,841           |



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

|   | <b>Parent</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated</b> |
|---|---------------|---------------------------------------|---------------------|---------------------|---------------------|
| Net cash provided by operating activities                     | \$ 2,881      | \$ 5,764                              | \$ 62,740           | \$ (2,534)          | \$ 68,851           |
| Additions to property, plant and equipment                    | (5,728)       | (1,482)                               | (6,497)             | 0                   | (13,707)            |
| Proceeds from sale of property and equipment, net of expenses | 0             | 0                                     | 5,171               | 0                   | 5,171               |
| Payments to acquire companies, net of cash acquired           | 0             | 0                                     | (20,262)            | 0                   | (20,262)            |
| Maturities of short term investments                          | 3,600         | 0                                     | 0                   | 0                   | 3,600               |
| Intercompany investing activities                             | (28,685)      | 0                                     | (40,821)            | 69,506              | 0                   |
| Net cash used by investing activities                         | (30,813)      | (1,482)                               | (62,409)            | 69,506              | (25,198)            |
| Repayments on revolving line of credit                        | (301,000)     | 0                                     | 0                   | 0                   | (301,000)           |
| Borrowings on revolving line of credit                        | 278,000       | 0                                     | 0                   | 0                   | 278,000             |
| Repayments of long-term debt                                  | (172)         | 0                                     | (110)               | 0                   | (282)               |
| Proceeds from issuance of common stock                        | 594           | 0                                     | 0                   | 0                   | 594                 |
| Excess tax benefits from stock-based awards                   | 422           | 0                                     | 0                   | 0                   | 422                 |
| Repurchase of common stock                                    | (1,190)       | 0                                     | 0                   | 0                   | (1,190)             |
| Payment of deferred financing costs                           | (3,090)       | 0                                     | 0                   | 0                   | (3,090)             |
| Distribution to parent  | 0             | (2,534)                               | 0                   | 2,534               | 0                   |
| Distribution to noncontrolling interest                       | 0             | (633)                                 | 0                   | 0                   | (633)               |
| Intercompany financing activities                             | 64,582        | 4,924                                 | 0                   | (69,506)            | 0                   |
| Net cash provided (used) by financing activities              | 38,146        | 1,757                                 | (110)               | (66,972)            | (27,179)            |
| Effect of exchange rates on cash                              | 530           | (179)                                 | (135)               | 0                   | 216                 |
| Net increase in cash and cash equivalents                     | 10,744        | 5,860                                 | 86                  | 0                   | 16,690              |
| Cash and cash equivalents at beginning of period              | 5,438         | 7,003                                 | 2,715               | 0                   | 15,156              |
| Cash and cash equivalents at end of period                    | \$ 16,182     | \$ 12,863                             | \$ 2,801            | \$ 0                | \$ 31,846           |

Subsequent to the issuance of the Form 10-Q for the quarterly period ended June 28, 2014, management identified certain corrections that were needed in the presentation of the Consolidating Condensed Financial Statements. The Company revised its Consolidating Condensed Financial Statements to correct the presentation of intercompany activities and other classification items between the Parent, Guarantors and Non-Guarantor subsidiaries for intercompany activities. The Company has also included a new column in its Consolidating Condensed Financial Statements to present separate results for Non-Guarantor subsidiaries. There were no changes to any of the Company's Consolidated Financial Statements. The Company assessed the materiality of these items on previously issued financial statements in accordance with SEC Staff Accounting Bulletins No. 99 and No. 108, and concluded that the revisions were not material to the Consolidating Condensed Financial Statements. The impact of these revisions is shown in the following tables:

**CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS**  
**Three Months Ended June 28, 2014**

|  | (in thousands)         |             |                 |
|--|------------------------|-------------|-----------------|
|  | As previously reported | Adjustments | As revised      |
| Parent   | \$ (10,448)            | \$ (2,611)  | \$ (13,059)     |
| Non-guarantor subsidiaries   | 0                      | 2,487       | 2,487           |
| Guarantor subsidiaries   | 28,874                 | 124         | 28,998          |
| Eliminations   | 0                      | 0           | 0               |
| <b>Income (loss) from operations</b>                               | <b>18,426</b>          | <b>0</b>    | <b>18,426</b>   |
| Parent   | 4,687                  | 0           | 4,687           |
| Non-guarantor subsidiaries   | 0                      | 958         | 958             |
| Guarantor subsidiaries   | 19,869                 | (1,099)     | 18,770          |
| Eliminations   | (19,869)               | 141         | (19,728)        |
| <b>Net income attributable to Central Garden &amp; Pet Company</b> | <b>\$ 4,687</b>        | <b>\$ 0</b> | <b>\$ 4,687</b> |

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**CONSOLIDATING CONDENSED STATEMENT OF OPERATIONS**  
**Nine Months Ended June 28, 2014**

|                                      | (in thousands)         |             |               |
|--------------------------------------|------------------------|-------------|---------------|
|                                      | As previously reported | Adjustments | As revised    |
| Parent                               | \$ (9,296)             | \$ (5,084)  | \$ (14,380)   |
| Non-guarantor subsidiaries           | 0                      | 4,609       | 4,609         |
| Guarantor subsidiaries               | 64,136                 | 475         | 64,611        |
| Eliminations                         | 0                      | 0           | 0             |
| <b>Income (loss) from operations</b> | <b>54,840</b>          | <b>0</b>    | <b>54,840</b> |
| Parent                               | 12,874                 | 0           | 12,874        |
| Non-guarantor subsidiaries           | 0                      | 1,648       | 1,648         |
| Guarantor subsidiaries               | 43,277                 | (924)       | 42,353        |
| Eliminations                         | (43,277)               | (724)       | (44,001)      |

**Net income attributable to Central Garden &**

|                    |           |      |           |
|--------------------|-----------|------|-----------|
| <b>Pet Company</b> | \$ 12,874 | \$ 0 | \$ 12,874 |
|--------------------|-----------|------|-----------|

In the Consolidating Condensed Statement of Operations, the Company now presents the Non-Guarantor subsidiaries separate from the Parent. The Company also recorded the equity in earnings of Non-Guarantor subsidiaries, which are owned by Guarantor subsidiaries, within the Guarantor subsidiary column, and have appropriately eliminated intercompany earnings between Non-Guarantor and Guarantor subsidiaries.

