CENTRAL GARDEN & PET CO
Form DEF 14A
January 02, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x   Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

CENTRAL GARDEN & PET COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(1) Title of each class of securities to which the transaction applies:

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(4) Proposed maximum aggregate value of the transaction:

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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

CENTRAL GARDEN & PET COMPANY

1340 Treat Blvd., Suite 600

Walnut Creek, California 94597

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Monday, February 9, 2009, 10:30 A.M.

To the Stockholders:

The Annual Meeting of Stockholders of Central Garden & Pet Company will be held at the LAFAYETTE PARK HOTEL, 3287 Mt. Diablo Boulevard, Lafayette, California, on Monday, February 9, 2009, at 10:30 A.M. for the following purposes:

(1) To elect five directors;

(2) To approve the amendment of the 2003 Omnibus Equity Incentive Plan to increase the number of shares of Class A Common Stock and preferred stock authorized for issuance thereunder;

(3) To approve the amendment of the Nonemployee Director Equity Incentive Plan to increase the number of shares of Class A Common Stock authorized for issuance thereunder; and

(4) To transact such other business as may properly come before the meeting.

Only holders of record of Common Stock and Class B Stock on the books of the Company as of 5:00 P.M., December 19, 2008, will be entitled to vote at the meeting and any adjournment thereof. Holders of Class A Common Stock are welcome to attend and participate in this meeting. A complete list of the Company s stockholders entitled to vote at the meeting will be available for examination by any stockholder for ten days prior to the meeting during normal business hours at the Company s principal executive offices at 1340 Treat Blvd., Suite 600, Walnut Creek, California.

Pursuant to new rules promulgated by the Securities and Exchange Commission (SEC), we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. This proxy statement and our 2008 Annual Report to Shareholders are available at http://www.central.com/annualreports.

Dated: January 2, 2009

By Order of the Board of Directors

Stuart W. Booth, *Secretary*

HOLDERS OF COMMON STOCK AND CLASS B STOCK ARE REQUESTED TO MARK, DATE, SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE.

CENTRAL GARDEN & PET COMPANY

1340 Treat Blvd., Suite 600

Walnut Creek, California 94597

PROXY STATEMENT

The enclosed proxy is solicited by the Board of Directors of Central Garden & Pet Company (the Company) to be used at the Annual Meeting of Stockholders on February 9, 2009 (the Annual Meeting), for the purposes set forth in the foregoing notice. This proxy statement and, in the case of holders of Common Stock and Class B Stock, the enclosed form of proxy were first sent to stockholders on or about January 2, 2009. Holders of Class A Common Stock will receive this proxy statement but will not be entitled to vote at the Annual Meeting of Stockholders or any adjournment thereof.

If the enclosed form of proxy is properly signed and returned by holders of Common Stock and Class B Stock, the shares represented thereby will be voted at the Annual Meeting in accordance with the instructions specified thereon. If the proxy does not specify how the shares represented thereby are to be voted, the proxy will be voted as recommended by the Board of Directors. Any stockholder signing a proxy in the form accompanying this proxy statement has the power to revoke it prior to or at the Annual Meeting. A proxy may be revoked by a writing delivered to the Secretary of the Company stating that the proxy is revoked, by a subsequent proxy signed by the person who signed the earlier proxy, or by attendance at the Annual Meeting and voting in person.

VOTING SECURITIES

Only stockholders of record of Common Stock and Class B Stock on the books of the Company as of 5:00 P.M., December 19, 2008, will be entitled to vote at the Annual Meeting.

As of the close of business on December 19, 2008, there were outstanding 20,811,218 shares of Common Stock of the Company, entitled to one vote per share, and 1,652,262 shares of Class B Stock of the Company, entitled to the lesser of ten votes per share or 49% of the total votes cast. There were also outstanding 48,063,885 shares of Class A Common Stock, which generally have no voting rights unless otherwise required by Delaware law. Holders of Common Stock and Class B Stock will vote together on all matters presented to the stockholders for their vote or approval at the meeting, including the election of directors.

The holders of a majority of the shares of Common Stock and Class B Stock of the Company entitled to vote, present in person or by proxy, will constitute a quorum for the transaction of business at the Annual Meeting or any adjournment thereof. Votes cast by proxy or in person at the Annual Meeting will be tabulated by the election inspector appointed for the meeting and will determine whether or not a quorum is present. The election inspector will treat abstentions and broker non-votes as shares that are present and entitled to vote for purposes of determining the presence of a quorum but as unvoted for purposes of determining the approval of any matter submitted to the stockholders for a vote.

With regard to the election of directors, votes may be cast For or Withhold Authority for each nominee; votes that are withheld will be excluded entirely from the vote and will have no effect. The directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. As a result, if you withhold your authority to vote for any nominee, your vote will not count for or against the nominee, nor will a broker non-vote affect the outcome of the election.

The proposals to amend the Company s 2003 Omnibus Equity Incentive Plan and the Nonemployee Director Equity Incentive Plan require the affirmative vote of a majority of shares present in person or by proxy and entitled to vote. Accordingly, abstentions on the proposals to amend the 2003 Omnibus Equity Incentive Plan and the Nonemployee Director Equity Incentive Plan will have the effect of a negative vote on these items. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter, those shares will not be considered as present and entitled to vote with respect to that matter. Therefore, a broker non-vote will have no effect on the proposals to amend the 2003 Omnibus Equity Incentive Plan and the Nonemployee Director Equity Incentive Plan, which require the affirmative vote of a majority of the shares represented at the Annual Meeting and entitled to vote thereon.

ELECTION OF DIRECTORS

The persons named below are nominees for director to serve until the next annual meeting of stockholders and until their successors shall have been elected. The nominees are all members of the present Board of Directors. In the absence of instructions to the contrary, shares represented by proxy will be voted for the election of all such nominees to the Board of Directors. If any nominee is unable or unwilling to be a candidate for the office of director at the date of the Annual Meeting, or any adjournment thereof, the proxies will vote for such substitute nominee as shall be designated by the proxies. Management has no reason to believe that any of the nominees will be unable or unwilling to serve if elected. Set forth below is certain information concerning the nominees which is based on data furnished by them.

