UNITED NATURAL FOODS INC
Form S-3ASR
September 09, 2009

As filed with the Securities and Exchange Commission on September 9, 2009

Registration No. 333-____________

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

UNITED NATURAL FOODS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of incorporation or organization)

05-0376157
(I.R.S. Employer Identification Number)

260 Lake Road
Dayville, Connecticut 06241
Telephone: (860) 779-2800

(Address, including zip code, and telephone number,
including area code, of registrant's principal executive offices)

MARK E. SHAMBER
Senior Vice President, Chief Financial Officer and Treasurer
United Natural Foods, Inc.
260 Lake Road
Dayville, Connecticut 06241
(860) 779-2800

(Name, address, including zip code, and telephone number,
including area code, of agent for service)

Copy to:

JOSEPH J. TRAFICANTI General Counsel United Natural Foods, Inc. 260 Lake Road Dayville, Connecticut 06241 (860) 779-2800	F. MITCHELL WALKER, JR., ESQ. Bass, Berry & Sims PLC 315 Deaderick Street, Suite 2700 Nashville, Tennessee (615) 742-6200

Approximate Date of Commencement of Proposed Sale to the Public: From time to time after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. þ

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to Be Registered (1)	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price (1)	Amount of Registration Fee (1)(2)
Common Stock, par value $0.01 per share				

Preferred Stock, par value $0.01 per share

Warrants

Debt Securities

(1) An indeterminate number or amount and aggregate initial offering price of the securities of each identified class is being registered as may from time to time be offered at indeterminate prices, including an indeterminate number or amount of securities that may be issued upon exercise, conversion or exchange of other securities. Separate consideration may or may not be received for securities that are issuable upon exercise, conversion or exchange of other securities.

(2) In accordance with Rule 456(b) and Rule 457(r) under the Securities Act, the registrant is deferring payment of the entire registration fee.

PROSPECTUS

United Natural Foods, Inc.

Common Stock
Preferred Stock
Warrants
Debt Securities

This prospectus relates to common stock, preferred stock, warrants and debt securities that we may offer from time to time. The securities may be offered in an amount or number, at prices and on other terms and conditions to be determined at the time of sale and described in a prospectus supplement accompanying this prospectus.

We may offer and sell the securities on a continuous or delayed basis to or through one or more underwriters, dealers or agents, or directly to the purchasers. We reserve the sole right to accept, and together with our agents, from time to time, to reject in whole or in part any proposed purchase of securities to be made directly or through agents. If our agents or any dealers or underwriters are involved in the sale of the securities, the applicable prospectus supplement will set forth the names of the agents, dealers or underwriters and any applicable commissions or discounts. Our net proceeds from the sale of securities will also be set forth in the applicable prospectus supplement.

We will provide the specific terms of each offering of our securities in supplements to this prospectus. You should read this prospectus and any prospectus supplement, as well as the documents incorporated or deemed to be incorporated by reference in this prospectus, carefully before you invest.

Our common stock is listed on the NASDAQ Global Select Market under the symbol "UNFI."

The mailing address of our principal executive offices is 260 Lake Road, Dayville, Connecticut 06241. Our telephone number is (860) 779-2800.

Investing in our securities involves risks. See "Risk Factors" beginning on page 4 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

This prospectus may not be used to offer or consummate sales of securities unless accompanied by a prospectus supplement.

The date of this prospectus is September 9, 2009.

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This prospectus is a part of a registration statement we filed with the Securities and Exchange Commission. You should rely only on the information we have provided or incorporated by reference in this prospectus and the accompanying prospectus supplement. We have not authorized anyone to provide you with additional or different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should assume that the information in this prospectus or the accompanying prospectus supplement is accurate only as of the date on the front of that document and that any information contained in a document incorporated by reference is accurate only as of the date of that incorporated document. Our business, financial condition, results of operations and prospects may have changed since those dates. Before making an investment decision, you should read this prospectus, the prospectus supplement and the documents incorporated by reference in this prospectus as described under the heading “Where You Can Find More Information” in this prospectus.

ABOUT THIS PROSPECTUS

This prospectus is a part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, utilizing an automatic shelf registration process. We may use this prospectus to offer and sell from time to time any one or a combination of the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will describe in an accompanying prospectus supplement the type, amount or number and other terms and conditions of the securities being offered, the price at which the securities are being offered, and the plan of distribution for the securities. The specific terms of the offered securities may vary from the general terms of the securities described in this prospectus and, accordingly, the descriptions of the securities contained in this prospectus are subject to, and qualified by reference to, the specific terms of the offered securities contained in the accompanying prospectus supplement. The prospectus supplement also may add, update or change information contained in this prospectus, including information about us. Therefore, for a complete understanding of our business, the offering and the offered securities, you should read both this prospectus and any accompanying prospectus supplement, together with additional information described under the heading “Where You Can Find More Information.”

In this prospectus, unless the context indicates otherwise, the words “United Natural Foods,” “the company,” “we,” “our,” “ou and “us” refer to United Natural Foods, Inc. and its consolidated subsidiaries.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. We make our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A, and all amendments to those reports, proxy statements and the other materials we file with or furnish to the SEC available free of charge through our website as soon as reasonably practicable after we file such reports with, or furnish such reports to, the SEC. Our SEC filings are available to the public on the Internet at the SEC’s web site at http://www.sec.gov. You may also read and copy any document we file at the SEC’s public reference room at 100 F Street N.E., Washington, D.C. 20549. You can obtain further information on the operation of the public reference room by calling the SEC at 1-800-SEC-0330. Our common stock is listed on the NASDAQ Global Select Market under the symbol “UNFI.” Our Internet address is http://www.unfi.com. The contents of our website are not part of this prospectus and our Internet address is included in this document as an inactive textual reference only.

The SEC allows us to “incorporate by reference” the information we file with it, which means that we can disclose important information to you by referring you to another document that we have filed separately with the SEC. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC that is incorporated by reference into this prospectus will automatically update and may supersede this information. We incorporate by reference into this prospectus the documents listed below that we have filed with the SEC and any future filing that we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, (other than any portions of any such documents that are furnished, rather than filed, by us in accordance with the rules of the SEC under the Exchange Act) prior to the completion of the sales of the securities offered hereby.

- Our Annual Report on Form 10-K for the year ended August 2, 2008, filed with the SEC on October 1, 2008 (File No. 001-15723);

- Our Quarterly Report on Form 10-Q for the quarter ended November 1, 2008, filed with the SEC on December 10, 2008 (File No. 001-15723);

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Our Quarterly Report on Form 10-Q for the quarter ended January 31, 2009, filed with the SEC on March 11, 2009 (File No. 001-15723);

- Our Quarterly Report on Form 10-Q for the quarter ended May 2, 2009, filed with the SEC on June 11, 2009 (File No. 001-15723);

- Our Current Reports on Form 8-K and amendments thereto on Form 8-K/A filed with the SEC on August 8, 2008, September 16, 2008, October 20, 2008, November 12, 2008, February 27, 2009 and September 9, 2009 (File No. 001-15723); and

- The description of our common stock included in our Registration Statement on Form 8-A, filed with the SEC on October 11, 1996 (File No. 000-21531), registering the common stock under Section 12 of the Exchange Act and any amendment or report subsequently filed for the purpose of updating such description.

Notwithstanding the foregoing, information furnished under Items 2.02 or 7.01 of any Current Report on Form 8-K, including the related exhibits, is not incorporated by reference into this prospectus.

