

**Table of Contents****Blue Buffalo Pet Products, Inc.  
Notes to Consolidated Financial Statements****Note 1 – The Company**

Blue Buffalo Pet Products, Inc. (“BBPP”) and together with its subsidiaries, the “Company,” “we,” “us,” “its,” and “our”) conducts its business exclusively through its wholly-owned operating subsidiary, Blue Buffalo Company, Ltd. (“Blue”) (formerly The Blue Buffalo Company, LLC) and its subsidiaries. Blue was formed in August 2002 and is the parent company of three wholly-owned subsidiaries, Great Plains Leasing, LLC, Heartland Pet Foods Manufacturing, Inc. (“Heartland”), and Sierra Pet Products, LLC. Blue and its subsidiaries develop, produce, market, and sell pet food under the Blue Life Protection Formula, Blue Wilderness, Blue Basics, and Blue Freedom lines. Our products are produced domestically at our Heartland facility and through contract manufacturers for distribution to retailers in specialty channels throughout the United States of America and Canada.

In July 2012, Blue formed Heartland for the purpose of commencing internal manufacturing operations to eventually supplement its contract manufacturers. We recently commenced manufacturing operations at our Heartland facility in Joplin, Missouri in September 2014.

Also in July 2012, BBPP and Blue Pet Products, Inc. (“BPP”) were established through a series of stock exchanges and transfers. In connection therewith, the existing stockholders of Blue became the stockholders of BBPP with the same pro-rata ownership percentage previously held in Blue and whereby BBPP owns 100% of the common stock of BPP and BPP owns 100% of the common stock of Blue.

**Note 2 – Basis of Presentation****Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of BBPP and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

**Reclassifications**

Certain prior period amounts have been reclassified to conform to the current period presentation.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents include all cash balances and highly liquid investments purchased with original maturities of three months or less. Cash and cash equivalents consist of both interest and non-interest bearing accounts. At December 31, 2014, we had three accounts in excess of the federal deposit insurance limit.

**Restricted Cash**

We are required to maintain a cash deposit with the lender of our standby letters of credit equal to the amount of the outstanding letters of credit. As of December 31, 2013 and 2014, the Company had outstanding irrevocable