January 8, 2013

To the Board of Central Garden and Pet:

After 29 years as an "investment professional," I truly never cease to be amazed by the ability of otherwise rational and reasonable people to gather together under the heading of a "public company" and make incredibly bone-headed moves in a bone-headed fashion, with the end result of making life much harder than it has to be.

I have enclosed the letter that I amazingly prepared last week to send to the Board before the announcement of the effective split of Gus Halas from Central Garden and the hiring of John Ranelli as CEO. I have also enclosed the bones of a letter I sent to the Central Board in 2007. (The letter was written while I was at my former firm and thus I do not have a final copy.) It is truly frightening reading and to paraphrase Einstein: The definition of insanity is doing the same thing over and over and expecting a different outcome.

Even under the incorrect assumption that somehow what Central's Board and Bill Brown are doing makes sense, it is INCONCEIVABLE that you can be so tone deaf to not have a conference call and address all comers at one time in an open forum. It is also a terrible disservice to John Ranelli to not allow him to present himself and the subsequent result should not be a surprise: everyone who is in the stock because of Gus Halas is moving out. Marching through an "approved" shareholder call list violates all common sense and creates FD and ethical considerations. Ignoring the strategic rationale issue, this is the latest in a series of investor relations gaffes that have cut the credibility of management and this Board to zero.

Let's make this simple, Bill:

1. Despite best intentions and good heart, you have presided over the decision making of a public company that has not created a dime for shareholders in 16 years. This is due to combination of terrible capital allocation, poor operational performance, the inability to attract and build a quality management team(let's exclude the last year from this statement) and the inability to conduct an effective investor relations program that is worthy of a public company.

2. The A/B voting control structure is a travesty of corporate governance and should be repealed as soon as possible within the context of company guidelines. You told me on our call this week that you "haven't given it much thought." It is in fact EXACTLY this structure that has aided and abetted all the points in #1. While the Board of Directors of Central is guilty of complicity in this venture, the definition of "A/B" voting control sticks the whole mess squarely on your shoulders. If you are really serious about handing over the reins, this is the ONLY way to prove you are serious.

3. Hiring Gus Halas – the "transformation agent" - was the right move. Letting him rip into the organization of Central to create a real operating company was the right move. NOT making him CEO has a terrible and indicative again of your inability to remove yourself from operations, a refusal that has had both short and long-term negative connotations.

4. Hiring John Ranelli to be CEO of the company now is NOT the right move. Regardless of ability and personality, he is "another Gus" in that his tenure represents an interim step between you and long-term leadership of Central. It is INANE to hire a 66 year old CEO. It is INANE and frankly embarrassing for the three of you – Gus, Bill and John – to pretend that this triumvirate is going to run a public company. It is very impractical—along with being unfair to Mr. Ranelli—to have both you and Gus looking over his shoulder. NO successful company operates this way.

I am frankly mostly embarrassed at myself for allowing myself to re-engage in what I once called (and if the shoe fits) a "clown show" of investor relations and corporate governance. It reminds me of George Bush's comment: "There's an old saying in Tennessee — I know it's in Texas, probably in Tennessee — that says, fool me once, shame on — shame on you. Fool me — you can't get fooled again."

The solution here is obvious. Stop pretending. If Gus is actually going to stay, ACCELERATE the pace of change. Announce the merger of A/B stock. Have John VERY prepared to address investors within the next 30 days about his plans and how this company is going to be managed.

Sincerely,

Jeffrey Bronchick, CFA

January 8, 2013

To the Board of Central Garden and Pet:

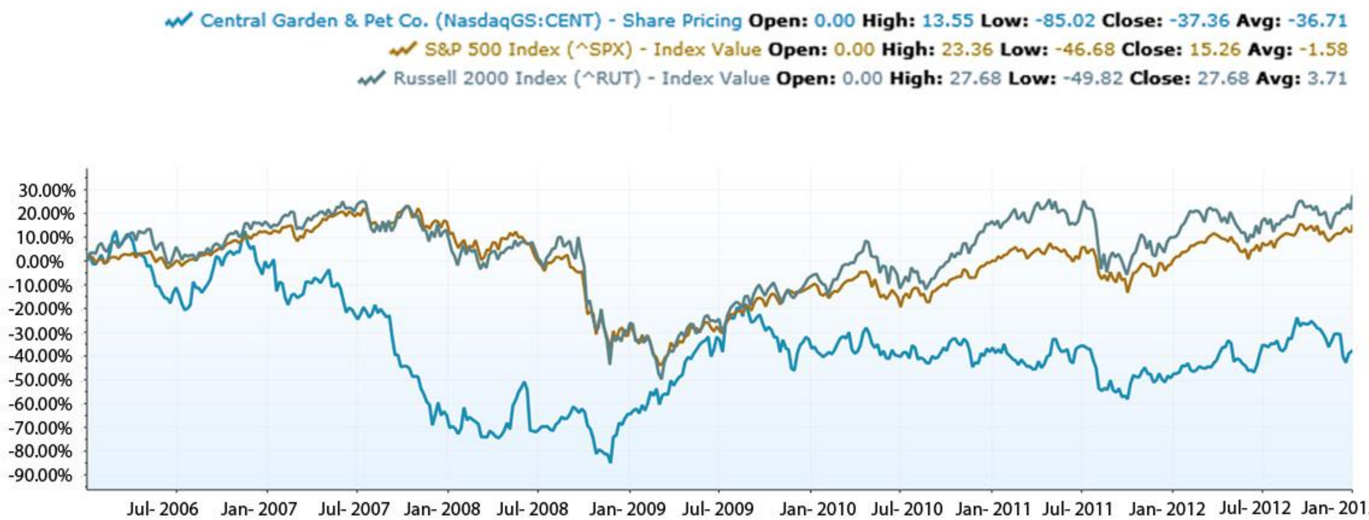
While I have had a relationship with Bill Brown for over a decade, I would also like to think my name is somewhat familiar to the Board of Central Garden and Pet. At my predecessor firm, I was the largest outside shareholder in Central in and around 2003, and again in 2008/09. At my new firm, Cove Street Capital, we own 2.8% of outstanding shares. (We are presently working from a smaller palette.) I have also been a large shareholder in Spectrum Brands, Scott's, Petsmart, VCA Antech and thus I would suggest I have spent an inordinate amount of time in and out of the garden and pet businesses. I have communicated to the Board and Bill on a number of occasions on issues somewhat related to those that will follow.

I am writing to the entire Board because of the following picture.

However we want to put it, Central Garden and Pet has not been a successful, wealth-creating investment vehicle for almost 20 years, unless you have been fortunate enough to buy at the bottom after the company almost succeeded in bankrupting itself twice and then sold out upon the rebound. I would argue that this is not the way one wants to go about life.

There are numerous reasons, both internal and external, that have played a part in this underperformance, but I am not here to recap the history with which we are all familiar. I am here to address what can be done right now to fix entirely man-made problems with man-made solutions.

The obvious and very fixable problem at Central Garden is corporate governance. Bill did a terrific, made-in-America entrepreneurial job of having the vision to see opportunity, raise money and make it happen. What Bill and the Board have not done a good job of is taking the company to the next and obvious level. Ignoring operations for the moment, the penultimate mistake of judgment was the creation of the A and B stock in 2006. In violation of nearly every rule of good corporate governance and against the wishes of your largest shareholder (who told Bill flat out to his face what a terrible idea it was and voted every share against it) the Board went along for the ride and it has not been pretty.



Why does this matter? Because it clearly delayed the natural evolution of the company and the development of deep and competent operational management. It paralyzed the Board's decision-making and ability to add value when Bill clearly had a crisis of confidence after the Novotny disaster, and the CFO mishap. It creates the truly ridiculous position of not giving a seasoned professional like Gus Halas the CEO spot and a board seat. It also alienates a huge portion of the investing populace who think it is a terrible idea to invest in a "closed fund," a fact that puts a lid on the valuation investors would be willing to place on Central's numbers. Sadly, the chart says it all.

So what can be done? The most obvious and natural thing for the Board and Bill to do is:

1. Propose to its shareholders that the A and B stock classed be combined into one share class.
2. Announce that Gus Halas is the CEO of the company and is joining the Board. Bill would thus remain the active Chairman

With the company in the middle-innings of its transformation, this is the perfect time to enact these changes and demonstrate to shareholders that the management team and the Board is serious in every way about creating shareholder value. It does not appear that he Board has any idea of how important these issues are, how favorable they would be for the stock and most importantly, how important they would be for all stakeholders, particularly the employees. I would also suggest from the standpoint of governance and outside perception that the company speak from one megaphone and that would clearly be the CEO. No one has conference calls like those at Central Garden.

I do not mean any disrespect, Bill, but seriously the time has come to move the company onward to the next generation. You already made the decision once and my sense is that you have better things that you would like to do with your life and your family than answer shareholder letters. Given the current corporate structure, it is up to you to make this decision.

I would be more than happy to come to Walnut Creek and address the Board about these issues, as I would always prefer to operate quietly and behind the scenes with my "partners."

Sincerely,

Jeffrey Bronchick, CFA
Founder
Chief Investment Officer

August 2007

CENT Board
Cc the board members individually and send letters to each individually

Mr. William Brown
Central Garden and Pet Company

Dear Mr. Brown and the Board of Directors of Central Garden and Pet

I am writing to you on behalf of the clients of Reed, Conner & Birdwell, who collectively are the largest shareholders in Central Garden and Pet, representing ownership of 8.7%.

After meeting with management during the road show, I originally drafted this letter with the following paragraph:

> I am dismayed and aggravated by the recent announcement of the latest equity offering by the company, which once again will result in the dilution of our shareholder value. What is particular dismaying and frankly embarrassing is that this is a near repeat of a corporate pattern which we referenced in our meeting with you last year, that being the process by which Central Garden over-extends itself via acquisitions and subsequently issues additional equity like monopoly money resulting in per share dilution.