**CONSOLIDATING CONDENSED STATEMENT**  
**OF COMPREHENSIVE INCOME**  
**Three Months Ended June 28, 2014**

|   | (in thousands)         |             |                 |
|---|------------------------|-------------|-----------------|
|   | As previously reported | Adjustments | As revised      |
| Parent  | \$ (14,535)            | \$ 19,222   | \$ 4,687        |
| Non-guarantor subsidiaries  | 0                      | 1,605       | 1,605           |
| Guarantor subsidiaries  | 19,869                 | (1,099)     | 18,770          |
| Eliminations  | 0                      | (19,728)    | (19,728)        |
| <b>Net income (loss)</b>  | <b>5,334</b>           | <b>0</b>    | <b>5,334</b>    |
| Parent  | (14,196)               | 18,883      | 4,687           |
| Non-guarantor subsidiaries  | 0                      | 1,944       | 1,944           |
| Guarantor subsidiaries  | 19,869                 | (1,099)     | 18,770          |
| Eliminations  | 0                      | (19,728)    | (19,728)        |
| <b>Total comprehensive income (loss)</b>  | <b>5,673</b>           | <b>0</b>    | <b>5,673</b>    |
| Parent  | (14,843)               | 19,530      | 4,687           |
| Non-guarantor subsidiaries  | 0                      | 1,297       | 1,297           |
| Guarantor subsidiaries  | 19,869                 | (1,099)     | 18,770          |
| Eliminations  | 0                      | (19,728)    | (19,728)        |
| <b>Comprehensive income (loss) attributable to Central Garden &amp; Pet Company</b> | <b>\$ 5,026</b>        | <b>\$ 0</b> | <b>\$ 5,026</b> |



**Table of Contents****CONSOLIDATING CONDENSED STATEMENT  
OF COMPREHENSIVE INCOME****Nine Months Ended June 28, 2014****(in thousands)**

|   | <b>As previously reported</b> | <b>Adjustments</b> | <b>As revised</b> |
|---|-------------------------------|--------------------|-------------------|
| Parent  | \$ (29,266)                   | \$ 42,140          | \$ 12,874         |
| Non-guarantor subsidiaries  | 0                             | 2,785              | 2,785             |
| Guarantor subsidiaries  | 43,277                        | (924)              | 42,353            |
| Eliminations  | 0                             | (44,001)           | (44,001)          |
| <b>Net income (loss)</b>  | <b>14,011</b>                 | <b>0</b>           | <b>14,011</b>     |
| Parent  | (28,840)                      | 41,714             | 12,874            |
| Non-guarantor subsidiaries  | 0                             | 3,211              | 3,211             |
| Guarantor subsidiaries  | 43,277                        | (924)              | 42,353            |
| Eliminations  | 0                             | (44,001)           | (44,001)          |
| <b>Total comprehensive income (loss)</b>  | <b>14,437</b>                 | <b>0</b>           | <b>14,437</b>     |
| Parent  | (29,977)                      | 42,851             | 12,874            |
| Non-guarantor subsidiaries  | 0                             | 2,074              | 2,074             |
| Guarantor subsidiaries  | 43,277                        | (924)              | 42,353            |
| Eliminations  | 0                             | (44,001)           | (44,001)          |
| <b>Comprehensive income (loss) attributable to Central Garden &amp; Pet Company</b> | <b>\$ 13,300</b>              | <b>\$ 0</b>        | <b>\$ 13,300</b>  |

In the Consolidating Condensed Statement of Comprehensive Income, the Company now presents the Non-Guarantor subsidiaries separate from the Parent. The Company also recorded an adjustment to correct the beginning net income of the Parent to reflect equity in the earnings from affiliates.

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

|                            | <b>As previously reported</b> | <b>Adjustments</b> | <b>As revised</b>   |
|----------------------------|-------------------------------|--------------------|---------------------|
| Parent                     | \$ 240,108                    | \$ (46,428)        | \$ 193,680          |
| Non-Guarantor subsidiaries | 0                             | 44,736             | 44,736              |
| Guarantor subsidiaries     | 441,922                       | (1,428)            | 440,494             |
| Eliminations               | (3,120)                       | 3,120              | 0                   |
| <b>Current assets</b>      | <b>678,910</b>                | <b>0</b>           | <b>678,910</b>      |
| Parent                     | 1,066,208                     | 230,239            | 1,296,447           |
| Non-Guarantor subsidiaries | 0                             | 51,740             | 51,740              |
| Guarantor subsidiaries     | 796,926                       | 324,529            | 1,121,455           |
| Eliminations               | (697,196)                     | (606,508)          | (1,303,704)         |
| <b>Total assets</b>        | <b>\$ 1,165,938</b>           | <b>\$ 0</b>        | <b>\$ 1,165,938</b> |
| Parent                     | \$ 85,213                     | \$ (10,143)        | \$ 75,070           |
| Non-Guarantor subsidiaries | 0                             | 10,453             | 10,453              |

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|                            |            |           |            |
|----------------------------|------------|-----------|------------|
| Guarantor subsidiaries     | 97,683     | (3,430)   | 94,253     |
| Eliminations               | (3,120)    | 3,120     | 0          |
| <b>Current liabilities</b> | 179,776    | 0         | 179,776    |
| Parent                     | 492,932    | (1,850)   | 491,082    |
| Non-Guarantor subsidiaries | 0          | (6,056)   | (6,056)    |
| Guarantor subsidiaries     | 694,076    | 281,178   | 975,254    |
| Eliminations               | (694,076)  | (273,272) | (967,348)  |
| <b>Total equity</b>        | \$ 492,932 | \$ 0      | \$ 492,932 |

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In the Consolidating Condensed Balance Sheet, the Company now presents the Non-Guarantor subsidiaries separate from the Parent. The Company also recorded adjustments to present intercompany receivables and payables between legal entities of the Guarantor, Non-Guarantor and Parent on a gross basis instead of net. These adjustments impacted the Parent's total long term assets and liabilities and the Guarantor subsidiaries' total long term assets and equity. The Company also corrected the presentation of certain deferred tax balances to present on a gross basis by legal entity.