If you make a written or oral request for copies of any of the documents incorporated by reference, we will send you the copies you requested at no charge. However, we will not send exhibits to such documents unless such exhibits are specifically incorporated by reference in such documents. You should direct requests for such copies to United Natural Foods, Inc., 260 Lake Road, Dayville, Connecticut 06241, Attention: Investor Relations. Our telephone number is (860) 779-2800.

NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, the accompanying prospectus supplement and the documents incorporated by reference into this prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Exchange Act, and are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve substantial risks and uncertainties including, but not limited to, those contained in “Risk Factors” and elsewhere in this prospectus because they describe or predict future events or trends and include declarations regarding our intentions, beliefs and expectations. In some cases, you can identify these statements by forward-looking words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “predict,” “intend,” “may,” “should,” “will,” and “would,” the negative of such words or similar words. Any forward-looking statements in this prospectus, the accompanying prospectus supplement and the documents incorporated by reference into this prospectus are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by such forward-looking statements, possibly materially.

The important factors listed under “Part I. Item 1A. Risk Factors” in our most recent Annual Report on Form 10-K, under “Part II. Item 1A. Risk Factors” in Quarterly Reports on Form 10-Q filed with the SEC after the date of that Annual Report and in Current Reports on Form 8-K filed with the SEC after the date of that Annual Report, each of which is incorporated by reference herein, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations described in these forward-looking statements. You should be aware that the occurrence of the events described under “Risk Factors” in our most recent Annual Report on Form 10-K, in Quarterly Reports on Form 10-Q filed with the SEC after the date of that Annual Report and in Current Reports on Form 8-K filed with the SEC after the date of that Annual Report could have an adverse effect on our business, results of operations and financial position. Any forward-looking statements speak only as of the date of this prospectus or any prospectus supplement, and we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which such statements are made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict all of such factors, nor can we assess the impact of any such factor on our business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements.

UNITED NATURAL FOODS, INC.

We are a leading distributor of natural, organic and specialty foods and non-food products in the United States. We carry products in six product categories: grocery and general merchandise, produce, perishables and frozen foods, nutritional supplements, bulk and food service products and personal care items. The majority of our customers are independently owned natural products retailers, supernatural chains, and conventional supermarkets. Our other distribution channels include food service, international and buying clubs. Our operations are comprised of our wholesale division, our retail division and our manufacturing division.

We were the first organic food distribution network in the United States designated as a “Certified Organic Distributor” by Quality Assurance International, Inc., or QAI. This process involved a comprehensive review by QAI of our operating and purchasing systems and procedures. This certification covers all of our broadline distribution centers other than our recently opened York, Pennsylvania facility for which we are currently seeking certification, but does not cover our specialty distribution centers.

Wholesale Division

Our wholesale division includes our Eastern and Western Regions, UNFI Specialty Distribution, Albert’s Organics, Inc., or Albert’s, and Select Nutrition. Our Eastern and Western Regions, which comprise our broadline distribution business, distribute natural and organic products in all of our product categories to customers throughout the United States. Through UNFI Specialty Distribution, we distribute specialty food items (including ethnic, kosher, gourmet, organic and natural foods), health and beauty care items and other non-food items. Through Albert’s, we distribute organically grown produce and non-produce perishables, such as organic milk, dressings, eggs, juices, poultry and various other refrigerated specialty items. Through Select Nutrition, we distribute health and beauty aids, vitamins, minerals and supplements.

Retail Division

We own and operate 13 natural products retail stores through our subsidiary Natural Retail Group, Inc. As an operator of retail stores, we have the ability to test market select products prior to offering them nationally. We can then evaluate consumer reaction to the product without incurring significant inventory risk. We also are able to test new marketing and promotional programs within our stores prior to offering them to our broader customer base.

Manufacturing Division

Our manufacturing division is comprised of our subsidiary Woodstock Farms, which we previously referred to as Hershey Import Company, Inc., and our Blue Marble Brands division. Woodstock Farms specializes in the international importation, roasting and packaging of nuts, seeds, dried fruits and snack items. We sell these items in bulk in our own packaged snack lines and through private label packaging arrangements. Through Blue Marble Brands, we offer branded product lines that address certain needs or preferences of customers of our wholesale division, which are not otherwise being met by other suppliers.

We are a Delaware corporation. Our headquarters are located at 260 Lake Road, Dayville, Connecticut 06241, and our telephone number is (860) 779-2800.

RISK FACTORS

Investing in our securities involves risks. You should carefully consider the risks described under “Part I. Item 1A. Risk Factors” in our most recent Annual Report on Form 10-K and under “Part II. Item 1A. Risk Factors” in our Quarterly Reports on Form 10-Q filed with the SEC after the date of that Annual Report and in the other documents incorporated by reference into this prospectus (which risk factors are incorporated by reference herein), including documents we file with the SEC after the date of this prospectus, as well as the other information contained or incorporated by reference in this prospectus or in any prospectus supplement, before making a decision to invest in our securities.

USE OF PROCEEDS

Unless otherwise provided in the applicable prospectus supplement to this prospectus used to offer specific securities, we expect to use the net proceeds from any offering of securities by us for general corporate purposes, which may include the repayment or refinancing of all or a portion of any indebtedness outstanding at a particular time, increasing our working capital, acquisitions and capital expenditures. Pending the application of the net proceeds, we expect to invest the proceeds in short-term, interest-bearing instruments or other investment-grade securities.

RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

Set forth below is our ratio of earnings to fixed charges for the periods indicated:

	Nine Months Ended	Twelve Months Ended				
	May 2, 2009	August 2, 2008	July 28, 2007	July 29, 2006	July 31, 2005	July 31, 2004
Ratio of Earnings to Fixed Charges	4.8x	3.8x	5.0x	4.8x	6.3x	4.9x

For purposes of calculating the ratio of earnings to fixed charges, "earnings" consists of pre-tax income from continuing operations before adjustment for income or loss from equity investees; plus fixed charges; plus amortization of capitalized interest; minus capitalized interest. "Fixed charges" is the sum of expensed and capitalized interest and amortized premiums, discounts and capitalized expenses related to indebtedness.

As of the date of this prospectus, we have no preferred stock outstanding and, accordingly, the ratio of earnings to combined fixed charges and preferred stock dividends is equal to the ratio of earnings to fixed charges and is not disclosed separately.

DESCRIPTION OF CAPITAL STOCK

We summarize below some of the provisions that will apply to our common stock or preferred stock unless the applicable prospectus supplement provides otherwise. This summary may not contain all information that is important to you. The complete terms of the common stock or preferred stock will be contained in the prospectus supplement. You should read the prospectus supplement, which will contain additional information and which may update or change some of the information below.

The following description of our capital stock sets forth certain general terms of our common stock and preferred stock to which any prospectus supplement may relate. This section also summarizes certain relevant provisions of the Delaware General Corporation Law, which we refer to as the DGCL. The terms of our Amended and Restated Certificate of Incorporation, as amended, or our Certificate of Incorporation, and our Amended and Restated Bylaws, or our Bylaws, as well as the terms of the DGCL, are more detailed than the general information provided below. Therefore, you should carefully consider the actual provisions of these documents.