Nominees for Director	Age	Business Experience During Past Five Years and Other Information	Served as Director Since
William E. Brown	67	Chairman of the Board since 1980. From 1980 to June 2003, Mr. Brown served as Chief Executive Officer of the Company. On October 22, 2007, the Board reappointed Mr. Brown to the additional post of Chief Executive Officer.	1980
Brooks M. Pennington III	54	Director of Special Projects for the Company since October 1, 2006. From 1994 through September 30, 2006, Mr. Pennington was the President and Chief Executive Officer of Pennington Seed, Inc., a business which was acquired by the Company in 1998.	1998
John B. Balousek	63	Mr. Balousek served as President and Chief Operating Officer of Foote, Cone & Belding Communications, one of the largest global advertising and communications networks, from 1991 until 1996 and as Chairman and CEO of True North Technologies, a digital and interactive services company affiliated with True North Communications in 1996. Mr. Balousek co-founded and, from 1998 to 1999, served as an Executive Vice President of PhotoAlley.com, a San Francisco company marketing photographic equipment, supplies and services online. Prior to 1991, he held various senior executive management positions with Foote, Cone & Belding Communications and positions in brand management with the Procter & Gamble Company.	2001
David N. Chichester	63	Partner of Tatum LLC, a financial and technology leadership services firm, since 2004. Mr. Chichester served as the Chief Financial Officer of Starbucks Coffee Japan, Ltd. from 2003 to 2004 and the Senior Vice President Finance of Starbucks Corporation from 2001 to 2003. Mr. Chichester served as Executive Vice President and Chief Financial Officer at Hecklers Online, Inc. during 2000 and at Red Roof Inns, Inc. from 1996 to 1999. Prior to these positions, he held senior management positions in finance at Integrated Health Services, Inc., Marriott Corporation and General Electric Credit Corporation, and served as Vice President-Investment Banking of Warburg Paribas Becker Incorporated and Assistant Vice President at The First National Bank of Chicago. He has also served on the boards of other public and private companies.	2002

Nominees for Director	Age	Business Experience During Past Five Years and Other Information	Served as Director Since
Alfred A. Piergallini	62	Consultant with Desert Trail Consulting, a marketing consulting organization, since January 2001 and Chairman of Wisconsin Cheese Group, Inc., a specialty cheese company, since January 2005. From December 1999 to December 2001, Mr. Piergallini served as the Chairman, President and Chief Executive Officer of Novartis Consumer Health Worldwide, a manufacturer, developer and marketer of health-related products, and from February 1999 to December 1999, Mr. Piergallini served as the President and Chief Executive Officer of Novartis Consumer Health North America. From 1989 to 1999, Mr. Piergallini held several senior management positions with Gerber Products Company, including, at various times, the offices of Chairman of the Board, President and Chief Executive Officer. He also currently serves as a director of Comerica Incorporated, a financial services company.	2004

The Board of Directors unanimously recommends that stockholders vote FOR each of the director nominees listed above.

FURTHER INFORMATION CONCERNING

THE BOARD OF DIRECTORS

Board Independence

Upon consideration of the criteria and requirements regarding director independence set forth in NASDAQ Rules 4200 and 4350, the Board of Directors has determined that each of Mr. Balousek, Mr. Chichester and Mr. Piergallini meet the standards of independence established by the NASDAQ.

Committees of the Board

The Company has an Audit Committee, a Compensation Committee and a Finance Committee but does not have a nominating committee or a committee performing the functions of a nominating committee.

Audit Committee

During fiscal 2008, the members of the Audit Committee were Bruce A. Westphal (Chairman until his retirement in April 2008), Alfred A. Piergallini (Chairman since May 2008), John B. Balousek and David N. Chichester. The Company s Board of Directors has determined that David N. Chichester qualifies as an audit committee financial expert as set forth in Section 401(h) of Regulation S-K promulgated by the Securities and Exchange Commission (the SEC) and he is independent as such term is defined in the NASDAQ Rules. The functions performed by the Audit Committee include:

- recommending to the Board of Directors the engagement or discharge of the Company s independent registered public accounting firm;
- reviewing with the independent registered public accounting firm the plan and results of the auditing engagement;
- reviewing the Company s system of internal financial and accounting controls;
- reviewing the financial statements of the Company;
- discussing with management and the independent auditors the Company s accounting policies;
- approving the Company s filing of reports with the SEC; and
- inquiring into matters within the scope of its functions.

The Board of Directors has adopted a written Audit Committee charter. The Audit Committee held 28 meetings during fiscal 2008.

Compensation Committee

During fiscal 2008, the members of the Compensation Committee were John B. Balousek (Chairman), Bruce A. Westphal (until his retirement in April 2008) and Alfred A. Piergallini. The functions performed by the Compensation Committee include:

reviewing and making recommendations to the Board of Directors concerning the compensation of officers, directors and key management employees of the Company;

administering the Company s equity incentive plans;

evaluating the performance of management and related matters;

evaluating the mixture of base salary, cash bonus and equity compensation to each executive s total compensation package;

awarding restricted stock and stock options as a means of linking executives long-term benefits to the rate of return received by stockholders;

reviewing survey data, coupled with performance-based peer group evaluations, to help determine competitive short and long-term awards for executives;

considering the possible tax consequences to the Company and to the executives in determining executive compensation;

reviewing and discussing with management the annual Compensation Discussion and Analysis disclosure regarding named executive officer compensation and, based on this review and discussions, recommending whether the Company include the Compensation Discussion and Analysis in its annual proxy statement and incorporated by reference in its annual report on Form 10-K; and

creating and approving an annual Compensation Committee Report to be included in its annual proxy statement and incorporated by reference in its annual report on Form 10-K.

The Board of Directors has adopted a written Compensation Committee charter. The Compensation Committee held 22 meetings during fiscal 2008.

The Compensation Discussion and Analysis included in this proxy statement includes additional information regarding the Compensation Committee s processes and procedures for considering and determining executive officer compensation.

Finance Committee

During fiscal 2008, the Board of Directors formed the Finance Committee, whose members are David N. Chichester (Chairman) and Brooks M. Pennington. The function of the Finance Committee is to assist the Board of Directors in connection with such special projects and other matters in the area of finance as may be delegated to it by the Board of Directors. The Finance Committee held two meetings during fiscal 2008.

Compensation Committee Interlocks and Insider Participation

Messrs. Westphal, Balousek and Piergallini served as members of the Compensation Committee during fiscal 2008. They have no relationship with the Company other than as directors and stockholders. During fiscal 2008, no executive officer of the Company served as a director, or as a member of any compensation committee, of any other for-profit entity that had an executive officer that served on the Board of Directors or Compensation Committee of the Company.

Attendance at Meetings

During fiscal 2008, there were no members of the Board of Directors who attended fewer than seventy-five percent of the meetings of the Board of Directors and all committees of the Board on which they served.

The Company encourages, but does not require, the members of its Board of Directors to attend its annual meetings of stockholders. All members of the Board attended the 2008 Annual Meeting of Stockholders.

Stockholder Communications with Directors

The Board welcomes communications from the Company s stockholders. Stockholders may send communications to the Board, or to any director in particular, c/o Central Garden & Pet Company, 1340 Treat Blvd., Suite 600, Walnut Creek, California 94597. Any correspondence addressed to the Board or to any director in care of the Company s offices is forwarded by the Company to the addressee without review by management.