**CONSOLIDATING CONDENSED STATEMENT OF CASH FLOWS**  
**Nine Months Ended June 28, 2014**

|  | As<br>previously reported | Adjustments | As revised         |
|--|---------------------------|-------------|--------------------|
| Parent   | \$ 47,393                 | \$ (44,512) | \$ 2,881           |
| Non-Guarantor subsidiaries                                 | 0                         | 5,764       | 5,764              |
| Guarantor subsidiaries                                     | 64,735                    | (1,995)     | 62,740             |
| Eliminations   | (43,277)                  | 40,743      | (2,534)            |
| <b>Net cash provided by (used in) operating activities</b> | <b>68,851</b>             | <b>0</b>    | <b>68,851</b>      |
| Parent   | (4,071)                   | (26,742)    | (30,813)           |
| Non-Guarantor subsidiaries                                 | 0                         | (1,482)     | (1,482)            |
| Guarantor subsidiaries                                     | (64,404)                  | 1,995       | (62,409)           |
| Eliminations   | 43,277                    | 26,229      | 69,506             |
| <b>Net cash provided by (used in) investing activities</b> | <b>(25,198)</b>           | <b>0</b>    | <b>(25,198)</b>    |
| Parent   | (27,069)                  | 65,215      | 38,146             |
| Non-Guarantor subsidiaries                                 | 0                         | 1,757       | 1,757              |
| Guarantor subsidiaries                                     | (110)                     | 0           | (110)              |
| Eliminations   | 0                         | (66,972)    | (66,972)           |
| <b>Net cash provided by (used in) financing activities</b> | <b>\$ (27,179)</b>        | <b>\$ 0</b> | <b>\$ (27,179)</b> |

In the Consolidating Condensed Statement of Cash Flows, the Company now presents the Non-Guarantor subsidiaries separate from the Parent. The Company also presents changes in receivable balances between affiliates as investing activities and changes in payable balances between affiliates as financing activities because these changes are a result of subsidiaries' deposits to or borrowings from the Parent's cash account under a cash pooling arrangement. The Company also corrected the presentation of the Parent's cash flow from operating activities to reflect equity in earnings of affiliates as a non-cash operating activity. The Company previously presented changes of intercompany receivables and payables in investing activities.

**13. 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.

**14. Subsequent Event**

On July 31, 2015, the Company purchased substantially all of the assets of IMS Trading Corp. for a purchase price of approximately \$25 million. IMS Trading Corp is a manufacturer, importer and distributor of rawhide, natural dog treats and pet products throughout the United States and internationally. This acquisition is expected to complement the Company's existing dog and cat business.

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations  
Our Company**

Central Garden & Pet Company (Central) is a leading innovator, marketer and producer, of quality branded products and distributor of third-party products in the pet and lawn and garden supplies industries in the United States. The total pet food and supplies industry in 2014 was estimated to have been over \$43.8 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 \$26.8 billion. According to The Freedonia Group, the total lawn and garden consumables industry in the United States is estimated to be approximately \$17.2 billion in annual retail sales, including fertilizer, pesticides, growing media, seeds, mulch and other consumables. We estimate the annual retail sales of the lawn and garden consumables markets in the categories in which we participate to be approximately \$10.2 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®, Bio Spot Active Care™, 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 Lilly Miller®, Over-N-Out®, Smart Seed® and The Rebels®.

In fiscal 2014, our consolidated net sales were \$1.6 billion, of which our Pet segment, or Pet, accounted for approximately \$846 million and our Lawn and Garden segment, or Garden, accounted for approximately \$759 million. In fiscal 2014, our income from operations before corporate expenses and eliminations of \$72.9 million was \$129.1 million, of which the Pet segment accounted for \$88.1 million and the Garden segment accounted for \$41.0 million. See Note 11 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 quarterly report.

**Recent Developments**

*Fiscal 2015 Third Quarter Financial Performance:*

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Our net sales increased \$21.4 million, or 4.9%, to \$459.4 million from the prior year quarter. Adjusting for the garden charge in the prior year quarter, our net sales increased \$14.4 million, or 3.2%.

Gross margin increased 370 basis points to 30.9%. Adjusting for the garden charge in the prior year quarter, our gross margin increased 30 basis points.

Selling, general & administrative expenses decreased as a percentage of net sales to 22.4% from 23.0% in the prior year quarter. Adjusting for the sale of plant assets in the prior year quarter, selling, general & administrative expenses decreased as a percentage of net sales to 22.4% from 23.1% in the prior year quarter.

Operating earnings improved by \$20.6 million from the prior year quarter, to \$39.0 million in the third quarter of fiscal 2015. Adjusting for the prior year fiscal quarters garden charge and the gain on the sale of fixed assets in our garden segment, operating earnings improved \$5.7 million.

Our net income in the third quarter of fiscal 2015 was \$18.8 million, or \$0.38 per diluted share, compared to \$4.7 million, or \$0.09 per diluted share, in the third quarter of fiscal 2014. Adjusting for the prior year fiscal quarter's garden charge and the gain on the sale of fixed assets in our garden segment, net income was \$14.1 million, or \$0.28 per diluted share, in the prior year quarter.