I am nearly speechless after reading the press release pulling the equity offering. In twenty-three years on Wall Street, it is difficult for me to recall a more bone-headed set of events that would be almost comical if not for the economic pain we are currently suffering as a result. Part of a valuation of a public company is an implicit judgment of the board and the management team. This clown-like corporate finance dance has removed any sense of a deserved premium earned over the past four years and replaced it with a discount that will take an unnecessarily long time to remove.

Before continuing with the balance of the original letter, I will repeat for the third time (the first to Stuart Booth in a phone call before the offering, the second time in a meeting with Stuart and Glenn Novotny in NY after the announced offering) a very simple and practical guide with which I would hope you now agree: stop making acquisitions, get your operating house in order, and reduce your leverage the old fashioned and principled way through generating cash flow from operations.

With de-facto voting control of a publicly traded company, you personally should be assuming a particularly high standard of fiduciary responsibility in order to protect the individual shareholder's value, and the Board should have an equally crucial role in the oversight thereof. What we have witnessed is the continuation of an acquisition strategy that has not even remotely earned its cost of capital and for the second time in the last decade levered the company to a point where the shareholder is diluted by the over-reach.

We have closely followed this company for almost a decade and have had hours of conversations with both current and prior operating management. It is embarrassing to hear the management team refer to "exogenous" events as to why we "have" to sell stock at $11 a share and who could have possibly seen weather issues or soaring grain prices coming. As an anonymous Brooklyn sage once noted, "^%$ happens" and that is exactly why you don't lever yourself to a position of weakness if things don't go according to the budget. Is not the second word in the corporate name "Garden" and the segment by which half of revenues are sourced? How can a company in the lawn and garden businesses be surprised that weather is variable? We would also suggest that a company with single digit operating margins whose largest customers are the most powerful retailers in the world should not be surprised at the possibility of sitting with warehouses full of finished goods if there is a poor selling season at any point in time, and thus should have a balance sheet that considers this a less than remote possibility. The management and Board of Central Garden put itself in its current position.

What we would like to see is an immediate secession of acquisition activity until the management of Central Garden can demonstrate that it can earn an appropriate return on capital… which it has NOT earned in ANY fiscal year in the last decade. While management should receive well deserved kudos for a very difficult transition from distribution to a branded product company, it appears to be blinded by the mathematics of growth when measured from an unusually lower starting point.

Let's use Farnham as an example. We invested $291mm for the acquisition. Is someone ready to demonstrate to us how Farnham earns $29mm in after-tax and maintenance capex cash flow, which would represent a very "average" return of 10%? With a very low cost of debt, now gone, it is not difficult to show "earnings accretion" which once again has proven to be a fool's game and has little to do with creating real shareholder value. This repeats a pattern which I have heard articulated several times that Central is a "growth" company and thus must keep on the growth treadmill via acquisitions. If the numerous mentions of organic growth in the company's annual report stress the importance of this metric, then there is zero reason to be pushing the balance sheet envelope.

As noted to Mr. Booth in several previous conversations, what Central Garden should be doing is hunkering down and earning its way out of its temporary mess, aggressively tackling working capital, and focusing on internal growth prospects until the balance sheet and margins return to a reasonable position. Not only is this appropriate way for management to earn the shareholders' trust to spend our money on acquisitions, but it makes obvious corporate finance sense from the shareholders' perspective, which is THE obligation of management and the Board, regardless of the state of voting control.

We would also argue that anything you are planning as an acquisition is getting cheaper by the day and the competitive landscape has clearly shifted to favor the strategic buyer. So how can it not make sense to intelligently nurse yourself back to what was still a mediocre earnings level, and then poke your head up in 12 months to review what will likely be an even more favorable landscape?

In regard to your attempts at "earnings guidance," I don't think it would be a giant stretch to suggest that you abandon ANY attempts at short term guidance. Either you don't have the business model to do it or the systems to do it effectively, and thus cease and desist makes eminent sense. What we and any other shareholder would like to see is an annual target and three year targets on revenue growth, margin and return on invested capital, which should coincide with your compensation structure.

We would like to see the entire concept of an equity offering at anything near current prices publicly shelved immediately. While you are entitled to ignore common shareholders given the de-facto control of Mr. Brown, we cannot see how running Central Garden with an additional focus on return on invested capital, a much higher return benchmark for acquisitions, and a much more realistic set of growth targets is not in the best interest of all stakeholders.

I would be more than happy to address these issues with you personally or in front of the Board, but frankly speaking, unless you disagree with what has been said here which I find hard to believe, we would all be better off with Central putting its head down and answering with results over the next two years.

Sincerely

Jeffrey Bronchick, CFA
Principal,
Reed, Conner & Birdwell Investment Management