Compensation of Directors

Members of the Board of Directors who are not employees of the Company receive directors fees consisting of $35,000 per year and $1,500 for each Board meeting attended. The chairs of the Audit Committee, Compensation Committee and Finance Committee each receive additional annual retainer fees of $15,000, and the lead director received additional retainer fees of $25,000. Directors who attended meetings of the Audit Committee, Compensation Committee or Finance Committee receive an additional $1,500 for each meeting not held on the same day as a Board meeting.

Each non-employee director also receives $500 for participation in each telephonic meeting of the Board of Directors or any committee of less than three hours and $1,000 for participation in meetings of three hours or more. The Company pays non-employee directors $1,500 for each day spent traveling to and attending subsidiary and division management meetings and conducting plant and facility visits. Mr. Pennington receives similar annual, per meeting and travel fees for his Board and committee service.

Under the Nonemployee Director Equity Incentive Plan, on the date of each Annual Meeting of Stockholders, each non-employee director will be granted (i) options to purchase shares of Class A Common Stock determined by dividing $200,000 by the closing price of a share of Class A Common Stock on the date of such meeting and (ii) shares of restricted stock determined by dividing $20,000 by the closing price of a share of Class A Common Stock on the date of such meeting. In December 2008, the Board amended the plan to increase the amount of the annual option grant from $140,000 to $200,000 and the restricted stock grant from $15,000 to $20,000 effective as of the 2009 Annual Meeting of Stockholders. In connection with the 2008 Annual Meeting of Stockholders, Messrs. Balousek, Chichester, Westphal and Piergallini were each granted options to purchase 28,341 shares of Class A Common Stock and a restricted stock grant for 3,037 shares. Beginning on the date of the 2009 Annual Meeting of Stockholders, Mr. Pennington will receive similar options and restricted stock awards as the non-employee directors under the Company s 2003 Omnibus Equity Incentive Plan.

Set forth below is a summary of the compensation paid to the Company s directors during fiscal 2008, except Messrs. Brown and Novotny, whose compensation is reported below under Executive Compensation.

DIRECTOR COMPENSATION TABLE

Name(1)	Fees Earned or Paid in Cash	Stock Awards (2)(3)	Option Awards (2)(4)	Non-Equity Incentive Plan Compen-sation	Change in Pension Value and Nonqualified Deferred Compen-sation Earnings	All Other Compen-sation	Total ($)
John B. Balousek	$ 148,700	$ 15,000	$ 31,780				$ 195,480
David N. Chichester	$ 112,800	$ 15,000	$ 31,780				$ 159,580
Brooks M. Pennington(5)	$ 52,500		$ 65,448			$ 168,790	$ 286,738
Alfred A. Piergallini	$ 107,000	$ 15,000	$ 31,780				$ 153,780
Bruce A. Westphal(6)	$ 77,300	$ 15,000	$ 31,780				$ 124,080

(1) As of the end of fiscal 2008, Messrs. Balousek, Chichester, Pennington, Piergallini and Westphal held the following options to purchase shares of Common Stock and Class A Common Stock:

	Common Stock Options		Class A Common Stock Options	
	Vested	Unvested	Vested	Unvested
John B. Balousek	2,896		22,588	22,569
David N. Chichester	2,896		22,588	22,569
Brooks M. Pennington	9,000	45,000	18,000	90,000
Alfred A. Piergallini	2,896		22,588	22,569
Bruce A. Westphal	2,896		22,588	22,569

(2) This column reflects the compensation expense recognized for financial statement reporting purposes in fiscal 2008 in accordance with the Statement of Financial Accounting Standards No. 123(R) (SFAS 123(R)), Share-Based Payment , except, pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to service-based vesting conditions. Please refer to Note 10, Stock-Based Compensation , in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed on November 26, 2008 for the relevant assumptions used to determine the valuation of our stock and option awards.

(3) The fair value as of the grant date of each award granted to the non-employee directors in fiscal 2008 determined pursuant to SFAS 123(R) was $15,000. In fiscal 2008, the grant date fair values were determined using the closing stock price on the date of grant.

(4) The fair value as of the grant date of each award granted in fiscal 2008 determined pursuant to SFAS 123(R) was $32,592. Please refer to Note 10, Stock-Based Compensation , in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed on November 26, 2008 for the relevant assumptions used to determine the valuation of our stock and option awards. In fiscal 2008, the grant date fair value was determined using the closing stock price on the date of grant.

(5) Director Brooks M. Pennington III is the Company s Director of Special Projects and receives compensation as an employee in addition to compensation for his Board service. The amount for Option Awards reflects the compensation expense recognized under SFAS 123(R) during fiscal 2008 for options granted to Mr. Pennington as an employee. Mr. Pennington did not receive any option grant during fiscal 2008. All other compensation for Mr. Pennington includes salary of $157,242, the Company s matching contributions under the Company s 401(k) Plan of $2,539 and life insurance premium payments of $9,009.

(6) Mr. Westphal retired from the board of directors effective April 30, 2008. Mr. Westphal s outstanding stock options and restricted stock at the time of his retirement will continue to vest pursuant to the terms of the original agreements.

Director Nominations

Due to the limited size of the Board, the Board has determined that it is not appropriate at this time to establish a separate nominating committee. As such, the Board as a whole fulfills the function of nominating additional directors. A majority of the members of the Board have been determined by the Board to be independent under the standards established by NASDAQ. At a minimum, the Chairman of the Board, as well as at least two independent directors, must interview any qualified candidates prior to nomination. Other directors and members of management will also interview each candidate as requested by the Chairman. Once potential candidates have successfully progressed through the interview stage, the independent directors will meet in executive session to consider the screened candidates. All director nominees must be selected, or recommended for the Board s selection, by a majority of the independent directors.

A majority of the members of the Board must be independent directors as defined in NASDAQ Rule 4200(a)(15). When considering potential director candidates, the Board also considers the candidate s knowledge, experience, integrity, leadership, reputation and ability to understand the Company s business. In addition, all director nominees must possess certain core competencies, some of which may include experience in consumer products, logistics, product design, merchandising, marketing, general operations, strategy, human resources, technology, media or public relations, finance or accounting, or experience as a Chief Executive Officer or Chief Financial Officer.

The Board will consider any director candidate recommended by security holders, provided that the candidate satisfies the minimum qualifications for directors as established from time to time by the Board. To be considered, stockholders must submit recommendations to the Company s secretary for consideration by the Board no later than 120 days before the annual meeting of stockholders. To date, the Board has not received any recommended nominees for consideration at the Annual Meeting from any non-management stockholder or group of stockholders that beneficially owns five percent or more of the Company s voting stock.

When the need arises, the Company engages independent search firms and consultants to identify potential director nominees and assist the Board in identifying a diverse pool of qualified candidates and in evaluating and pursuing individual candidates at the direction of the Chairman of the Board.