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Net debt, defined as long-term debt less cash and cash equivalents and short-term investments, was \$356.3 million, a \$47.9 million improvement over the prior year.

### *Leadership*

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

Our Chief Financial Officer, Lori Varlas is leaving the Company effective September 2, 2015 to accept a senior level position at another company. The Board of Directors has named David N. Chichester as Acting Chief Financial Officer. Mr. Chichester has served for 13 years on Central's Board and as our Audit Committee financial expert. He brings significant financial management, accounting, disclosure, and risk assessment experience to the Acting CFO role.

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

### *IMS Trading Corp. Acquisition*

On July 31, 2015, we purchased substantially all of the assets of IMS Trading Corp. for a purchase price of approximately \$25 million. IMS Trading Corp is a manufacturer, importer and distributor of rawhide, natural dog treats and pet products throughout the United States and internationally. This acquisition is expected to complement our existing dog and cat business.

### *Prior Year Quarter Significant Items*

During fiscal 2013, we introduced two new Garden products that we decided to discontinue 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.

We recorded a \$2.0 million gain in the quarter ended June 28, 2014 in our garden segment from the sale of plant assets related to a seasonal product we intend to purchase rather than produce.

### *Use of Non-GAAP Financial Measures*

We report our financial results in accordance with U.S. generally accepted accounting principles (GAAP). However, management believes that certain non-GAAP financial measures that exclude the impact of 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 and providing consistency with our prior year disclosure. Additionally, we have provided a comparison of our net debt amounts which can be used as a measure of our net debt balances. We believe that these non-GAAP financial measures provide useful information to investors and other users of our financial statements, such as lenders. Management also uses these non-GAAP financial measures in making financial, operating and planning decisions and in evaluating our performance. While our management believes that non-GAAP measurements are useful supplemental information,

such adjusted results are not intended to replace our GAAP financial results and should be read in conjunction with those GAAP results.

### GAAP to Non-GAAP Reconciliation

(unaudited, in thousands, except per share amounts)

For the Three Months Ended

Gain on Sale June 28, 2014

|   | June 28, 2014<br>GAAP | Garden Charge<br>(A) | Of<br>Fixed Assets (B) | June 28, 2014<br>As<br>Adjusted | June 27, 2015<br>GAAP |
|---|-----------------------|----------------------|------------------------|---------------------------------|-----------------------|
| Net sales   | \$ 437,987            | \$ 7,035             | \$                     | \$ 445,022                      | \$ 459,446            |
| Cost of goods sold and<br>occupancy   | 318,856               | (9,873)              |                        | 308,983                         | 317,409               |
| Gross profit  | 119,131               | 16,908               |                        | 136,039                         | 142,037               |
| Selling, general and<br>administrative expenses                             | 100,705               |                      | 1,996                  | 102,701                         | 103,044               |
| Income from operations  | 18,426                | 16,908               | (1,996)                | 33,338                          | 38,993                |
| Net Income  | \$ 4,687              | \$ 10,652            | \$ (1,258)             | \$ 14,081                       | \$ 18,800             |
| Earnings per share - Diluted  | \$ 0.09               | \$ 0.21              | \$ (0.02)              | \$ 0.28                         | \$ 0.38               |
| Weighted Shares Outstanding   | 49,841                | 49,841               | 49,841                 | 49,841                          | 49,290                |
| Gross margin  | 27.2%                 |                      |                        | 30.6%                           | 30.9%                 |
| Selling, general and<br>administrative expenses as a<br>percentage of sales | 23.0%                 |                      |                        | 23.1%                           | 22.4%                 |
| Operating margin  | 4.2%                  |                      |                        | 7.5%                            | 8.5%                  |

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|   | For the Nine Months Ended |                      |  |                                 |                       |
|---|---------------------------|----------------------|--|---------------------------------|-----------------------|
|   | June 28, 2014<br>GAAP     | Garden Charge<br>(A) | Gain on Sale<br>Of<br>Fixed Assets (B) | June 28, 2014<br>As<br>Adjusted | June 27, 2015<br>GAAP |
| Net sales   | \$ 1,230,119              | \$ 7,035             | \$                                     | \$ 1,237,154                    | \$ 1,264,368          |
| Cost of goods sold and<br>occupancy   | 883,651                   | (9,873)              |  | 873,778                         | 884,288               |
| Gross profit  | 346,468                   | 16,908               |  | 363,376                         | 380,080               |
| Selling, general and<br>administrative expenses                             | 291,628                   |                      | 1,996                                  | 293,624                         | 289,978               |
| Income from operations  | 54,840                    | 16,908               | (1,996)                                | 69,752                          | 90,102                |
| Net Income  | \$ 12,874                 | \$ 10,652            | \$ (1,258)                             | \$ 22,268                       | \$ 36,340             |
| Earnings per share - Diluted  | \$ 0.26                   | \$ 0.22              | \$ (0.03)                              | \$ 0.45                         | \$ 0.73               |
| Weighted Shares Outstanding   | 49,201                    | 49,201               | 49,201                                 | 49,201                          | 49,496                |
| Gross margin  | 28.2%                     |                      |  | 29.4%                           | 30.1%                 |
| Selling, general and<br>administrative expenses as a<br>percentage of sales | 23.7%                     |                      |  | 23.7%                           | 22.9%                 |
| Operating margin  | 4.5%                      |                      |  | 5.6%                            | 7.1%                  |