Our authorized capital stock consists of (i) 100,000,000 shares of common stock, par value $0.01 per share, and (ii) 5,000,000 shares of preferred stock, par value $0.01 per share. As of August 1, 2009, 43,007,952 shares of our common stock were outstanding and no shares of preferred stock were outstanding.

Common Stock

Holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of our common stock entitled to vote in any election of directors may elect all of the directors standing for election. Holders of our common stock are entitled to receive ratably such dividends, if any, as may be declared by our board of directors out of funds legally available therefor, subject to any preferential dividend rights of outstanding preferred stock. Upon our liquidation, dissolution or winding up, the holders of our common stock are entitled to receive ratably our net assets available after the payment of all debts and other liabilities and subject to the prior rights of any outstanding preferred stock. Holders of our common stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of our common stock are, and the shares offered by us pursuant to this prospectus and the accompanying prospectus supplement will be, when issued and paid for, fully paid and nonassessable. The rights, preferences and privileges of holders of our common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock which we may designate and issue in the future.

Preferred Stock

Our board of directors is authorized, subject to any limitations prescribed by law, without stockholder approval, to issue shares of preferred stock in one or more series at any time or from time to time. Each such series of preferred stock will have rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, as will be determined by our board of directors.

All shares of preferred stock offered pursuant to this prospectus and the accompanying prospectus supplement will, when issued and paid for, be fully paid and nonassessable. Our board of directors could authorize the issuance of shares of preferred stock with terms and conditions which could have the effect of discouraging a takeover or other transaction that might involve a premium price for holders of shares of our common stock or which holders of our common stock might believe to be in their best interests.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Continental Stock Transfer & Trust Company.

Certain Anti-Takeover Matters

Delaware Business Combination Statute

Under Section 203 of the DGCL, a corporation is prohibited from engaging in any business combination with a stockholder who, together with its affiliates or associates, owns (or who is an affiliate or associate of the corporation and within a three-year period did own) 15% or more of the corporation’s outstanding voting stock (which we refer to as an “interested stockholder”) for a three-year period following the time the stockholder became an interested stockholder, unless:

- prior to the time the stockholder became an interested stockholder, the board of directors of the corporation approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;

- the interested stockholder owned at least 85% of the voting stock of the corporation, excluding specified shares, upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder; or

- at or subsequent to the time the stockholder became an interested stockholder, the business combination is approved by the board of directors of the corporation and authorized by the affirmative vote, at an annual or special meeting, and not by written consent, of at least 66 2/3% of the outstanding voting shares of the corporation, excluding shares held by that interested stockholder.

A business combination generally includes:

- mergers and consolidations with or caused by an interested stockholder;

- sales or other dispositions of 10% or more of the assets of a corporation to an interested stockholder;

- specified transactions resulting in the issuance or transfer to an interested stockholder of any capital stock of a corporation or its subsidiaries; and

- other transactions resulting in a disproportionate financial benefit to an interested stockholder.

The provisions of Section 203 of the DGCL do not apply to a corporation if, subject to certain requirements, the certificate of incorporation or bylaws of the corporation contain a provision expressly electing not to be governed by the provisions of the statute or the corporation does not have voting stock listed on a national securities exchange or held of record by more than 2,000 stockholders.

Because our Certificate of Incorporation and Bylaws do not include any provision to "opt-out" of Section 203 of the DGCL, the statute will apply to business combinations involving us.

Provisions of our Certificate of Incorporation and Bylaws

Our Certificate of Incorporation provides for the division of our board of directors into three classes as nearly equal in size as possible with staggered three-year terms. In addition, our Certificate of Incorporation provides that directors may be removed only for cause by the affirmative vote of the holders of two-thirds of the shares of our capital stock entitled to vote. Under our Certificate of Incorporation, any vacancy on our board of directors, however occurring, including a vacancy resulting from an enlargement of the board, may only be filled by vote of a majority of the directors then in office. The classification of our board of directors and the limitations on the removal of directors and filling of vacancies could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, control of us.

Our Certification of Incorporation also provides that any action required or permitted to be taken by our stockholders at an annual meeting or special meeting of stockholders may be taken only if it is properly brought before such meeting and may not be taken by written action in lieu of a meeting. Our Certificate of Incorporation further provides that special meetings of the stockholders may only be called by the chairman of the board of directors, the chief executive officer or, if none, the president of the company, or by the board of directors. Under our Bylaws, in order for any matter to be considered "properly brought" before a meeting, a stockholder must comply with certain requirements regarding advance notice to the company. The foregoing provisions could have the effect of delaying until the next stockholders meeting stockholder actions which are favored by the holders of a majority of our outstanding voting securities. These provisions also may discourage another person or entity from making a tender offer for our common stock because such person or entity, even if it acquired a majority of our outstanding voting securities, would be able to take action as a stockholder (such as electing new directors or approving a merger) only at a duly called stockholders meeting, and not by written consent.

The DGCL provides, generally, that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or bylaws, unless a corporation's certificate of incorporation or bylaws, as the case may be, requires a greater percentage. Our Certificate of Incorporation and our Bylaws require the affirmative vote of the holders of at least two-thirds of the shares of our capital stock issued and outstanding and entitled to vote to amend or repeal any of the provisions described in the prior two paragraphs.

DESCRIPTION OF WARRANTS

We summarize below some of the provisions that will apply to the warrants unless the applicable prospectus supplement provides otherwise. This summary may not contain all information that is important to you. The complete terms of the warrants will be contained in the applicable warrant certificate and warrant agreement. These documents have been or will be included or incorporated by reference as exhibits to the registration statement of which this prospectus is a part. You should read the warrant certificate and the warrant agreement. You should also read the prospectus supplement, which will contain additional information and which may update or change some of the information below.

We may issue warrants for the purchase of debt securities, common stock, preferred stock or other securities. We may issue warrants independently or together with other securities, and they may be attached to or separate from the other securities. Each series of warrants will be issued under a separate warrant agreement that we will enter into with a warrant agent that we will name in the applicable prospectus supplement. The warrant agent will act solely as our agent in connection with the warrants and will not assume any obligation to, or agency or trust relationship with, holders of the warrants. We will file a copy of the form of warrant and warrant agreement with the SEC each time we issue a series of warrants, and these warrants and warrant agreements will be incorporated by reference into the registration statement of which this prospectus is a part.

The prospectus supplement relating to a particular issue of warrants will describe the terms of those warrants and of the warrant agreements under which the warrants are issued. If any particular terms of the warrants described in the prospectus supplement differ from any of the terms described herein, then the terms described herein will be deemed superseded by that prospectus supplement. These terms will include some or all of the following:

- the title of the warrants;
- the aggregate number of warrants offered;
- the price or prices at which the warrants will be issued;
- the designation, number and terms of the debt securities, common stock, preferred stock or other securities purchasable upon exercise of the warrants and procedures by which those numbers may be adjusted;
- the exercise price and the amount of securities that will be received upon exercise;
- the dates or periods during which the warrants are exercisable;
- the procedure for exercise of the warrants and the circumstances, if any, that will cause the warrants to be automatically exercised;
- the designation and terms of any securities with which the warrants are issued;
- if the warrants are issued as a unit with another security, the date on and after which the warrants and the other security will be separately transferable;
- if the exercise price is not payable in U.S. dollars, the foreign currency, currency unit or composite currency in which the exercise price is denominated;
- any minimum or maximum amount of warrants that may be exercised at any one time;
- any terms relating to the modification of the warrants;
- any terms, procedures and limitations relating to the transferability, exchange or exercise of the warrants;
- the right we have, if any, to redeem the warrants;
- information with regard to book-entry procedures, if any;
- any material United States federal income tax considerations; and
- any other specific terms of the warrants.