All of the nominees included on this year s proxy card are directors standing for re-election.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The Company uses three primary tools to compensate executives: base salary, annual bonus and long-term equity compensation. Together they combine to provide an executive s total compensation package. The Company does not provide benefits or perquisites of extraordinary value to its executives from the Company s perspective. The Company views base salary as a primary indicator of the market value needed to attract and retain executives with the skills and expertise to perform the duties and discharge the responsibilities of their positions. Annual bonus is principally seen as a means of rewarding superior job performance and enhancing base salary to meet current market value, and the Company utilizes restricted stock and stock options as a means of linking executives long-term benefits to the rate of return received by stockholders and as retention devices. The objectives of the Company s compensation program are to recruit and retain high-caliber executives, and to incentivize those executives to achieve the best possible long-term financial results for the Company and its stockholders.

The Company s compensation program rewards executives for achievement of corporate and unit operating goals and for their individual contributions. The majority of each executive s total compensation opportunity is weighted toward incentive compensation tied to the financial performance of the Company and its business units. When the Company does not achieve satisfactory financial results and/or its stock does not appreciate, the compensation that can be realized by the Company s executives may be substantially reduced. When the Company exceeds financial expectations and/or its stock price appreciates, the compensation that can be realized by the Company s executives may be substantially increased. The Compensation Committee believes that this is the most effective means of aligning executive incentives with stockholders interests.

Process

As described below, the Compensation Committee uses surveys and reports prepared internally and by compensation consulting firms to understand the compensation levels and pay structure at peer group companies. The Company s structural compensation is generally targeted within the broad range of compensation paid by the peer group; however, we also use our judgment to determine specific pay levels necessary to attract and retain executive talent. In exercising this judgment, we look beyond the market data and place significant weight on individual job performance and compensation history, future potential, internal comparisons, retention risk for individual executives, and, in the case of new hires, compensation at former employers.

With respect to the compensation of William E. Brown, the Company s Chairman and Chief Executive Officer, we retained an external compensation consultant as part of our process of determining his salary, bonus potential, actual bonus and equity compensation. With respect to the Company s other executive officers, in addition to obtaining the services of compensation consultants from time to time, we receive and consider the recommendations of the Chairman and Chief Executive Officer and consult with the Company s Vice President of Human Resources as part of our process of determining compensation. The Chief Executive Officer is invited to attend portions of select meetings of the Compensation Committee, although he does not vote with the Committee. Other executive officers have no role in making decisions regarding compensation of our executive officers.

The Compensation Committee determines base salary and potential bonus as of each officer s hire date, and we generally reconsider both elements on or about each anniversary of that hire date. We generally determine officers annual bonus and equity awards in January of the succeeding fiscal year after the Company s financial results for the prior fiscal year are announced. We generally grant each officer a certain number of stock options and/or shares of restricted stock upon his or her hire date and consider granting additional awards on an annual basis. In fiscal 2008, we shifted from solely time-based stock options to performance-based and time-based stock options, which resulted in a delay in the annual grants until March. We generally do not grant bonuses or equity compensation to existing officers on a one-off basis outside of the standard schedule.

Compensation Consultants and Benchmarking

From time to time, the Company and the Compensation Committee have retained the services of a compensation consulting firm to assist the Chief Executive Officer and the Compensation Committee in formulating their recommendations regarding executive compensation. In fiscal 2008, we retained the compensation consulting firm, Towers Perrin, to advise us on the appropriate compensation package for Mr. Brown following his return as Chief Executive Officer. For our other executive officers, the Company prepared its own market analysis based on a methodology and peer group similar to that of the previous reports prepared by outside consultants. The peer group includes the following lawn and garden and pet supplies companies and other consumer products companies: Acuity Brands, Church & Dwight Co., Inc., Del Monte Foods Company, FMC Corporation, Hasbro, Inc., Lesco, Inc., The Mosaic Company, PetsMart, Inc., Petco Animal Supplies, Ralcorp Holdings, Inc., Spectrum Brands, Inc., The Scotts Miracle-Gro Company, Terra Industries Inc., The Toro Company, Tractor Supply Company, Tupperware Brands Corporation and Wolverine Worldwide, Inc.

Towers Perrin s role in the Chief Executive Officer compensation process consisted of advising the Compensation Committee on potential compensation strategies and surveying the compensation paid to the Chief Executive Officers of certain peer companies. The Compensation Committee, after consultation with Towers Perrin, determined that the principals for designing the Chief Executive Officer s compensation should include:

- aligning incentive compensation potential with significant improvements in shareholder value;
- reflecting a minimum required share return or financial performance before incentive compensation is earned;
- seeking consistency in level of compensation, mix and design of program with competitive levels;
- considering the structure and performance requirements included in the broad employee stock option grants and provide higher expectations for the Chief Executive Officer; and
- including a sufficient level of equity incentives to motivate the Chief Executive Officer to achieve high performance.

Based on the survey of peer companies, Towers Perrin advised the Compensation Committee that the total annual compensation paid to peer company chief executive officers ranged from approximately $2.0-2.5 million, and the Compensation Committee targeted a total annual compensation for the Company s Chief Executive Officer ranging from $2.0-2.5 million, with a significant majority of such compensation to be at risk depending on the Company s financial performance. After extensive meetings and the consideration of various compensation strategies, the Compensation Committee approved the compensation arrangements described below.

For our other executive officers, the Compensation Committee received the internal report and used it to help determine the market value compensation for the executive officers. The Company normalized the peer group data for size based on the EBIT (earnings before interest and taxes) and other financial metrics of the peer companies. Survey data, coupled with performance-based peer group evaluations, were used to help determine competitive short and long-term awards for executives. Generally, the Compensation Committee targets compensation within the mid-range of compensation paid by the peer group, but compensation is not set to meet specific benchmarks or percentiles within the peer group.

Allocation and Amount

The Company compensates its executives through a combination of annual cash compensation (comprised of base salary and annual bonus) and long-term incentive compensation (comprised of stock options and, in some cases, restricted stock grants). The Compensation Committee views base salary and the annual bonus target as an essential part of attracting and retaining executive officers and, thus, we set both at a level that we believe are necessary to attract and retain top executives. The Compensation Committee also believes, based on market data and actual experience, that equity incentive compensation is an essential factor in recruiting and retaining top executives and in driving superior performance.

The use and relative weights of base salary, annual bonus and long-term equity compensation are based on a subjective determination by the Compensation Committee of the effectiveness of each in supporting the Company s strategic operations and talent strategies, as well as the prevalence, weight and value of these elements for executives at other companies. Generally, the Compensation Committee views the various elements of compensation as part of one overall package but believes that a majority of the total compensation package should depend upon the performance of the Company to align management s interest with our stockholders. As a result, base salary, benefits and perquisites generally represent less than half of each executive s potential compensation if the Company performs at expected levels reflecting the importance of performance-based compensation. For the Chief Executive Officer, the Committee targets more than half of his total compensation to be at-risk. The Company uses cash compensation primarily for short-term incentives and rewards, base salaries, new hire signing bonuses and severance arrangements.

