

Table of Contents

Blue Buffalo Pet Products, Inc.
Notes to Consolidated Financial Statements (Continued)

Note 4 – Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at December 31:

(dollars in thousands)	2013	2014
Computer software	\$ 440	\$ 8,056
Computer equipment	1,828	3,589
Buildings	—	58,846
Machinery and equipment	2,381	44,702
Furniture and fixtures	1,306	1,429
Leasehold improvements	642	1,051
Buildings improvements	—	86
Land	346	346
Land improvements	—	784
Construction in progress	81,302	2,169
	<u>88,245</u>	<u>121,058</u>
Accumulated depreciation and amortization	(2,415)	(7,195)
Total	<u>\$85,830</u>	<u>\$113,863</u>

Depreciation and amortization expense was approximately \$1.2 million for the year ended December 31, 2012, approximately \$1.3 million for the year ended December 31, 2013, and approximately \$4.9 million for the year ended December 31, 2014.

During 2013, Heartland and Jasper County, Missouri (“Jasper”) entered into an agreement pursuant to which Jasper agreed to issue up to an aggregate principal amount of \$55 million of industrial revenue bonds (“Bonds”) to be purchased by Heartland. Jasper is using the proceeds from the Bonds to purchase manufacturing equipment from Heartland, which will then be leased back to Heartland. As Heartland will become the owner of the equipment at the end of the lease term, the lease meets the requirements of a capital lease and the equipment is being recorded as property, plant, and equipment. The Company has the right and intends to set-off any obligation to make payments under the lease agreements with the proceeds due from the Bonds. As of December 31, 2013 and 2014, Jasper had issued, and Heartland had purchased, \$16.6 million and \$55.0 million, respectively, of industrial revenue bonds and Jasper had purchased from, and leased back to, Heartland certain manufacturing equipment for a corresponding amount.

Note 5 – Long-term Debt

Long-term debt consisted of the following at December 31:

(dollars in thousands)	2013	2014
Term loan	\$395,017	\$391,057
Less current maturities	(3,960)	(3,960)
Total long-term debt	<u>\$391,057</u>	<u>\$387,097</u>

On August 8, 2012, the Company entered into a \$390 million credit facility (the “Facility”) with Citibank, N.A. as the administrative agent, Citigroup Global Markets Inc. and Morgan Stanley Senior Funding, Inc. as joint lead arrangers, and Morgan Stanley Senior Funding, Inc. as syndication agent, and other financial institutions. The Facility originally consisted of a \$350 million term loan facility and a \$40 million revolving credit facility