We and the warrant agent may amend or supplement the warrant agreement for a series of warrants without the consent of the holders of the warrants issued thereunder to effect changes that are not inconsistent with the provisions of the warrants and that do not materially and adversely affect the interests of the holders of the warrants. The description in the applicable prospectus supplement of any warrants that we may offer will not necessarily be complete and will be qualified in its entirety by reference to the applicable warrant agreement, which will be filed with the SEC.

DESCRIPTION OF DEBT SECURITIES

We summarize below some of the provisions that will apply to the debt securities unless the applicable prospectus supplement provides otherwise. This summary may not contain all information that is important to you. The complete terms of the debt securities will be contained in the applicable notes. The notes will be included or incorporated by reference as exhibits to the registration statement of which this prospectus is a part. You should read the provisions of the notes. You should also read the prospectus supplement, which will contain additional information and which may update or change some of the information below.

As used in this prospectus, debt securities means the debentures, notes, bonds and other evidences of indebtedness that we may issue separately or upon exercise of a debt warrant from time to time. The debt securities may either be senior debt securities or subordinated debt securities. The debt securities we offer will be issued under an indenture between us and a trustee to be named therein. Debt securities, whether senior or subordinated, may be issued as convertible debt securities or exchangeable debt securities.

The following description of the debt securities we may offer does not purport to be complete and is subject to and qualified in its entirety by reference to the indenture under which such debt securities are issued, a form of which has been filed with the SEC as an exhibit to the registration statement of which this prospectus is a part. You should read the indenture because it, and not this description, defines your rights as a holder of our debt securities.

General

We may issue an unlimited amount of debt securities under the indenture. The debt securities will be our direct unsecured obligations. Any senior debt securities will rank equally with all of our other senior unsecured and unsubordinated debt and liabilities, including trade payables, guarantees, lease obligations and letter of credit obligations. Any subordinated debt securities will be subordinate and junior in right of payment to all of our present and future Senior Indebtedness (as defined below) to the extent and in the manner described in the accompanying prospectus supplement.

The relevant prospectus supplement for a series of debt securities that we issue will describe the material terms of the debt securities being offered, including:

- the title of the debt securities;
- any limit on the aggregate principal amount of the debt securities;
- the date or dates on which the principal of the debt securities will be payable;
- the date or dates on which the debt securities may be issued;
- the person or persons to whom interest shall be payable, if other than the persons in whose names the debt securities are registered;
- the rate or rates at which the debt securities will bear interest, if any;
- the date from which interest, if any, on the debt securities will accrue, the dates on which interest, if any, will be payable, the date on which payment of interest, if any, will commence, and the record dates for any interest payments;

- our right, if any, to extend interest payment periods and the duration of any extension;
- the place or places where the principal of and any premium and interest on the debt securities will be payable and the place or places where the debt securities may be presented for transfer and, if applicable, conversion or exchange;

- if the principal, premium or interest are to be payable in securities or other property, the type and amount of such securities or property, or the means by which such amount will be determined;
- the index, if any, with reference to which the amount of principal of or any premium or interest on the debt securities will be determined;
- if other than the entire principal amount of the debt securities when issued, the portion of the principal amount payable upon acceleration of maturity as a result of a default on our obligations;
- any redemption, repayment or sinking fund provisions;
- the denominations in which the debt securities will be issuable;
- the currency or currency unit of payment if other than U.S. dollars, and, if applicable, the period or periods within which, and the terms and conditions upon which, election of payment in a different currency may be made;
- any addition to or change in the events of default described in this prospectus or in the indenture applicable to the debt securities, any change in the right of the trustee or the holders to declare the principal amount of the debt securities due and payable, and any addition to or change in the covenants described in this prospectus or in the indenture;
- the terms and conditions upon which the debt securities will be convertible or exchangeable, if any;
- whether debt securities will be issued in whole or in part form of one or more global securities, and the depositary(ies) of any global securities;
- any and all matters incidental to debt securities that may be issuable as bearer securities, if any;
- any collateral security, assurance or guarantee;
- the amount of discount of any debt securities to be issued as discount securities;
- form of the debt securities;
- whether the debt securities are subject to defeasance;
- the terms, if any, pursuant to which any debt securities will be subordinate to any of our other debt;
- for debt securities to be issued upon the exercise of debt warrants, the time, manner and place for such debt securities to be authenticated and delivered;
- any rights or duties of another person to assume our obligations with respect to the debt securities, and any rights or duties to discharge and release any obligor with respect to the debt securities;
- whether and under what circumstances we will pay additional amounts to any holder of debt securities who is not a United States person or entity in respect of any tax, assessment or governmental charge and, if so, whether we will have the option to redeem such debt securities rather than pay such additional amounts (and the terms of any such option);

- any obligation we have to permit the debt securities to be converted into or exchanged for our common stock, other debt securities or property and the terms and conditions upon which such conversion or exchange will be effected (including, without limitation, the initial conversion or exchange price or rate, the conversion or exchange period, any adjustment of the applicable conversion or exchange price or rate and any requirements relative to the reservation of such shares for purposes of conversion or exchange);

- if convertible or exchangeable, any applicable limitations on the ownership or transferability of the debt securities or property into which such debt securities are convertible or exchangeable;
- whether the debt securities are guaranteed and any provisions relating to any guarantee of the debt securities; and
- any other terms of the debt securities not inconsistent with the provisions of the indenture.

The indenture does not contain any covenants or other provisions that specifically are intended to afford holders of the debt securities special protection in the event of a highly leveraged transaction.

Conversion or Exchange

In addition, the indenture does not limit our ability to issue convertible or subordinated debt securities. If any debt securities being offered are convertible into or exchangeable for common stock or other securities, the relevant prospectus supplement will set forth the terms of conversion or exchange. Those terms will include whether conversion or exchange is mandatory, at the option of the holder or at our option, and the number of shares of common stock or other securities, or the method of determining the number of shares of common stock or other securities, to be received by the holder upon conversion or exchange.

Subordination

The extent to which a particular series of subordinated debt securities is subordinated to our Senior Indebtedness will be set forth in the prospectus supplement for that series and the indenture may be modified by a supplemental indenture to reflect such subordination provisions.

"Senior Indebtedness" means all indebtedness and obligations (other than non-recourse obligations and securities subject to the subordination provisions of the indenture) of, or guaranteed or assumed by, us (a) for borrowed money and (b) that are evidenced by bonds, debentures, notes or other similar instruments, in each case, whether outstanding on the date of the indenture or thereafter created, incurred, assumed or guaranteed, and all amendments, renewals, extensions, modifications and refundings of such indebtedness and obligations, excluding in any such case (i) trade accounts payable, (ii) accrued liabilities arising in the ordinary course of business, (iii) our indebtedness to any of our subsidiaries, or (iv) indebtedness or obligations for which the instrument by which such indebtedness or obligations are created, incurred, assumed or guaranteed by us provides that they are subordinated, or are not superior, in right of payment to any subordinated debt securities.

