

Table of Contents

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

(\$10 million sub-limit for letters of credit and a swing line sub-limit of \$5 million). The Facility is secured by 100% of Blue's assets and is guaranteed by its parent BPP. The term loan facility expires on August 8, 2019 and the revolving credit facility expires on August 8, 2017.

As of December 31, 2012, the term loan is presented net of the related unamortized original issue discount ("OID"), which was \$7.0 million at issuance. Accretion of OID is included in interest expense and was approximately \$0.9 million for the year ended December 31, 2013. In connection with the Facility, the Company recorded approximately \$5.7 million of deferred debt issuance costs. Both the OID and deferred debt issuance costs are being amortized over the weighted-average term of the Facility (approximately 7 years) using the effective interest method. The proceeds from the term loan were used to fund a special dividend of \$350 million to shareholders.

On December 6, 2012, the Company and its lenders amended the Facility to, among other things, provide additional term loan borrowings of \$50 million and allow for the distribution of dividends of \$50 million. The proceeds from the additional term loan borrowings were used to fund a special dividend of \$50 million to shareholders. In connection with this amendment, the Company recorded \$1.2 million of additional deferred debt issuance costs to be amortized over the remaining term of the term loan facility (approximately 6.7 years) using the effective interest method.

On February 15, 2013, the Company and its lenders entered into two amendments to re-price both the term loan and revolving credit facility (the "Amended Facility"). The term loan amendment reduced the applicable margin on the \$399 million principal amount of term loan borrowings by 150 basis points and the interest rate floor by 25 basis points. The revolving credit facility amendment reduced the applicable margin on revolver borrowings by 150 basis points (there were no borrowings under this facility). In connection with the amendments, the Company incurred and recorded approximately \$4.7 million of additional deferred debt issuance costs, which are being amortized over the remaining life of the Amended Facility. In addition, the Company recorded \$0.5 million related to bank and legal fees paid to third parties to execute the amendments, which is included in interest expense for the year ended December 31, 2013.

On December 9, 2013, the Company and its lenders entered into an amendment to re-price the term loan. The term loan amendment reduced the applicable margin on the \$396 million principal amount of term loan borrowings by 75 basis points. The revolving credit facility remained unchanged. In accordance with accounting guidance on debt modifications and extinguishments, the amended term loan was deemed substantially different and as such the modification has been treated as an extinguishment. In connection with the extinguishment, the Company recorded a loss on extinguishment of debt of \$15.9 million, which consisted of unamortized debt issuance costs of \$9.2 million, unamortized OID of \$5.7 million, and new debt issuance costs of \$1.0 million.

At December 31, 2013, we had \$395.0 million of term loan borrowings (fair value of \$399.9 million) at an effective interest rate of 5.27% and no outstanding borrowings under the revolving credit facility. At December 31, 2014, we had \$391.0 million of term loan borrowings (fair value of \$386.2 million) at an effective interest rate of 4.03% and no outstanding borrowings under the revolving credit facility. Principal payments on the term loan borrowings are due and payable in quarterly installments of approximately \$1.0 million with the then expected remaining balance of \$373.2 million due on August 8, 2019.

Term loan borrowings bear interest at a rate per annum equal to an applicable margin plus, at our option, either (i) a base rate determined by reference to the highest of (a) the Federal Funds rate plus 0.50%, (b) the prime rate of Citibank, N.A., (c) the LIBOR rate determined by reference to the cost of funds for U.S. dollar deposits for an interest period of one month adjusted for certain additional costs, plus 1.00% and (d) a floor of 2.00% or (ii) a LIBOR rate determined by reference to the costs of funds for U.S. dollar deposits for the interest period relevant