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

Note 7 – Notes Receivable

Historically, the Company issued loans to certain employees for the express purpose of providing the employees with the financial ability to exercise vested incentive stock options. Employees with incentive stock options were provided the opportunity to borrow from the Company an amount up to 80% of the total exercise price of options that they elected to exercise during the year. Accordingly, these transactions were recorded as an offset to stockholders' equity.

The notes accrued interest at the Mid-Term Applicable Federal Rate published by the Internal Revenue Service (1.27% at December 31, 2011) through maturity in December 2015, at which time the total balance of principal and interest was due.

During 2010, the Company issued loans totaling approximately \$0.7 million. During 2011, the Company issued loans totaling approximately \$0.9 million. At December 31, 2011, the balance of the receivable was approximately \$1.5 million.

During the first half of 2012, the Company issued additional loans totaling approximately \$0.1 million. In connection with the special dividend paid to shareholders on August 15, 2012, all outstanding notes and accrued interest in the amount of \$1.6 million were settled. See Note 11 for further details on the special dividends.

Note 8 – Income Taxes

The provision for (benefit from) income taxes consisted of the following:

(dollars in thousands)	December 31, 2012	For the years ended December 31, 2013	December 31, 2014
Current tax provision:			
Federal	\$ 34,747	\$ 40,127	\$ 39,576
State	6,780	4,060	8,947
Total current provision	<u>41,527</u>	<u>44,187</u>	<u>48,523</u>
Deferred tax provision:			
Federal	1,216	(520)	16,037
State	110	290	(1,202)
Total deferred provision (benefit)	<u>1,326</u>	<u>(230)</u>	<u>14,835</u>
Total provision	<u>\$ 42,853</u>	<u>\$ 43,957</u>	<u>\$ 63,358</u>