The indenture provides that any subordinated debt securities will be subordinate in right of payment to all of our Senior Indebtedness. This means that upon any distribution of our assets in connection with any dissolution, winding up, liquidation or reorganization of us, whether in bankruptcy, insolvency, or receivership proceedings or upon an assignment for the benefit of our creditors or any other marshalling of our assets and liabilities, the holders of all Senior Indebtedness will be entitled to be paid in full before the holders of any subordinated debt securities are paid. In addition, unless all principal of and any premium or interest on our Senior Indebtedness has been paid in full, no payment or other distribution may be made with respect to any subordinated debt securities

- during the continuation of any default in the payment of principal, premium or interest on any Senior Indebtedness beyond any applicable grace period;
- if any event of default with respect to any Senior Indebtedness has occurred and is continuing which permits the holders of that Senior Indebtedness to accelerate the maturity of that Senior Indebtedness, whether or not the

maturity is in fact accelerated;

- if any judicial proceeding is pending with respect to a payment default or event of default described in the previous two clauses; or

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- if any principal, premium or interest in respect of any subordinated debt securities have been declared due and payable before their stated maturity;

unless, any such default has been cured or waived or ceased to exist and any related acceleration has been rescinded. (Indenture, Sections 13.02 and 13.03.)

If the trustee for any series of subordinated debt securities or any holders of such subordinated debt securities receive any payment or distribution that is prohibited under the subordination provisions, then the trustee or the holders will have to repay that money to the holders of our Senior Indebtedness.

Notwithstanding the restrictions on our ability to make payments with respect to the subordinated debt securities described above, the indenture provides that if we deposit or cause to be deposited with the trustee funds in trust for the purpose of defeasing our obligations with respect to the subordinated debt securities in accordance with the indenture, no funds so deposited, and no proceeds thereon, will be subject to any rights of the holders of Senior Indebtedness, including any right of subordination, from and after the 91st day after such deposit was made. (Indenture, Section 13.01.)

Even if the subordination provisions prevent us from making any payment when due on the subordinated debt securities of any series, we will be in default on our obligations under that series if we do not make the payment when due. (Indenture, Section 13.02.) This means that the trustee and the holders of such subordinated debt securities can take action against us, but they will not receive any money until the claims of the holders of our Senior Indebtedness have been fully satisfied.

Global Securities

We may issue debt securities of a series in whole or in part in the form of one or more fully registered global debt securities, each of which we refer to in this prospectus as a registered global security, that we will deposit with a depositary (or with a nominee of a depositary) identified in the prospectus supplement relating to such series and registered in the name of the depositary (or a nominee). The face of such registered global securities will set forth the aggregate principal amount of the series of debt securities that such global registered securities represent. The depositary (or its nominee) will not transfer any registered global security unless and until it is exchanged in whole or in part for debt securities in definitive registered form, except that:

- the depositary may transfer the whole registered global security to a nominee;
- the depositary’s nominee may transfer the whole registered global security to the depositary;
- the depositary’s nominee may transfer the whole registered global security to another of the depositary’s nominees; and
- the depositary (or its nominee) may transfer the whole registered global security to its (or its nominee’s) successor.

Depositary Arrangements

We will describe the specific terms of the depositary arrangement with respect to any portion of a series of debt securities to be represented by a registered global security in the prospectus supplement relating to such series. We anticipate that the following provisions will apply to all depositary arrangements for debt securities.

Generally, ownership of beneficial interests in a registered global security will be limited to persons that have accounts with the depositary for such registered global security, which persons are referred to in this prospectus as participants, or persons that may hold interests through participants. Upon the issuance of a registered global security, the depositary will credit, on its book-entry registration and transfer system, the participants' accounts with the respective principal amounts of the debt securities represented by such registered global security that are beneficially owned by such participants.

Any dealers, underwriters or agents participating in the distribution of such debt securities will designate the accounts to credit. For participants, the depositary will maintain the only record of their ownership of a beneficial interest in the registered global security and they will only be able to transfer such interests through the depositary's records. For beneficial owners who hold through a participant, the relevant participant will maintain such records for beneficial ownership and transfer. The laws of some states may require that certain purchasers of securities take physical delivery of such securities in definitive form. These restrictions and such laws may impair the ability to own, transfer or pledge beneficial interests in registered global securities.

So long as the depositary (or its nominee) is the record owner of a registered global security, such depositary (or its nominee) will be considered the sole owner or holder of the debt securities represented by such registered global security for all purposes under the indenture. Except as set forth below, owners of beneficial interests in a registered global security will not be entitled to have the debt securities represented by such registered global security registered in their names, will not receive or be entitled to receive physical delivery of such debt securities in definitive form and will not be considered the owners or holders under the indenture. Accordingly, each beneficial owner owning a beneficial interest in a registered global security must rely on the procedures of the depositary and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the indenture. We understand that under existing industry practices, if we request any action of holders, or if any owner of a beneficial interest in a registered global security desires to give or take any action allowed under the indenture, the depositary would authorize the participants holding the relevant beneficial interests to give or take such action, and such participants would authorize beneficial owners owning through such participants to give or take such action or would otherwise act upon the instruction of beneficial owners holding through them.

Application of Payments

Payments of principal of, and premium and interest, if any, on, debt securities represented by a registered global security registered in the name of a depositary (or its nominee) will be made to the depositary (or its nominee) as the registered owner of such registered global security. We and our agents will have no responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in any registered global security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests, and neither will the trustee and its agents.

We expect that the depositary for any debt securities represented by a registered global security, upon receipt of any payment of principal, premium, if any, or interest, if any, in respect of such registered global security, will immediately credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in such registered global security as shown on the depositary's records. We also expect that payments by participants to owners of beneficial interests in such registered global security held through such participants will be governed by standing customer instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participants.

Withdrawal of Depositary

If the depositary for any debt securities represented by a registered global security notifies us that it is unwilling or unable to continue as depositary or ceases to be eligible as a depositary under applicable law, and a successor depositary is not appointed within 90 days, or if a default or Event of Default (as described below) has occurred, debt securities in definitive form will be issued in exchange for the relevant registered global security. In addition, we may at any time and in our sole discretion determine not to have any of the debt securities of a series represented by one or more registered global securities and, in such event, debt securities of such series in definitive form will be issued in exchange for all of the registered global securities representing such debt securities. After that exchange, the choice of whether to hold the debt securities issued in definitive form directly or in street name will be up to the participant. Participants must consult their own banks or brokers to find out how to have their interests in a global security transferred on termination to their own names, so that they will be holders. Any debt securities issued in definitive form in exchange for a registered global security will be registered in such name or names that the depositary gives to the trustee. We expect that such instructions will be based upon directions received by the depositary from participants with respect to ownership of beneficial interests in such registered global security. (Indenture, Section 3.05.)

Payment and Paying Agents

Unless the relevant prospectus supplement indicates otherwise, payment of interest on a debt security on any interest payment date will be made to the person in whose name such debt security is registered at the close of business on the regular record date for such interest payment. If there has been a default in the payment of interest on any debt security, the defaulted interest may be paid to the holder of such debt security as of the close of business on a special record date that shall be no less than 10 nor more than 15 days before the date established by us for proposed payment of such defaulted interest or in any other manner permitted by any securities exchange on which that debt security may then be listed, if the trustee finds it practicable. (Indenture, Section 3.07.)

