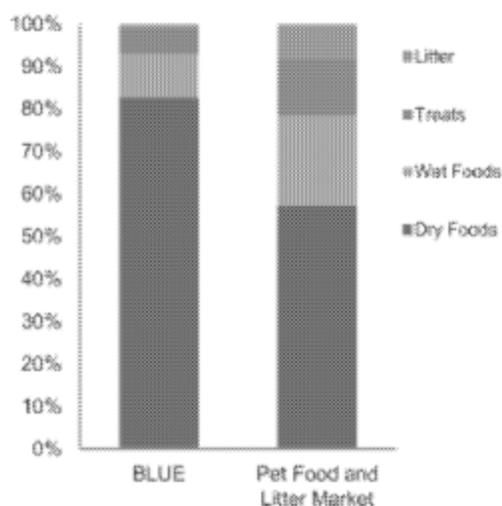


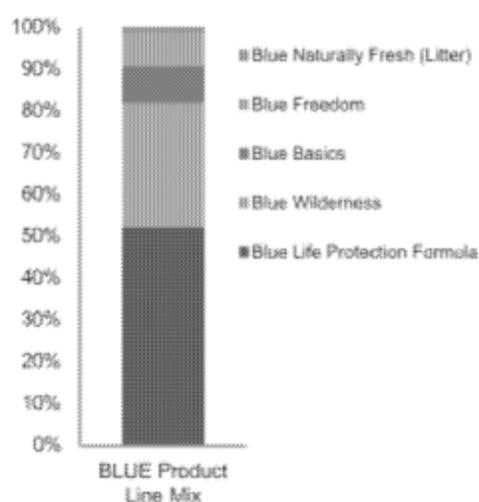
Table of Contents

The charts below show the retail sales of pet food and cat litter by product type, comparing BLUE to the overall pet food and cat litter markets within all Tracked Channels for 2014, as well as retail sales of BLUE products by product line within Tracked Channels for 2014. Relative to the overall pet food and cat litter market, we have a lower share in wet foods, treats and cat litter. We believe there is significant growth potential for BLUE across all product types, especially for product types where we have lower penetration, as evidenced by the fact that our sales of wet foods, treats and cat litter grew at a faster rate than our overall sales in 2014.

Pet Food Retail Sales by Product Type
United States, Tracked Channels, 2014



BLUE Retail Sales Mix by Product Line
United States, Tracked Channels, 2014



Our research and development and product development teams work together to develop natural products that we, as pet parents, would want to feed our pets. Our focus on natural ingredients is a core advantage as we continue to develop and build upon our expertise. The formulations and processes required for the manufacture of Wholesome Natural pet foods are often different from those of Engineered pet foods. For example, developing and managing the shelf life of products is more difficult when using only natural preservatives. In addition, wheat, which is a “natural” ingredient, is a low-cost but effective food binder that is commonly used in the pet food industry. Since we do not use wheat in any of our products, we have developed know-how and expertise in the use of ingredients other than wheat to act as food binders. Our research and development team, staffed with animal nutritionists with PhDs and food scientists, works on new technologies, formulations and testing. Our product development team provides consumer and market insight, as well as project management leadership. Working together with our in-house advertising and marketing agency, the two teams develop and launch new products and improve our existing products. We also work with external technical experts and suppliers to help us stay at the forefront of technological developments and advancements. In 2012, 2013, 2014 and the three months ended March 31, 2015, our total research and development expenses were \$1.6 million, \$4.6 million, \$7.6 million and \$2.2 million, respectively. These expenses include personnel costs, testing costs and expenses related to outside services.

Having built a scaled corporate infrastructure with a strong go-to-market engine, we believe we are well positioned to supplement our internal product development platform by incorporating new technologies or product forms through joint-ventures, licensing agreements and acquisitions. We will take a thoughtful approach to our business development efforts in this area and intend to be selective in pursuing incremental, synergistic opportunities aligned with our mission and strategy.