When evaluating corporate performance, the Committee generally considers financial metrics such as revenue, EBIT, earnings per share and working capital levels. When evaluating individual performance, the Committee considers the financial performance of the individual s business unit and the individual s overall leadership and management skills, ability to identify, close and integrate business acquisitions, success in attracting, retaining and developing qualified subordinates, success in achieving corporate and strategic objectives and ability to work with peers and supervisors in an effective and collegial manner.

The Committee uses tally sheets setting forth all components of compensation, including dollar amounts for salary, annual bonus and perquisites and the value of unexercised stock options and restricted stock awards, to assist us in balancing the elements. If the tally sheets indicate that a particular executive s compensation is not within the range of our peer companies, we may adjust the compensation accordingly.

When making compensation decisions, the Compensation Committee considers the issue of internal pay equity between the compensation of other Company officers compared to the compensation of the Chief Executive Officer. We also consider issues relating to the corporate tax and accounting treatment of various forms of compensation. We consider the impact of compensation decisions on stockholder dilution, and we make our decisions with that and other goals in mind.

We continue to subscribe to the philosophy that the Company s overall performance and its return to stockholders will be the primary areas of consideration when rewarding the Company s top executives. It is our goal to ensure that our executives are paid competitively with the market and are rewarded for performance that benefits the stockholders.

Salary

The Compensation Committee reviews the base salary of the executive officers each year. Historically, the named executive officers have received annual increases consistent with the movement of wages in the marketplace and, on limited occasions, to reflect individual performance, promotions or increased responsibilities. In some instances, the Compensation Committee has adjusted base salaries of individual named executive officers for retention reasons or to maintain internal pay equity among the senior executives. Based on its review, the Committee determined that for fiscal 2008, base salary increases were required for certain executives.

Based on an analysis prepared by Towers Perrin in connection with Mr. Brown s return as Chief Executive Officer in fiscal 2008, the Compensation Committee determined that Mr. Brown should receive a salary increase to bring his salary more in-line with the mid-range of salaries paid at peer companies. However, Mr. Brown declined any salary increase, and his salary continued at the same level since his last increase in 2002. In connection with his appointment as Executive Vice President of the Garden Group, the Compensation Committee increased Mr. Reed s annual base salary to $425,000 to reflect his increased responsibilities. Due to the Company s declining financial performance in fiscal 2007, the Compensation Committee did not increase the base salary of Mr. Booth or Mr. Heim.

In December 2008, the Compensation Committee increased Mr. Brown s base annual salary, effective as of October 1, 2008, to $650,000 to bring it more in line with market norms.

Annual Bonus

The Compensation Committee determines the actual amount of bonus awarded to each named executive officer after the end of each fiscal year primarily by considering the financial results of the Company for the given year and the officer s individual performance and contribution to the Company. The bonus may be paid in cash or equity. We generally set potential target bonuses for each named executive officer at the beginning of each fiscal year as a percentage of his or her base salary.

When determining the amount of cash bonuses, the Committee generally considers the Company s revenue, EBIT, earnings per share and working capital levels but may consider other or different factors in any given year. Although the Company s financial performance in the prior fiscal year highly influences the amount of bonus, we do not use a pre-determined formula to calculate any officer s bonus compensation or assign weights to individual financial metrics and have full discretion to determine annual bonuses up to and beyond the amount of such officer s bonus potential for the year. Because of the subjective element involved, the financial metrics considered and the bonuses paid in one year may not be representative of what may have been paid in prior years or may be paid in future years. The target bonus percentages are set at a level to provide that the executive s total compensation opportunity is competitive with amounts paid for similar performance in comparable executive positions by our peer companies.

Fiscal 2007. In January 2008, the Compensation Committee met to determine bonuses based on the Company s performance in fiscal 2007. The following table sets forth the target bonus and actual bonus paid for each of the named executive officers with respect to fiscal 2007:

	% of Fiscal 2007 Base Salary		
Executive Officer	**Target**	**Actual**	**Bonus For Fiscal 2007**
Glenn W. Novotny	75%	0%	$ 0
Stuart W. Booth	50%	0%	$ 0
William E. Brown		0%	$ 0
James V. Heim	50%	0%	$ 0
Bradley P. Johnson	50%	0%	$ 0

In determining whether to award bonuses to the named executive officers for fiscal 2007, the Committee considered specific elements of the Company s financial performance in fiscal 2007, including revenue, EBIT and earnings per share. The Committee considered each of these measures against the comparable prior year performance and the Company s internal budget for fiscal 2007, as opposed to particular pre-determined targets or similar metrics within the Company s industries.

In particular, while sales increased approximately 3% year over year, the Company s diluted earnings per share decreased significantly from $0.95 in fiscal 2006 to $0.45 in fiscal 2007, and the Company s stock price fell correspondingly. The Committee considered these factors in their totality and did not consider threshold or maximum amounts necessary to obtain any of, or more than, the target bonus percentage. Consistent with the philosophy that the Company s overall performance and its return to stockholders will be the primary areas of consideration when rewarding the Company s top executives, the Compensation Committee decided not to award any bonuses to executive officers for fiscal 2007.

Fiscal 2008. The Compensation Committee has not yet determined the amount of bonuses, if any, to be paid to the named executive officers with respect to fiscal 2008. The following table sets forth the target bonus percentages for each of the named executive officers with respect to fiscal 2008.

Executive Officer	**% of Fiscal 2008 Base Salary Target**
William E. Brown	
Stuart W. Booth	50%
James V. Heim	50%
Michael A. Reed	50%

The Compensation Committee did not assign a target percentage for Mr. Brown, because the Compensation Committee believed that his compensation should be principally linked to the equity performance of the Company to align his interest with the long-term interest of the Company s stockholders. However, the Compensation Committee retains the discretion to award Mr. Brown a bonus if it determines that it is warranted by his performance and the Company s financial results. For the other executive officers, the Compensation Committee chose the same target percentage for fiscal 2008 as fiscal 2007, because the Committee believes that the bonus and potential equity appreciation should represent the majority of officer compensation if the Company s financial performance improves. The Company will report fiscal 2008 bonus determinations, if any, in a Form 8-K once decisions are made in early 2009.

The Company does not have a policy regarding the recovery or adjustment of awards based on Company performance if a material financial measure considered by the Committee in any particular year are subsequently restated. In such event, the Compensation Committee would consider whether it is appropriate to seek recovery of previously paid awards or adjust future awards appropriately.

Stock Options

The Compensation Committee determines the size of executive officers initial hire option grants with primary consideration towards making the offer of employment market competitive. The size of annual option grants to officers is determined after giving consideration to market factors, the officer s performance over the fiscal year, awards previously granted to the officer, such officer s accumulated vested and unvested awards, the current value and potential value over time using stock appreciation assumptions for vested and unvested awards, the vesting schedule of the officer s outstanding awards, comparison of individual awards between executives and in relation to other compensation elements, stockholder dilution, and total compensation expense.