|                                  | For the Three Months Ended |                                   | For the Nine Months Ended   |                                   |                             |
|----------------------------------|----------------------------|-----------------------------------|-----------------------------|-----------------------------------|-----------------------------|
|                                  | Net Sales                  |                                   | Net Sales                   |                                   |                             |
| <b>Garden Segment:</b>           |                            |                                   |                             |                                   |                             |
| June 28, 2014 as reported (GAAP) | \$                         | 210,905                           | \$                          | 601,688                           |                             |
| Garden charge (A)                |                            | 7,035                             |                             | 7,035                             |                             |
| June 28, 2014 as adjusted        | \$                         | 217,940                           | \$                          | 608,723                           |                             |
| June 27, 2015 as reported (GAAP) | \$                         | 221,320                           | \$                          | 605,437                           |                             |
|                                  |                            | <b>Income from<br/>Operations</b> | <b>Operating<br/>Margin</b> | <b>Income from<br/>Operations</b> | <b>Operating<br/>Margin</b> |
| June 28, 2014 as reported (GAAP) | \$                         | 4,011                             | 1.9%                        | \$ 34,579                         | 5.7%                        |
| Garden charge (A)                |                            | 16,908                            |                             | 16,908                            |                             |
| Gain on sale of fixed assets (B) |                            | (1,996)                           |                             | (1,996)                           |                             |
| June 28, 2014 as adjusted        | \$                         | 18,923                            | 8.7%                        | \$ 49,491                         | 8.1%                        |
| June 27, 2015 as reported (GAAP) | \$                         | 23,458                            | 10.6%                       | \$ 59,248                         | 9.8%                        |

(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.

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|                                   | <b>Net Debt Calculation</b>      |                 |
|-----------------------------------|----------------------------------|-----------------|
|                                   | <b>(unaudited, in thousands)</b> |                 |
|                                   | <b>June 28,</b>                  | <b>June 27,</b> |
|                                   | <b>2014</b>                      | <b>2015</b>     |
| <b>Net Debt:</b>                  |                                  |                 |
| Current portion of long term debt | \$ 296                           | \$ 290          |
| Long term debt                    | 449,994                          | 399,879         |
| <br>                              |                                  |                 |
| Total long term debt              | 450,290                          | 400,169         |
| Less:                             |                                  |                 |
| Cash and cash equivalents         | 31,846                           | 43,841          |
| Short term investments            | 14,220                           | 0               |
| <br>                              |                                  |                 |
| Net debt                          | \$ 404,224                       | \$ 356,328      |

**Results of Operations****Three Months Ended June 27, 2015****Compared with Three Months Ended June 28, 2014*****Net Sales***

Net sales for the three months ended June 27, 2015 increased \$21.4 million, or 4.9%, to \$459.4 million from \$438.0 million for the three months ended June 28, 2014 with increases in both our pet and garden segments. Our branded product sales increased \$13.9 million, and sales of other manufacturers' products increased \$7.5 million.

Pet net sales increased \$11.0 million, or 4.8%, to \$238.1 million for the three months ended June 27, 2015 from \$227.1 million for the three months ended June 28, 2014. Pet branded product sales increased \$6.2 million, due primarily to a \$3.1 million increase in our animal health category and a \$2.7 million increase in our dog and cat category. Within our animal health category, increased professional sales were partially offset by lower flea and tick product sales impacted by increased competition. The increase in our dog and cat category was due primarily to increased volume in treats and toys, partially offset by decreased sales in nutrition. Sales of other manufacturers' products increased \$4.8 million due primarily to increased volume in the e-commerce channel.

Garden net sales increased \$10.4 million, or 4.9%, to \$221.3 million for the three months ended June 27, 2015 from \$210.9 million for the three months ended June 28, 2014. Garden branded product sales increased \$7.7 million and sales of other manufacturers' products increased \$2.7 million. The sales increase in our garden branded products was due primarily to a \$10.1 million increase in controls and fertilizers partially offset by a \$3.5 million decrease in wild bird feed which was primarily volume driven. The increase in controls and fertilizers was primarily volume related and included the non-recurrence of a \$7 million charge in the prior year quarter for two discontinued garden products.

***Gross Profit***

Gross profit for the three months ended June 27, 2015 increased \$22.9 million, or 19.2%, to \$142.0 million from \$119.1 million for the three months ended June 28, 2014. The increase in gross profit was primarily in the Garden segment. Gross margin improved to 30.9% for the three months ended June 27, 2015 from 27.2% for the three months ended June 28, 2014. The gross margin increase was due to an improvement in the Garden segment, partially offset by

a decreased gross margin in the Pet segment. Adjusting for the \$16.9 million garden charge in the prior year quarter, gross profit for the three months ended June 28, 2015 increased \$6.0 million, or 4.4%. Gross margin, adjusted for the garden charge, was 30.6% in the comparable prior year quarter.

Gross profit increased in the Pet segment for the three months ended June 27, 2015 due to increased sales, partially offset by a lower gross margin. The largest contributors to the Pet segment gross profit improvement were increased sales and improved gross margin in our dog and cat category, while the largest contributors to the Pet segment gross margin decline were sales and margin declines in our flea and tick business. In the Garden segment, both gross profit and gross margin improved for the three months ended June 27, 2015, compared to the prior year quarter, which included the \$16.9 million garden charge. Adjusting for the \$16.9 million garden charge, the Garden segment gross profit and gross margin still improved in the three months ended June 27, 2015 compared to the prior year period. Both grass seed and garden controls and fertilizer contributed to the improved gross profit and gross margin.

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**Table of Contents*****Selling, General and Administrative Expenses***

Selling, general and administrative expenses increased \$2.3 million, or 2.3%, to \$103.0 million for the three months ended June 27, 2015 from \$100.7 million for the three months ended June 28, 2014. As a percentage of net sales, selling, general and administrative expenses decreased to 22.4% for the three months ended June 27, 2015, compared to 23.0% in the comparable prior year quarter. Excluding the \$2.0 million gain on the sale of plant assets in the prior year quarter, selling, general and administrative expenses increased \$0.3 million from prior year quarter and the expenses as a percentage of net sales decreased to 22.4% in the current year quarter from 23.1% in the prior year quarter.