Unless the relevant prospectus supplement indicates otherwise, principal of, and premium and interest, if any, on, the debt securities will be payable at the office of the paying agent designated by us. Unless otherwise indicated in the relevant prospectus supplement, the corporate trust office of the trustee will be designated as our sole paying agent for payments with respect to debt securities of each series. Any other paying agents initially designated by us for the debt securities of a particular series will be named in the relevant prospectus supplement. We may at any time designate additional paying agents or rescind the designation of any paying agent or approve a change in the office through which any paying agent acts, except that we will be required to maintain a paying agent in each place of payment for the debt securities of a particular series. (Indenture, Section 6.02.)

All moneys paid by us to a paying agent for the payment of the principal of, or premium or interest, if any, on, any debt security which remain unclaimed for two years after such principal, premium or interest has become due and payable will be repaid to us, and the holder of such debt security thereafter may look only to us for payment. (Indenture, Section 6.03.)

Registration and Transfer

If debt securities at any time are issued otherwise than as registered global securities, the transfer of the debt securities may be registered, and debt securities may be exchanged for other debt securities of the same series, of authorized denominations and with the same terms and aggregate principal amount, at the offices of the trustee. We may change the place for registration of transfer and exchange of the debt securities and designate additional places for registration of transfer and exchange. (Indenture, Section 6.02.)

No service charge will be made for any transfer or exchange of the debt securities. However, we may require payment to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange. We will not be required to register the transfer of, or to exchange, the debt securities of any series during the 15 days prior to the date on which notice of redemption of any debt securities of that series is mailed or any debt security that is selected for redemption. (Indenture, Section 3.05.)

Defeasance

The indenture provides that we may defease and be discharged from all obligations with respect to the debt securities and the indenture, which we refer to as legal defeasance, or be released from our obligations under certain covenants under the indenture with respect to the debt securities (as described below) such that our failure to comply with the defeased covenants will not constitute an Event of Default, which we refer to as covenant defeasance. Following a legal defeasance of a series of debt securities, payment of those debt securities may not be accelerated because of an Event of Default. Following a covenant defeasance of a series of debt securities, payment of those debt securities may not be accelerated because of an Event of Default caused by our failure to comply with the defeased covenants or an Event of Default relating to our bankruptcy, insolvency or reorganization.

If we satisfy the conditions necessary to effect a covenant defeasance with respect to a series of debt securities, we will be released from our obligations under:

(i) any covenants in the indenture relating to consolidations, mergers or sales of assets (see "Consolidation, Merger and Sale of Assets" below);

(ii) any covenants applicable specifically to any series that was established by the instruments creating the series; and

(iii) if such series of debt securities is subordinated, as further described in the prospectus supplement related to such series, the subordination provisions of the indenture and of any supplemental indenture, board resolution or officers' certificate establishing the terms of such series.

We may effect a legal defeasance or a covenant defeasance if:

(i) we irrevocably deposit in trust with the trustee money or Eligible Obligations (which are defined in the indenture and principally consist of obligations of, or guaranteed by, the United States) or a combination of money and Eligible Obligations, which will be sufficient to pay when due the principal of, and any premium and interest on, the debt securities;

(ii) no default or Event of Default with respect to the applicable series of debt securities has occurred and is continuing;

(iii) the legal defeasance or covenant defeasance will not:

(a) cause the trustee to have a conflicting interest for the purposes of the Trust Indenture Act of 1939, as amended, or the Trust Indenture Act;

(b) result in the trust arising from the deposit with the trustee of funds to pay all amounts due under the debt securities constituting, unless it is qualified as, a regulated investment company under the Investment Company Act of 1940, as amended;

(c) result in a breach or violation of, or constitute a default under, the indenture or any other agreement to which we are a party or by which we are bound; and

(d) cause any debt securities then listed on any national securities exchange to be delisted;

(iv) we deliver to the trustee a customary opinion of counsel (in addition to the tax opinion described below);

(v) we comply with any additional terms, conditions or limitations imposed in any supplemental indenture relating to the debt securities defeased;

(vi) we pay the applicable fees and expenses of the trustee; and

(vii) we deliver to the trustee a customary officers' certificate stating that we have complied with all conditions precedent to the legal defeasance or the covenant defeasance.

We may not effect a legal defeasance or a covenant defeasance unless we deliver to the trustee an opinion of counsel to the effect that the holders of the affected debt securities will:

(i) not recognize income, gain or loss for United States federal income tax purposes as a result of the legal defeasance or the covenant defeasance, and

(ii) be subject to United States federal income tax on the same amounts, in the same manner and at the same times as if the legal defeasance or covenant defeasance had not occurred.

(Indenture, Article Seven.)

Consolidation, Merger and Sale of Assets

Under the terms of the indenture, we may not consolidate with or merge into any other entity or convey, transfer or lease our properties and assets as, or substantially as, an entirety to any entity, unless:

(i) the surviving or successor entity is organized and validly existing under the laws of the United States, a state of the United States or the District of Columbia and it expressly assumes our obligations on all debt securities outstanding under the indenture;

(ii) immediately after giving effect to the transaction, no Event of Default under the indenture or no event which, after notice or lapse of time or both, would become an Event of Default under the indenture shall have occurred and be continuing; and

(iii) we have delivered to the trustee an officers' certificate and an opinion of counsel as provided in the indenture.

(Indenture, Section 11.01.)

Upon any consolidation with or merger into another person, or any conveyance, or other transfer or lease of our properties and assets as or substantially as an entirety to any other person as described above, the successor person or the person to which such conveyance, transfer or lease is made would succeed to, and be substituted for, us under the indenture, and may exercise every right and power of ours under the indenture, and except in the case of a lease we would be relieved of all obligations and covenants under the indenture and on the debt securities then outstanding. (Indenture, Section 11.02.)

Although there is a limited body of case law interpreting the phrase "substantially as an entirety," there is no precise established definition of the phrase under applicable law. As a result of this uncertainty:

(i) there could be a disagreement between us and the holders of debt securities over whether, as a condition to a conveyance, transfer or lease of our properties and assets, the successor entity is required to assume our obligations under the indenture and, consequently, whether a failure to assume such obligations would result in an Event of Default under the indenture;

(ii) in the event that the holders of debt securities attempt to declare an Event of Default under the indenture and exercise their acceleration rights under the indenture in such circumstances and we contest such action, there can be no assurance as to how a court interpreting applicable law would interpret the phrase "substantially as an entirety"; and

(iii)

it may be difficult for holders of debt securities to declare an Event of Default under the indenture and exercise their acceleration rights.

Event of Default

The term "Event of Default," when used in the indenture with respect to any debt securities issued thereunder, means any of the following:

(i) failure to pay interest on such debt securities within 30 days after it is due;

(ii) failure to pay the principal of or premium, if any, on any such debt securities when due;

(iii) failure to pay a mandatory sinking fund payment, if any, within 30 days after it is due;

(iii) subject to our right to effect a legal or covenant defeasance (as described above under "Defeasance"), failure to perform or breach of any covenant or warranty in the indenture, except for a covenant or a warranty that is solely for the benefit of one or more series of debt securities other than such series of debt securities, that continues for 90 days after we receive written notice from the trustee, or we and the trustee receive a written notice from the holders of at least 33% in aggregate principal amount of the debt securities of that series specifying such default or breach and requiring that it be remedied; provided, however, that if we initiate corrective action within 90 days after receipt of notice from the trustee or the holders of the debt securities, such period will be extended for as long as we continue to diligently pursue such action;

(iv) events of our bankruptcy, insolvency or reorganization specified in the indenture; or

	(v)NT-FAMILY: times new roman">2013	2012		
Net income	$116,372	$105,310	$336,493	$301,673
Other comprehensive income (loss), net of tax:				
Foreign currency translation gain (loss)	53,820	22,606	(1,882)	12,263
Unrealized gain (loss) from foreign currency hedging activities	(1,172)	520	(538)	413
Unrealized investment gain (loss)	(10)	120	(93)	208
Pension adjustment gain (loss)	(517)	(8)	490	38
Other comprehensive income (loss), net of tax	52,121	23,238	(2,023)	12,922
Comprehensive income	168,493	128,548	334,470	314,595
Comprehensive income attributable to noncontrolling interests:				
Net income	(8,994)	(8,539)	(29,207)	(26,064)
Foreign currency translation loss (gain)	(2,235)	(643)	319	(31)

Comprehensive income attributable to noncontrolling interests	(11,229)	(9,182)	(28,888)	(26,095)
Comprehensive income attributable to Henry Schein, Inc.	$157,264	$119,366	$305,582	$288,500

See accompanying notes.