In fiscal 2007, the Compensation Committee reconsidered its approach to stock options. Historically, the Committee had focused on the amount of options granted in previous years rather than the grant date fair value of those options. After considerable discussion and analysis, the Committee determined that it should focus more heavily on the potential value of the stock option to the employee, the compensation cost to the Company and the dilutive effect on the Company s stockholders rather than the number of shares historically granted. As part of this process, the Committee analyzed the stock option granting practices of our peer companies and the value of the equity awards as a percentage of EBIT and the percentage of total awards granted to the top five executives. The Committee concluded that the Black-Scholes value of annual equity awards as a percentage of the EBIT for the prior fiscal year should be reduced from the level of recent years. As a result, the fair value of the options granted in fiscal 2007 was substantially reduced. The Committee also chose to substantially reduce the number of employees eligible for option awards to focus on those individuals whose performance was most likely to impact the financial performance of the Company. This change reduced the number of employees receiving stock options by more than one-half.

In fiscal 2008, the Compensation Committee changed its stock option granting practices to more directly link the vesting of options to the performance of business units rather than focusing solely on overall corporate performance and determined that the Company should change from purely time-based vesting to a mix of performance-based and time-based vesting. Because of the substantial decline in the Company s stock price over the previous year, substantially all of the options held by the executive officers had exercise prices well above the current market price, which greatly reduced the incentive and retention value of the prior awards. The Compensation Committee granted more options to employees, including Messrs. Booth, Heim and Reed, in March 2008 than in fiscal 2007, because the performance-based component made it more difficult for the options to vest fully. However, as a result of the low share price, the compensation expense associated with the awards did not increase. The Compensation Committee elected not to grant any options to Mr. Brown in March 2008 until it had reached a decision on his total compensation package.

In June 2008, the Compensation Committee reached a decision on Mr. Brown s total compensation package. Based on the recommendations of Towers Perrin and the belief of the Compensation Committee that the significant majority of the Chief Executive Officer s compensation should be tied to the Company s financial performance, the Compensation Committee determined to grant to Mr. Brown premium priced and performance-based options to purchase an aggregate of 1,500,000 shares consisting of 50% Common Stock and 50% Class A Common Stock. The grant consisted of 500,000 shares at an exercise price of $10.00 per share, 500,000 shares at an exercise price of $12.50 per share, and 500,000 shares at an exercise price of $15.00 per share. The exercise prices were between 114% and 268% higher than the grant date closing prices of the Company s Common Stock of $4.67 per share and Class A Common Stock of $4.01 per share. The significant premium in the exercise price means that Mr. Brown will not experience any equity appreciation until the Company s stock rebounds to more than $10.00 per share. The Black Scholes value of the options granted to the Chief Executive Officer in fiscal 2008 was approximately $208,000.

Stock options granted to executive officers, other than the Chief Executive Officer, during fiscal 2008 had an exercise price equal to the closing share price on the date of the grant. The performance-based stock options granted in fiscal 2008 vest in five equal annual installments commencing one year from the date of grant subject to the satisfaction of certain annual or cumulative performance targets for each of the fiscal years ending September 2008, 2009, 2010, 2011 and 2012. The performance targets are (i) earnings before interest and taxes (adjusted for acquisitions and divestitures, non-operating income or expense and other adjustments determined by the Compensation Committee) (the Adjusted EBIT Target) and (ii) net controllable assets, which is intended to award employees for reductions in average working capital (the Net Controllable Assets Target). For the executive officers, there are separate targets for each of the Company, the Pet business and the Garden business. These targets account for 20%, 40% and 40%, respectively, of the total eligible performance-based vesting. If the targets in a particular year are not met, the employee can still vest in the options if the Company s or applicable segments cumulative performance exceeds the cumulative targets in subsequent years. The Company believes that the disclosure of the actual target amounts would cause competitive harm, because they reflect internal projections over five years, and because they could be misinterpreted as Company earnings guidance. The Compensation Committee believes that there is a high probability that the majority of the targets will be satisfied if the Company returns to historical performance levels. For fiscal 2008, 75% of the performance targets applicable to the options granted to Messrs. Booth, Heim and Reed were satisfied and 60% were satisfied for Mr. Brown. Executives must be employed by the Company at the time of vesting to exercise the options.

Subsequent to granting the March 2008 performance-based options, the Company continued to experience further increases in operating expenses and input costs that adversely affected the Company s adjusted EBIT and made it less likely that a portion of the performance targets would be met in fiscal 2008 and fiscal 2009. Because many of the cost increases were outside the control of individual employees and the Company and concern that the retention value of the options had diminished, the Compensation Committee concluded that the options should be amended in the interests of improving morale, aiding retention and maintaining incentives for superior performance. Accordingly, the Compensation Committee amended the vesting provisions to provide that 50% of the options eligible to vest on the first and second anniversaries of the grants will vest regardless of whether the performance conditions for fiscal 2008 and fiscal 2009 are satisfied. The time vested component of the options did not change. The changes did not apply to Mr. Brown s options.

The Company does not have a program or practice of timing option grants in connection with the release of material non-public information except to the extent that it typically makes its annual option grants within a reasonable amount of time after the Company s fiscal year end earnings announcement.

Restricted Stock

The Company has historically utilized stock options as the principal means of providing its executive officers with equity incentive compensation. However, the Company has made grants of restricted stock to several executive officers in connection with arrangements providing for a post-termination consulting relationship with the Company and their entry into confidentiality and non-competition agreements. Generally, restricted stock vests, and the restrictions on transfer lapse, in accordance with a schedule determined by the Compensation Committee. The Compensation Committee has the authority to accelerate the time at which restrictions lapse, and/or remove restrictions, on previously granted restricted stock.

In December 2008, the Compensation Committee granted Mr. Brown 25,000 shares of restricted Class A Common Stock and 25,000 shares of restricted Common Stock in an attempt to bring his fiscal 2008 compensation more in line with the compensation paid to peer company chief executive officers. Notwithstanding this grant, the Compensation Committee believes that the Chief Executive Officer s compensation package for fiscal 2008 was substantially below market norms.

Stock Ownership Requirements

The Company does not have any stock ownership requirements, guidelines or expectations or any policies regarding hedging the risk of stock ownership.

Post-Employment Arrangements

Under the terms of our employment agreements and non-compete and post-employment consulting agreements, the named executive officers, other than Mr. Brown, are entitled to payments and benefits upon the occurrence of specified events, including termination of employment. The specific terms of these arrangements, as well as an estimate of the compensation that would have been payable had they been triggered as of fiscal year-end, or that were paid to Mr. Novotny and Mr. Johnson pursuant to their separation agreements, are described below in detail in the section titled Potential Payments Upon Termination on page 22. Our equity-based compensation plans and employment agreements do not provide for special payments to our named executive officers upon a change-in-control of the Company.