Selling and delivery expense decreased \$4.4 million, or 7.2%, to \$56.8 million for the three months ended June 27, 2015 from \$61.2 million for the three months ended June 28, 2014. The decrease was due primarily to decreased advertising expense in our flea and tick business.

Warehouse and administrative expense increased \$6.7 million, or 17.0%, to \$46.2 million for the quarter ended June 27, 2015 from \$39.5 million in the quarter ended June 28, 2014. The increase was due primarily to an increase in corporate expenses for legal and corporate matters and a \$2.0 million gain recorded in the prior year quarter in our Garden segment from the sale of plant assets. 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 increased \$20.6 million to \$39.0 million, or 111.6%, for the three months ended June 27, 2015 from \$18.4 million for the three months ended June 28, 2014. Increased sales of \$21.4 million and gross margin improvement were only partially offset by a \$2.3 million increase in selling, general and administrative costs. Operating margin was 8.5% for the three months ended June 27, 2015 and 4.2% for the three months ended June 28, 2014. Adjusting the prior year quarter for the garden charge and the gain on the sale of plant assets in our Garden segment, operating income increased \$5.7 million, and the prior year operating margin was 7.5%.

Pet operating income increased \$4.5 million, or 15.8%, to \$32.9 million for the three months ended June 27, 2015 from \$28.4 million for the three months ended June 28, 2014. The increase was due primarily to increased sales and lower selling, general and administrative expenses, which were only partially offset by a lower gross margin. Pet operating margin increased to 13.8% for the three months ended June 27, 2015 from 12.5% for the three months ended June 28, 2014. Garden operating income increased \$19.5 million to \$23.5 million from \$4.0 million in the fiscal 2014 quarter. Garden operating margin increased to 10.6% for the three months ended June 27, 2015. Adjusting the prior year quarter for the garden charge and the gain on the sale of plant assets, operating income increased \$4.6 million and the prior year quarter's operating margin was 8.7%.

***Net Interest Expense***

Net interest expense for the three months ended June 27, 2015 decreased \$1.4 million, or 13.9%, to \$9.0 million from \$10.4 million for the three months ended June 28, 2014. Interest expense decreased due to lower average debt outstanding during the quarter ended June 27, 2015. In March 2015, we redeemed \$50.0 million of our 2018 Notes. Debt outstanding on June 27, 2015 was \$400.2 million compared to \$450.3 million as of June 28, 2014, a decrease of \$50.1 million.

***Other Income / Expense***

Other income increased \$0.1 million to \$0.6 million. Other income is comprised of income from investments accounted for under the equity method of accounting and foreign currency exchange gains and losses.

***Income Taxes***

Our effective income tax rate was 37.5% for the quarter ended June 27, 2015 and 37.0% for the quarter ended June 28, 2014. The income tax rate increase was due primarily to tax benefits available in the prior year quarter that were not available in the current year quarter.

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**Nine Months Ended June 27, 2015**

**Compared with Nine Months Ended June 28, 2014**

***Net Sales***

Net sales for the nine months ended June 27, 2015 increased \$34.3 million, or 2.8%, to \$1,264.4 million from \$1,230.1 million for the nine months ended June 28, 2014. Our branded product sales increased \$5.5 million, while sales of other manufacturers' products increased \$28.8 million.

Pet net sales increased \$30.6 million, or 4.9%, to \$659.0 million for the nine months ended June 27, 2015 from \$628.4 million in the comparable fiscal 2014 period. Pet branded product sales increased \$11.0 million from the prior year period, due primarily to a \$17.4 million increase in our professional business, of which some of the increase was due to our acquisition in the prior year. This increase was partially offset by a \$5.3 million decrease in wild bird feed, which was price driven. Sales of other manufacturers' products increased approximately \$19.6 million benefitting from expanded distribution compared to the prior year nine month period.

Garden net sales increased \$3.7 million, or 0.6%, to \$605.4 million for the nine months ended June 27, 2015 from \$601.7 million in the comparable fiscal 2014 period. Garden branded product sales decreased \$5.5 million due primarily to volume driven sales decreases of \$14.7 million in grass seed, \$9.5 million in wild bird feed and \$7.0 million in decor. These declines were partially offset by a \$26.0 million increase in our controls and fertilizer category. The increase in controls and fertilizers was primarily volume related and included a \$7.0 million charge in the prior year quarter for two discontinued garden products. Excluding the \$7.0 million charge in the prior year comparable period, controls and fertilizer sales increased \$19.0 million. Sales of other manufacturers' products increased approximately \$9.2 million compared to the comparable prior year period.

***Gross Profit***

Gross profit for the nine months ended June 27, 2015 increased \$33.6 million, or 9.7%, to \$380.1 million from \$346.5 million for the nine months ended June 28, 2014. Gross profit as a percentage of net sales increased to 30.1% for the nine months ended June 27, 2015 from 28.2% for the nine months ended June 28, 2014, with gross margin improvement in both our Garden and Pet segments. Adjusting for the \$16.9 million garden charge, gross profit for the nine months ended June 27, 2015 increased \$16.7 million, or 4.6%, from \$363.4 million for the nine months ended June 28, 2014. Adjusted gross margin increased to 30.1% for the nine months ended June 27, 2015 from 29.4% for the nine months ended June 28, 2014.

Adjusting for the garden charge, the gross profit increase of \$16.7 million was due primarily to the increase in sales in the Pet segment. The largest contributor to the Pet segment gross profit improvement was our animal health category, which includes our professional business, and our dog and cat category. Garden controls and fertilizer also contributed to the gross profit increase, even after adjusting for the prior year garden charge, primarily due to increased volumes and favorable product mix. Both operating segments reflected improved gross margins.