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HENRY SCHEIN, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share and per share data)

	Common Stock $.01 Par Value Shares	Common Stock $.01 Par Value Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Stockholders' Equity
Balance, December 29, 2012	87,850,671	$ 879	$ 375,946	$ 2,183,905	$ 52,855	$ 2,279	$ 2,615,864
Net income (excluding $28,872 attributable to Redeemable noncontrolling interests)	-	-	-	307,286	-	335	307,621
Foreign currency translation loss (excluding $319 attributable to Redeemable noncontrolling interests)	-	-	-	-	(1,563)	-	(1,563)
Unrealized loss from foreign currency hedging activities, net of tax benefit of $156	-	-	-	-	(538)	-	(538)
Unrealized investment loss, net of tax benefit of $62	-	-	-	-	(93)	-	(93)
Pension adjustment gain, net of tax of $77	-	-	-	-	490	-	490
Dividends paid	-	-	-	-	-	(285)	(285)
Initial noncontrolling interests and adjustments related to business acquisitions	-	-	(83)	-	-	(206)	(289)
Change in fair value of	-	-	(24,455)	-	-	-	(24,455)

redeemable securities							
Repurchase and retirement of common stock	(2,408,585)	(24)	(63,437)	(163,017)	-	-	(226,478)
Stock issued upon exercise of stock options, including tax benefit of $16,266	473,347	4	38,898	-	-	-	38,902
Stock-based compensation expense	362,474	3	24,692	-	-	-	24,695
Shares withheld for payroll taxes	(248,732)	(2)	(22,494)	-	-	-	(22,496)
Liability for cash settlement stock-based compensation awards	-	-	(410)	-	-	-	(410)
Balance, September 28, 2013	86,029,175	$ 860	$ 328,657	$ 2,328,174	$ 51,151	$ 2,123	$ 2,710,965

See accompanying notes.

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HENRY SCHEIN, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended	
	September 28, 2013	September 29, 2012
Cash flows from operating activities:		
Net income	$ 336,493	$ 301,673
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	96,081	91,989
Accelerated amortization of deferred financing costs	6,203	-
Loss on sale of equity investment	12,535	-
Stock-based compensation expense	24,695	31,867
Provision for losses on trade and other accounts receivable	3,477	3,338
Benefit from deferred income taxes	(12,799)	(8,478)
Equity in earnings of affiliates	(6,209)	(7,898)
Distributions from equity affiliates	9,286	9,297
Other	14,156	10,488
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(93,451)	(105,961)
Inventories	76,877	(85,027)
Other current assets	11,123	(26,788)
Accounts payable and accrued expenses	(88,920)	(6,062)
Net cash provided by operating activities	389,547	208,438
Cash flows from investing activities:		
Purchases of fixed assets	(38,733)	(32,934)
Payments for equity investments and business acquisitions, net of cash acquired	(34,514)	(206,261)
Payments related to sale of equity investment	(13,364)	-
Proceeds from sales of available-for-sale securities	-	6,025
Other	(7,147)	(4,130)
Net cash used in investing activities	(93,758)	(237,300)
Cash flows from financing activities:		
Proceeds from (repayments of) bank borrowings	(11,550)	98,061
Proceeds from issuance of long-term debt	678,781	105,132
Debt issuance costs	(1,327)	(1,404)
Principal payments for long-term debt	(793,863)	(38,217)
	22,636	43,773

Proceeds from issuance of stock upon exercise of stock options						
Payments for repurchases of common stock		(226,478	)		(215,689	)
Excess tax benefits related to stock-based compensation		6,496			10,643	
Distributions to noncontrolling shareholders		(18,049	)		(11,581	)
Acquisitions of noncontrolling interests in subsidiaries		(5,886	)		(20,013	)
Net cash used in financing activities		(349,240	)		(29,295	)
Net change in cash and cash equivalents		(53,451	)		(58,157	)
Effect of exchange rate changes on cash and cash equivalents		1,286			209	
Cash and cash equivalents, beginning of period		122,080			147,284	
Cash and cash equivalents, end of period	$	69,915		$	89,336	

See accompanying notes.

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HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)
(unaudited)

Note 1 – Basis of Presentation

Our consolidated financial statements include our accounts, as well as those of our wholly-owned and majority-owned subsidiaries. Certain prior period amounts have been reclassified to conform to the current period presentation.

Our accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnote disclosures required by U.S. GAAP for complete financial statements.

The consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the consolidated results of operations and financial position for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 29, 2012.

The preparation of financial statements in conformity with U.S. GAAP requires us 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. The results of operations for the nine months ended September 28, 2013 are not necessarily indicative of the results to be expected for any other interim period or for the year ending December 28, 2013.

Note 2 – Segment Data

We conduct our business through two reportable segments: health care distribution and technology and value-added services. These segments offer different products and services to the same customer base. The health care distribution reportable segment aggregates our global dental, animal health and medical operating segments. This segment consists of consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.

Our global dental group serves office-based dental practitioners, schools and other institutions. Our global animal health group serves animal health practices and clinics. Our global medical group serves office-based medical practitioners, ambulatory surgery centers, other alternate-care settings and other institutions. Our global dental, animal health and medical groups serve practitioners in 25 countries worldwide.

Our global technology and value-added services group provides software, technology and other value-added services to health care practitioners. Our technology group offerings include practice management software systems for dental and medical practitioners and animal health clinics. Our value-added practice solutions include financial services on a non-recourse basis, e-services and continuing education services for practitioners.

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HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(in thousands, except per share data)
(unaudited)

Note 2 – Segment Data – (Continued)

The following tables present information about our reportable and operating segments:

	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net Sales:				
Health care distribution (1):				
Dental	$ 1,183,201	$ 1,119,430	$ 3,633,577	$ 3,461,015
Animal health	642,289	598,124	1,947,728	1,709,972
Medical	444,533	442,538	1,221,282	1,158,486
Total health care distribution	2,270,023	2,160,092	6,802,587	6,329,473
Technology and value-added services (2)	78,933	70,966	231,690	202,056
Total	$ 2,348,956	$ 2,231,058	$ 7,034,277	$ 6,531,529

(1) Consists of consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.

(2) Consists of practice management software and other value-added products, which are distributed primarily to health care providers, and financial and other services, including e-services and continuing education services for practitioners.