In the case of each employment agreement, the terms of these arrangements were set through the course of arms-length negotiations with each of the named executive officers. As part of these negotiations, the Compensation Committee analyzed the terms of the same or similar arrangements for comparable executives employed by some companies in our peer group. This approach was used in setting the amounts payable and the triggering events under the arrangements. These provisions were intended to provide the individuals with a fixed amount of compensation that would offset the potential risk of leaving their prior employer or foregoing other opportunities to join or remain with the Company. The Committee considered the aggregate potential obligations of the Company in the context of the desirability of hiring the individual and the expected compensation upon joining us.

The non-compete and post-termination consulting agreements are intended to protect, to the maximum extent permitted by law, the Company s confidential information, and payments thereunder are conditioned upon the executive not going to work for one of our principal competitors.

Benefits and Perquisites

In addition to qualified retirement plans available to employees generally and nonqualified deferred compensation plans available to senior executives, the Company provides its executives with benefits such as medical, dental, life and disability insurance and other benefits that are generally available to full time employees. The Company pays for a leased automobile or car allowance for the named executive officers, except for Mr. Brown.

Accounting and Tax Treatment

In determining executive compensation, the Compensation Committee considers, among other factors, the possible tax consequences to the Company and to the executives. However, we believe that it is important to retain maximum flexibility in designing compensation programs that meet the Company s stated objectives. For this reason, we will not necessarily limit compensation to those levels or types of compensation that will be tax deductible. We do of course consider alternative forms of compensation, consistent with the Company s compensation goals, that preserve deductibility.

Section 162(m) of the Internal Revenue Code generally does not allow a tax deduction to public companies for compensation over $1,000,000 paid to the Chief Executive Officer or any of the four other most highly compensated executive officers unless the compensation is paid based solely on the attainment of one or more pre-established objective performance goals and certain other requirements are met. To date, the Company s non-equity compensation plans have generally not been designed to permit us to grant awards that qualify for deductibility under Section 162(m).

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed the Compensation Discussion and Analysis and discussed that analysis with management. Based on its review and discussions with management, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company s Annual Report on Form 10-K for the fiscal year ended on September 27, 2008. This report is provided by the following independent directors, who comprise the Compensation Committee:

John B. Balousek, *Chairman*

Alfred A. Piergallini

Compensation of Executive Officers

Set forth below is the compensation paid to the Company s Chief Executive Officer, Chief Financial Officer and our other executive officers and our former Chief Executive Officer during our two fiscal years ended on September 27, 2008.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary	Bonus(1)	Stock Awards(2)	Option Awards(3)	Non- Equity Incentive Plan Compensation	Change in Pension Value and Nonqual- ified Deferred Compensation Earnings(4)	All Other Compensation(5)	Total
William E. Brown	2007	$ 409,994	$ 0		$ 85,344			$ 12,804	$ 508,142
Chairman and Chief Executive Officer(6)	2008	$ 409,994			$ 97,477			$ 12,598	$ 520,069
Stuart W. Booth	2007	$ 375,673	$ 0	$ 54,800	$ 81,608		$ 3,962	$ 31,438	$ 547,481
Executive Vice President and Chief Financial Officer	2008	$ 380,000		$ 54,800	$ 109,955		$ 3,034	$ 30,631	$ 578,420
James V. Heim	2007	$ 414,423	$ 0	$ 94,260	$ 117,699		$ 1,319	$ 23,471	$ 651,172
President of Pet Products Division	2008	$ 415,000		$ 94,260	$ 100,277		$ 1,191	$ 23,412	$ 634,140
Michael A. Reed	2007	$ 299,692	$ 0	$ 69,072	$ 45,273			$ 22,069	$ 436,106
Executive Vice President(7)	2008	$ 410,020		$ 69,072	$ 71,876			$ 25,620	$ 576,588
Former Executive Officers:									
Glenn W. Novotny	2007	$ 753,654	$ 0	$ 238,572	$ 149,832		$ 2,010	$ 31,834	$ 1,175,902
Former President and Chief Executive Officer(8)	2008	$ 723,894	$ 0	$ 238,572	$ 149,832		$ 800	$ 42,501	$ 1,155,599
Bradley P. Johnson	2007	$ 460,962	$ 0	$ 167,000	$ 87,334		$ 2,914	$ 232,686	$ 950,896
Former President of Garden Division(9)	2008	$ 525,252	$ 0				$ 1,541	$ 66,670	$ 593,463

(1) Fiscal 2008 bonus amounts for Messrs. Brown, Booth, Heim and Reed have not been determined as of the date of this proxy statement. The Company expects to determine the amounts, if any, in early 2009 and will file a Form 8-K within four business days of the determination of bonuses for fiscal 2008.

(2) This column represents the compensation expense recognized for financial statement reporting purposes in fiscal 2007 and fiscal 2008 for stock awards granted in prior fiscal years, in accordance with SFAS 123(R). These amounts reflect the Company s expense for accounting purposes for these awards, and do not represent the actual value that may be realized by the named executive officers.

(3) This column represents the compensation expense recognized for financial statement reporting purposes in fiscal 2007 and fiscal 2008 for option awards granted in fiscal 2008 and in prior fiscal years, in accordance with SFAS 123(R), except, pursuant to SEC rules, the amounts shown exclude the impact of estimated forfeitures related to vesting based on service conditions. Please refer to Note 10, Stock-Based Compensation , in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed on November 26, 2008 for the relevant assumptions used to determine the compensation cost of our stock and option awards. Please refer to the Grants of Plan-Based Awards table for information on awards actually granted in fiscal 2008. These amounts reflect the Company s expense for accounting purposes for these awards, and do not represent the actual value that may be realized by the named executives.

(4) Entire amount represents above market interest earnings on non-qualified deferred compensation.

(5) The components of the All Other Compensation column for fiscal 2008 are detailed in the following table:

					Former Executive Officers	
Description	**Brown**	**Booth**	**Heim**	**Reed**	**Novotny**	**Johnson**
Company matching contribution to 401(k) plan	$ 2,375	$ 4,344	$ 4,344	$ 4,344	$ 4,344	$ 3,094
Medical and life insurance premiums	$ 10,223	$ 10,475	$ 7,068	$ 10,477	$ 6,887	$ 9,977
Car allowance or lease		$ 15,812	$ 12,000	$ 10,800	$ 8,781	$ 3,000
Country club membership					$ 1,689	
Mortgage differential payments						$ 50,600
Post-Employment Consulting					$ 20,800	

Pursuant to Mr. Johnson s employment agreement, the Company agreed to reimburse Mr. Johnson over five years an amount equal to a percentage of the difference in interest cost from his prior home and the interest cost of the home that he purchased when he relocated to California. The reimbursement percentages were 100% during year 1, 90% during year 2, 75% during year 3, 50% during year 4, and 25% during year 5. The Company computed the aggregate incremental cost to the Company by subtracting the amount of interest that would have been due under Mr. Johnson s prior mortgage before joining the Company from the amount of interest paid for the same period on his home in California, multiplied by the applicable reimbursement percentage. The reimbursements were discontinued as of January 1, 2008. The amount includes $23,149 in reimbursement of taxes owed as a result of the mortgage differential payment.