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

Selling, general and administrative expenses decreased \$1.6 million, or 0.5%, to \$290.0 million for the nine months ended June 27, 2015 from \$291.6 million for the nine months ended June 28, 2014. As a percentage of net sales, selling, general and administrative expenses decreased to 22.9% for the nine months ended June 27, 2015, compared to 23.7% in the prior year nine month period. Excluding the gain on the sale of plant assets in the prior year period,

selling, general and administrative expenses decreased \$3.6 million from the prior year period and the expenses as a percentage of net sales decreased to 22.9% in the current year period from 23.7% in the prior year period.

Selling and delivery expense decreased \$6.0 million, or 3.7%, to \$156.6 million for the nine months ended June 27, 2015 from \$162.6 million for the nine months ended June 28, 2014. The decrease was due primarily to decreased marketing expenditures, including advertising, marketing program expenditures and headcount reductions, in our Pet and Garden segments.

Warehouse and administrative expense increased \$4.4 million to \$133.4 million for the nine months ended June 27, 2015 from \$129.0 million in the nine months ended June 28, 2014. The increase was due primarily to an increase in corporate expenses for legal and corporate matters, payroll related warehousing costs in our Pet segment and the non-recurrence of a \$2.0 million gain recorded in the prior year quarter in our Garden segment from the sale of plant assets.

### ***Operating Income***

Operating income increased \$35.3 million, or 64.3%, to \$90.1 million for the nine months ended June 27, 2015 from \$54.8 million for the nine months ended June 28, 2014. Increased sales of \$34.3 million, a 190 basis point gross margin improvement and a \$1.7 million decrease in selling, general and administrative costs all contributed to the increase in operating income. Operating margin was 7.1% for the nine months ended June 27, 2015 and 4.5% for the nine months ended June 28, 2014. Adjusting for the prior year garden charge and the gain on the sale of plant assets in our Garden segment, operating income increased \$20.4 million, and the prior year operating margin was 5.6%.

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Pet operating income increased \$13.6 million, or 20.2%, to \$80.6 million for the nine months ended June 27, 2015 from \$67.0 million for the nine months ended June 28, 2014. The increase was due primarily to increased sales and improved gross margin, which were only partially offset by a slight increase in selling, general and administrative expenses. Pet operating margin increased to 12.2% for the nine months ended June 27, 2015 from 10.7% for the nine months ended June 28, 2014.

Garden operating income increased \$24.6 million to \$59.2 million from \$34.6 million in the fiscal 2014 period. Garden operating margin increased to 9.8% for the nine months ended June 27, 2015 from 5.8% for the nine months ended June 28, 2014. Adjusting the prior year period for the garden charge and the gain on the sale of plant assets, Garden operating income increased \$9.7 million to \$59.2 million from \$49.5 million in the fiscal 2014 period. The Garden operating margin increased to 9.8% for the nine months ended June 27, 2015 from 8.1% for the nine months ended June 28, 2014. The adjusted Garden operating income increase of \$9.7 million was due to a decrease in selling, general and administrative costs and by an improved gross margin, partially offset by lower net sales of \$3.3 million.

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

Net interest expense for the nine months ended June 27, 2015 decreased \$1.7 million or 5.3%, to \$31.3 million from \$33.0 million for the nine months ended June 28, 2014. Interest expense decreased due to lower average debt outstanding during the quarter ended June 27, 2015. In March 2015, we redeemed \$50.0 million of our 2018 Notes.

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

Other income was \$0.1 million for the nine months ended June 27, 2015, compared to \$0.4 million for the nine months ended June 28, 2014. The decrease in earnings was primarily due to equity method losses from the two newly formed entities we invested in during our second quarter of fiscal 2015.

### ***Income Taxes***

Our effective income tax rate was 36.5% for the nine months ended June 27, 2015 and 37.0% for the nine months ended June 28, 2014. Our 2015 tax rate benefited from increased tax benefits available compared to the prior period.

### ***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 related to grain and seed prices, fuel prices and the ingredients used in our Garden controls and fertilizer. 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 has been 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, many of our 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 2014, approximately 65% of our Garden segment's net sales and 59% of our total net sales occurred during our second and third fiscal quarters. Substantially all of the Garden segment's operating income is typically generated in this period, which has historically offset the operating loss incurred during the first fiscal quarter of the year.

### **Liquidity and Capital Resources**

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

Our business is seasonal and our working capital requirements and capital resources track closely to this seasonal pattern. Generally, during the first fiscal quarter, accounts receivable reach their lowest level while inventory, accounts payable and short-term borrowings begin to increase. During the second fiscal quarter, receivables, accounts payable and short-term borrowings increase,

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reflecting the build-up of inventory and related payables in anticipation of the peak lawn and garden selling season. During the third fiscal quarter, inventory levels remain relatively constant while accounts receivable peak and short-term borrowings start to decline as cash collections are received during the peak selling season. During the fourth fiscal quarter, inventory levels are at their lowest, and accounts receivable and payables are substantially reduced through conversion of receivables to cash.

We service two broad markets: pet supplies and lawn and garden supplies. Our pet supplies businesses involve products that have a year round selling cycle with a slight degree of seasonality. As a result, it is not necessary to maintain large quantities of inventory to meet peak demands. On the other hand, our lawn and garden businesses are highly seasonal with approximately 65% of our Garden segment's net sales occurring during the second and third fiscal quarters. This seasonality requires the shipment of large quantities of product well ahead of the peak consumer buying periods. To encourage retailers and distributors to stock large quantities of inventory, industry practice has been for manufacturers to give extended credit terms and/or promotional discounts.

