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

The Company uses a third party valuation specialist to assist it in the estimation of the fair value of its common stock. The Company believes these valuations to be appropriate; however, the valuation of the equity of any private company involves various estimates and assumptions that may differ from actual values. If available, the Company bases its common stock value on actual transactions or other transactions that are representative of stock value. The expected volatility assumption is based on the combination of the industry index for pet food wholesalers and the volatility of the Company's largest customer. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury implied yield at the date of grant. The weighted-average expected term is determined with reference to historical exercise and post-vesting cancellation experience, and the vesting period and contractual term of the awards.

The following are the weighted-average assumptions used for grants issued under the Plan:

	December 31, 2012	For the years ended December 31, 2013	December 31, 2014
Volatility	30.64%	30.88%	32.84%
Risk-free interest rate	1.13%	1.52%	2.16%
Expected term (years)	6.5	6.5	6.5
Dividend yield	—	—	—
Grant-date fair value	\$ 7.60	\$ 9.00	\$ 21.62

The following table summarizes stock-based award activity during the year and also presents stock options outstanding and exercisable as of December 31, 2014 (dollars in millions, except for per share data):

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding, December 31, 2013	1,104,995	\$ 23.51	8.98	
Granted	37,000	\$ 58.00	9.22	
Exercised	(5,300)	\$ 7.04	7.17	
Forfeited	(21,400)	\$ 25.64	8.13	
Expired	(3,000)	\$ 23.50	7.96	
Outstanding, December 31, 2014	<u>1,112,295</u>	\$ 24.70	8.03	\$ 48.9
Exercisable, December 31, 2014	401,398	\$ 23.68	7.98	\$ 18.0

During 2014, total granted stock options included 16,176 non-qualified and 20,824 ISO options. The intrinsic value of options exercised during 2012, 2013, and 2014 was \$1.7 million, \$3.4 million, and \$0.3 million, respectively. There were no non-qualified options exercised in 2013 and 2014. The benefits of tax deductions in excess of the grant date fair value resulting from the exercise of non-qualified options was not material to the years ended December 31, 2013 and 2014.