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

standby letters of credit in the amount of approximately \$0.1 million and \$0.5 million, respectively, issued by TD Bank. These letters of credit are being maintained as security for performance of certain of the Company's operating lease obligations. The letters of credit are automatically renewed on an annual basis sixty days prior to expiration.

**Receivables**

Trade receivables consist of uncollateralized, non-interest bearing customer obligations due under normal trade terms. Other receivables consist primarily of reimbursable amounts due from co-manufacturers for packaging of \$7.2 million and \$4.4 million and income tax receivables of \$7.9 million and \$18.2 million at December 31, 2013 and 2014, respectively. We also maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make payments and other actual and estimated deductions. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional allowance could be required. Past due balances are reviewed individually for collectability. As of December 31, 2013 and 2014, the allowance for doubtful accounts was immaterial.

Receivables consisted of the following at December 31:

(dollars in thousands)	2013	2014
Trade receivables, net	\$37,236	\$54,647
Other receivables	15,139	23,973
Total	<u>\$52,375</u>	<u>\$78,620</u>

We are exposed to concentration of credit risk by our customers. Approximately 80% and 72% of gross trade accounts receivable at December 31, 2013 and December 31, 2014, respectively, were from our two largest customers. In 2013 and 2014, two customers accounted for 10% or more of our consolidated net sales. Sales to these customers represented 58% and 20% of net sales for the year ended December 31, 2012, 53% and 22% of net sales for the year ended December 31, 2013, and 49% and 24% of net sales for the year ended December 31, 2014.

**Inventories**

Inventories, consisting principally of finished goods available for resale and packaging materials, are stated at the lower of cost or market value. We provide reserves for estimated obsolescence based on specific identification. If assumptions about future demand change or actual market conditions are less favorable than those projected by management, we may require additional reserves.

**Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are recognized on a straight-line basis over the estimated useful life of the assets as follows: computer equipment over 3 years, computer software over 5 years, furniture and fixtures over 5 years, machinery and equipment from 5 to 15 years, and buildings, building improvements and land improvements over 40 years. Computer software consists primarily of third-party software acquired and developed for internal use and is accounted for in accordance with accounting guidance on internal use software. Leasehold improvements and fixed assets purchased under capital leases are amortized over the lesser of the asset life or related lease term. When fixed assets are sold or otherwise disposed of, the accounts are relieved of the original cost of the assets and the related accumulated depreciation, and any resulting profit or loss is credited or charged to operations.