***Operating Activities***

Net cash provided by operating activities decreased by \$12.3 million, from \$68.9 million of cash provided by operating activities for the nine months ended June 28, 2014, to \$56.6 million of cash provided by operating activities for the nine months ended June 27, 2015. The decrease in cash provided by operating activities was due primarily to increased seasonal inventory build in the current period compared to the prior year period. While inventory levels were lower for the period ended June 27, 2015 compared to the prior year period, the seasonal build was higher due to lower levels of inventory for the fiscal year ending September 27, 2014, compared to inventory levels as of September 28, 2013. Additionally, increased sales for the nine months ended June 27, 2015 drove an increase in accounts receivable for the current year period as compared to the prior year period. We remain 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 decreased \$2.2 million, from \$25.2 million for the nine months ended June 28, 2014 to \$23.0 million during the nine months ended June 27, 2015. The decrease in cash used in investing activities was due primarily to lower payments made to acquire businesses and investments in joint ventures during the current period, as well as an increase in proceeds from short-term investments compared to the prior year period. These changes were partially offset by an increase in capital expenditures during the current year related to investments in our facilities and proceeds from the sale of certain property and equipment in the prior year period that did not recur during the current year period.

***Financing Activities***

Net cash used by financing activities increased \$40.9 million, from \$27.2 million of cash used by financing activities for the nine months ended June 28, 2014, to \$68.1 million of cash used by financing activities for the nine months ended June 27, 2015. The increase in cash used was due primarily to our redemption of \$50 million aggregate principal of our 2018 Notes during the current year period at 102.063%, as well as increased purchases of our common stock compared to the prior year. During the nine months ended June 27, 2015, we repurchased \$15.1 million of our common stock, which consisted of 0.5 million shares of our voting common stock (CENT) at an aggregate cost of approximately \$4.5 million, or approximately \$9.00 per share, and 1.2 million shares of our non-voting Class A common stock (CENTA) at an aggregate cost of approximately \$10.6 million, or approximately \$8.83 per share. These uses of cash were partially offset by lower net borrowings under our revolving credit facility during the nine months ended June 27, 2015 compared to the prior year period.

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 \$30 million during fiscal 2015. 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 \$83 million from fiscal 2005 through fiscal 2014 in this initiative. Capital expenditures for 2015 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.

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At June 27, 2015, our total debt outstanding was \$400.2 million, as compared with \$450.3 million at June 28, 2014.

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

On March 8, 2010, we issued \$400 million aggregate principal amount of 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 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.

In March 2015, we redeemed \$50.0 million of our 2018 Notes at a price of 102.063% and recorded a charge of approximately \$1.6 million related to the payment of the call premium and the non-cash write-off of unamortized deferred financing costs.

We may redeem some or all of the remaining 2018 Notes on or after March 1, 2015 for 102.063% and on or after March 1, 2016 for 100%, plus accrued and unpaid interest. The holders of the 2018 Notes 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 estimated fair value of our \$400 million remaining aggregate principal amount of the 2018 Notes as of June 27, 2015 was approximately \$406.0 million. The estimated fair value is based on quoted market prices for these notes.

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 as of June 27, 2015.

### ***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 27, 2015, there were no borrowings outstanding and no letters of credit outstanding under the Credit Facility. There were other letters of credit of \$7.2 million outstanding as of June 27, 2015.

The Credit Facility is subject to a borrowing base, calculated using a formula based upon eligible receivables and inventory, minus certain reserves and subject to restrictions. The borrowing availability as of June 27, 2015 was \$384 million. Borrowings under the Credit Facility bear interest at an index based on LIBOR or, at our option, the Base Rate (defined as the highest of (a) the SunTrust prime rate, (b) the Federal Funds Rate plus 0.5% and (c) one-month LIBOR plus 1.00%), plus, in either case, an applicable margin based on our total outstanding borrowings. Such

applicable margin for LIBOR-based borrowings fluctuates between 1.25%-1.75% (1.25% at June 27, 2015) and such applicable margin for Base Rate borrowings fluctuates between 0.25%-0.75% (0.25% at June 27, 2015). As of June 27, 2015, the applicable interest rate related to Base Rate borrowings was 3.5%, and the applicable interest rate related to LIBOR-based borrowings was 1.4%.

The Credit Facility contains customary covenants, including financial covenants which require us to maintain a minimum fixed charge coverage ratio of 1.00:1.00 upon reaching certain borrowing levels. The Credit Facility is secured by substantially all of our assets. We were in compliance with all covenants under the Credit Facility during the period ended June 27, 2015.

In fiscal 2014, we incurred approximately \$3.1 million of costs in conjunction with the new facility, which included banking fees and legal expenses. These costs will be amortized over the term of the Credit Facility.

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

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### **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 27, 2014 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 27, 2014.

### **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 27, 2014.

### **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 27, 2014.

### **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 27, 2015.

(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 2015. 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 2015 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 27, 2014.

**Table of Contents****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 27, 2015 and the dollar amount of authorized share repurchases remaining under our stock repurchase program.

| <b>Period</b>                | <b>Total Number of Shares (or Units) Purchased</b> | <b>Average Price Paid per Share (or Units)</b> | <b>Total Number of Shares (or Units) as Part of Publicly Announced Plans or Programs</b> | <b>Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs (1)</b> |
|------------------------------|--|--|--|--|
| March 29, 2015 – May 2, 2015 | 48,749 <sup>(2)</sup>                              | \$ 10.38                                       | 0  | \$ 34,968,000  |
| May 3, 2015 – May 30, 2015   | 2,520 <sup>(2)</sup>                               | \$ 10.28                                       | 0  | \$ 34,968,000  |
| May 31, 2015 – June 27, 2015 | 2,708 <sup>(2)</sup>                               | \$ 10.74                                       | 0  | \$ 34,968,000  |
| <b>Total</b>                 | <b>53,977</b>                                      | <b>\$ 10.40</b>                                | <b>0</b>   | <b>\$ 34,968,000</b>   |

- (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.

**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. |
| 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  |

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**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 5, 2015

/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)*