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

Note 15 – Commitments and Contingencies**Purchase Commitments**

The company enters into contracts with a network of contract manufacturers that require them to provide us with specific finished products and provide for minimum production commitments. Most of our agreements with our contract manufacturers expire in 2015 or 2016 and will thereafter be automatically renewed for consecutive one-year terms until notice of non-renewal is given. The Company also enters into contracts for the purchase of several of its main ingredients. Such contracts call for minimum purchase requirements and typically cover one year or one crop season and are renewed annually.

The following table summarizes our future minimum purchase commitments as of December 31, 2014:

| (dollars in thousands) | Total | Less Than One Year | 1-3 Years | 3-5 Years | More than Five Years |
|---|------------------|-----------------------|------------------|-----------------|-------------------------|
| Finished goods minimum purchase obligations | \$ 94,249 | \$ 40,550 | \$ 47,990 | \$ 5,709 | \$ — |
| Raw material purchase obligations | 268,515 | 255,557 | 12,958 | — | — |
| Total contractual obligations | <u>\$362,764</u> | <u>\$296,107</u> | <u>\$ 60,948</u> | <u>\$ 5,709</u> | <u>\$ —</u> |

Litigation & Settlements

On May 6, 2014, Nestle Purina filed a lawsuit against us in the United States District Court for the Eastern District of Missouri. As amended, Nestle Purina's complaint alleges that we have engaged in false advertising, commercial disparagement and unjust enrichment. Nestle Purina asserts that, contrary to our advertising and labeling claims, certain BLUE products contain chicken or poultry by-product meals, artificial preservatives and/or corn and that certain products in the BLUE grain-free line contain grains. Nestle Purina also alleges that we have made false claims that our products (including LifeSource Bits) provide superior nutrition and health benefits compared to our competitors' products. In addition, Nestle Purina contends that we have been unjustly enriched as consumers have paid a premium for BLUE products in reliance on these alleged false and misleading statements, at the expense of our competitors. Nestle Purina seeks an injunction prohibiting us from making these alleged false and misleading statements, as well as treble damages, restitution and disgorgement of our profits, among other things. In addition, Nestle Purina has issued press releases and made other public announcements, including advertising and promotional communications through emails and internet and social media websites that make claims similar to those contained in their lawsuit. Nestle Purina seeks a declaratory judgment that these statements are true and do not constitute defamation. In addition, a number of related consumer class action lawsuits have been filed making allegations similar to Nestle Purina's and seeking monetary damages and injunctive relief.

We believe Nestlé Purina's claims and the related class action lawsuits are without merit and intend to vigorously defend ourselves. Although we have determined that a loss contingency with respect to the Nestlé Purina litigation and related class action lawsuits is reasonably possible, such litigation and lawsuits are still in their early stages and the final outcome is uncertain. In particular, we have determined that the possible loss or range of loss resulting from Nestlé Purina proceedings and each of the related class action claims cannot be reasonably estimated due to the following reasons: (1) the early stages of the proceedings, (2) the lack of specific damages sought by the plaintiffs, (3) the uncertainty as to plaintiffs' support for their damages claim, (4) the uncertainty as to factual issues, (5) the uncertainty of number of plaintiffs in the related class action claims and (6) our claims against third party defendants and counterclaims against Nestlé Purina.