(6) Mr. Brown was reappointed as Chief Executive Officer effective October 22, 2007.

(7) Mr. Reed was appointed Executive Vice President effective October 30, 2007.

(8) Mr. Novotny resigned as a director and Chief Executive Officer effective October 21, 2007.

(9) Mr. Johnson resigned as President of Garden Division effective October 26, 2007.

Employment Agreements James V. Heim

On May 31, 2007, the Company entered into an Employment Agreement with James V. Heim. This employment agreement provides that Mr. Heim will serve as President of the Company s Pet Products division at an annual minimum salary of $415,000. He is also eligible for an annual bonus, targeted at 50% of base compensation with a maximum payout of 100%, subject to his and the Company s performance. The agreement has an indeterminate term, unless terminated earlier for his dismissal with cause, death or disability. If the Company terminates Mr. Heim without cause, he will continue to receive his base salary for one year.

GRANTS OF PLAN-BASED AWARDS

The following table shows all plan-based awards granted to the named executive officers during fiscal 2008, which ended on September 27, 2008. The option awards identified in the table below are also reported in the Outstanding Equity Awards at Fiscal Year End table.

		Estimated Future Payouts Under Equity Incentive Plan Awards			Exercise or Base Price of Option	Grant Date Fair Value of Stock
Name	**Grant Date**	**Threshold (# shares)**	**Target (# shares)**	**Maximum (# shares)**	**Awards ($/Sh)**	**and Option Awards**
William E. Brown(1)	6/19/2008(2)		250,000	250,000	$ 10.00(3)	$ 42,500(4)
	6/19/2008(2)		250,000	250,000	$ 12.50(3)	$ 22,500(4)
	6/19/2008(2)		250,000	250,000	$ 15.00(3)	$ 10,000(4)
	6/19/2008(5)		250,000	250,000	$ 10.00(3)	$ 75,000(4)
	6/19/2008(5)		250,000	250,000	$ 12.50(3)	$ 37,500(4)
	6/19/2008(5)		250,000	250,000	$ 15.00(3)	$ 20,000(4)
Stuart W. Booth(1)	3/4/2008(2)	16,000	80,000	80,000	$ 4.60(6)	$ 99,200(4)
James V. Heim(1)	3/4/2008(2)	16,000	80,000	80,000	$ 4.60(6)	$ 99,200(4)
Michael A Reed(1)	3/4/2008(2)	24,000	120,000	120,000	$ 4.60(6)	$ 148,800(4)
Former Executive Officers:						
Glenn W. Novotny						
Bradley P. Johnson						

(1) The options granted to each of Messrs. Brown, Booth, Heim and Johnson vest in increments of 20% upon each of the first, second, third, fourth and fifth anniversaries of the grant date, subject to the satisfaction of certain annual or cumulative performance targets for each of the fiscal years ending September 2008, 2009, 2010, 2011 and 2012. The performance targets are (i) the Adjusted EBIT Target and (ii) the Net Controllable Assets Target . There are separate targets for each of the Company, the Pet business and the Garden business. If the targets in a particular year are not met, the employee can still vest in the options if the Company s cumulative performance exceeds the cumulative targets in subsequent years. Executives must be employed by the Company at the time of vesting to exercise the options. Subsequent to granting the March 2008 performance-based options, the Compensation Committee amended the vesting provisions to provide that 50% of the options eligible to vest on the first and second anniversary of the grants will vest regardless of whether the performance conditions for fiscal 2008 and fiscal 2009 are satisfied. The time vested component of the options did not change. Under the terms of the Company s 2003 Omnibus Equity Incentive Plan, the Compensation Committee retains discretion, subject to plan limits, to modify the terms of outstanding options.

(2) Class A Common Stock.

(3) The Compensation Committee granted Mr. Brown premium priced options with exercise prices between 114% and 268% higher than the grant date closing prices of the Company s Common Stock of $4.67 per share and Class A Common Stock of $4.01 per share.

(4) The value of a stock award or option award is based on the fair value as of the grant date of such award determined pursuant to SFAS 123(R). Please refer to Note 10, Stock-Based Compensation , in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K filed on November 26, 2008 for the relevant assumptions used to determine the valuation of our stock and option awards.

(5) Common Stock.

(6) All options were granted at the closing market price on the date of grant, which exceeded the average of the high and low sale prices on the date of grant.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table shows all outstanding equity awards held by the named executive officers at the end of fiscal 2008, which ended on September 27, 2008.

Name	Option Awards					Stock Awards			
	Number of Shares Underlying Unexercised Options Exercisable	**Number of Shares Underlying Unexercised Options Unexercisable**	**Equity Incentive Plan Awards: Number of Shares Underlying Unexercised Unearned Options**	**Option Exercise Price**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested**	**Market Value of Shares or Units of Stock That Have Not Vested (1)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
William E. Brown		14,000(2)		$ 12.92	12/9/2013				
		28,000(3)		$ 12.83	12/9/2013				
		14,000(2)		$ 15.22	12/14/2013				
		28,000(3)		$ 15.11	12/14/2013				
		30,000(2)	220,000	$ 10.00	06/19/2014				
		30,000(3)	220,000	$ 12.50	06/19/2014				
		30,000(2)	220,000	$ 15.00	06/19/2014				
		30,000(3)	220,000	$ 10.00	06/19/2014				
		30,000(2)	220,000	$ 12.50	06/19/2014				
		30,000(3)	220,000	$ 15.00	06/19/2014				
Stuart W. Booth	3,000(2)	9,000(2)		$ 7.28	02/11/2011	8,000(2)	$ 48,880		
	6,000(3)	18,000(3)		$ 7.23	02/11/2011	16,000(3)	$ 93,440		
		10,000(2)		$ 12.92	12/9/2013				
		20,000(3)		$ 12.83	12/9/2013				
		13,000(2)		$ 15.22	12/14/2013				
		26,000(3)		$ 15.11	12/14/2013				
		27,000(3)		$ 13.83	05/23/2015				
		12,000(3)	68,000	$ 4.60	03/4/2014				
James V. Heim	10,000(2)	5,000(2)		$ 10.47	08/21/2010	3,750(2)	$ 22,913		
	20,000(3)	10,000(3)		$ 10.39	08/21/2010	7,500(3)	$ 48,800		
		15,000(2)		$ 15.22	12/14/2013				
		30,000(3)		$ 15.11	12/14/2013				
		36,000(3)		$ 13.83	05/23/2015				
		12,000(3)	68,000	$ 4.60	03/4/2014				
Michael A. Reed	6,000(2)	9,000(2)		$ 7.28	02/11/2011				