	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Operating Income:				
Health care distribution	$ 139,949	$ 129,932	$ 429,091	$ 383,200
Technology and value-added services	20,528	19,690	61,080	54,419
Total	$ 160,477	$ 149,622	$ 490,171	$ 437,619

Note 3 – Debt

Credit Facilities

On September 12, 2012, we entered into a new $500 million revolving credit agreement (the “Credit Agreement”) with a $200 million expansion feature, which expires on September 12, 2017. This credit facility replaced our then existing $400 million revolving credit facility with a $100 million expansion feature, which would have expired on September

5, 2013. There were no borrowings outstanding under this revolving credit facility as of September 28, 2013. The interest rate is based on USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. The Credit Agreement provides, among other things, that we are required to maintain certain interest coverage and maximum leverage ratios, and contains customary representations, warranties and affirmative covenants. The Credit Agreement also contains customary negative covenants, subject to negotiated exceptions on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of September 28, 2013, there were $10.1 million of letters of credit provided to third parties under the credit facility.

As of September 28, 2013, we had various other short-term bank credit lines available, of which $15.8 million was outstanding. At September 28, 2013, borrowings under all of our credit lines had a weighted average interest rate of 4.26%.

Term Loan Note

On July 3, 2013, we entered into a $100 million term loan, of which $75.0 million was outstanding as of September 28, 2013. The interest rate on this note is LIBOR plus 75 basis points. The note was repaid in the fourth quarter of 2013.

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Note 3 – Debt – (Continued)

Private Placement Facilities

On August 10, 2010, we entered into $400 million private placement facilities with two insurance companies. On April 30, 2012, we increased our available credit facilities by $375 million by entering into a new agreement with one insurance company and amending our existing agreements with two insurance companies. These facilities are available on an uncommitted basis at fixed rate economic terms to be agreed upon at the time of issuance, from time to time during a three year issuance period, through April 26, 2015. The facilities allow us to issue senior promissory notes to the lenders at a fixed rate based on an agreed upon spread over applicable treasury notes at the time of issuance. The term of each possible issuance will be selected by us and can range from five to 15 years (with an average life no longer than 12 years). The proceeds of any issuances under the facilities will be used for general corporate purposes, including working capital and capital expenditures, to refinance existing indebtedness and/or to fund potential acquisitions. The agreements provide, among other things, that we maintain certain maximum leverage ratios, and contain restrictions relating to subsidiary indebtedness, liens, affiliate transactions, disposal of assets and certain changes in ownership. These facilities contain make-whole provisions in the event that we pay off the facilities prior to the applicable due dates.

The components of our private placement facility borrowings as of September 28, 2013 are presented in the following table:

Date of Borrowing	Amount of Borrowing Outstanding	Borrowing Rate	Due Date
September 2, 2010	$ 100,000	3.79 %	September 2, 2020
January 20, 2012	50,000	3.45	January 20, 2024
January 20, 2012 (1)	50,000	3.09	January 20, 2022
December 24, 2012	50,000	3.00	December 24, 2024
	$ 250,000		

(1) Annual repayments of approximately $7.1 million for this borrowing will commence on January 20, 2016.

Henry Schein Animal Health

During the first quarter of 2013, we repaid the then outstanding debt related to the Henry Schein Animal Health ("HSAH"), formerly Butler Schein Animal Health, transaction using our existing Credit Agreement. As part of this transaction, we recorded a one-time interest expense charge of $6.2 million related to the accelerated amortization of deferred financing costs.

U.S. Trade Accounts Receivable Securitization

On April 17, 2013, we entered into a facility agreement of up to $300 million with a bank, as agent, based on the securitization of our U.S. trade accounts receivable. The new facility allowed us to replace public debt (approximately $220 million) at a higher interest rate at HSAH during February 2013 and will provide funding for working capital and general corporate purposes. The financing is structured as an asset-backed securitization program with pricing committed for up to three years. The borrowings outstanding under this securitization facility were $20.0 million as of September 28, 2013. The interest rate on borrowings under this facility is based on the average asset-backed commercial paper rate plus 75 basis points.

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Note 3 – Debt – (Continued)

We are required to pay a commitment fee of 30 basis points on the daily balance of the unused portion of the facility if usage is greater than or equal to 50% of the facility limit or a commitment fee of 35 basis points on the daily balance of the unused portion of the facility if usage is less than 50% of the facility limit.

Borrowings under this facility will initially be presented as a component of Long-term debt within our consolidated balance sheet.

Note 4 – Redeemable Noncontrolling Interests

Some minority shareholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value. Accounting Standards Codification ("ASC") Topic 480-10 is applicable for noncontrolling interests where we are or may be required to purchase all or a portion of the outstanding interest in a consolidated subsidiary from the noncontrolling interest holder under the terms of a put option contained in contractual agreements. The components of the change in the Redeemable noncontrolling interests for the nine months ended September 28, 2013 and the year ended December 29, 2012 are presented in the following table:

	September 28, 2013	December 29, 2012
Balance, beginning of period	$ 435,175	$ 402,050
Decrease in redeemable noncontrolling interests due to redemptions	(5,124)	(23,637)
Increase in redeemable noncontrolling interests due to business acquisitions	9,676	30,935
Net income attributable to redeemable noncontrolling interests	28,872	34,803
Dividends declared	(17,714)	(21,013)
Effect of foreign currency translation gain (loss) attributable to redeemable noncontrolling interests	(319)	904
Change in fair value of redeemable securities	24,455	53,769
Other adjustment to redeemable noncontrolling interests	-	(42,636)
Balance, end of period	$ 475,021	$ 435,175

Changes in the estimated redemption amounts of the noncontrolling interests subject to put options are adjusted at each reporting period with a corresponding adjustment to Additional paid-in capital. Future reductions in the carrying amounts are subject to a "floor" amount that is equal to the fair value of the redeemable noncontrolling interests at the time they were originally recorded. The recorded value of the redeemable noncontrolling interests cannot go below the floor level. These adjustments do not impact the calculation of earnings per share.

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Note 5 – Comprehensive Income

Comprehensive income includes certain gains and losses that, under U.S. GAAP, are excluded from net income as such amounts are recorded directly as an adjustment to stockholders' equity. Our comprehensive income is primarily comprised of net income, foreign currency translation gain (loss), unrealized gain (loss) on foreign currency hedging activities, unrealized investment gain (loss) and pension adjustment gain (loss).

The following table summarizes our Accumulated other comprehensive income, net of applicable taxes as of:

	September 28, 2013	December 29, 2012
Attributable to Redeemable noncontrolling interests:		
Foreign currency translation adjustment	$ (1,168)	$ (849)
Attributable to Henry Schein, Inc.:		
Foreign currency translation gain	$ 70,597	$ 72,160
Unrealized gain from foreign currency hedging activities	649	1,187
Unrealized investment loss	(508)	(415)
Pension adjustment loss	(19,587)	(20,077)
Accumulated other comprehensive income	$ 51,151	$ 52,855
Total Accumulated other comprehensive income	$ 49,983	$ 52,006

The following table summarizes the components of comprehensive income, net of applicable taxes as follows:

	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Net income	$ 116,372	$ 105,310	$ 336,493	$ 301,673
Foreign currency translation gain (loss)	53,820	22,606	(1,882)	12,263
Tax effect	-	-	-	-
Foreign currency translation gain (loss)	53,820	22,606	(1,882)	12,263
Unrealized gain (loss) from foreign currency hedging activities	(1,550)	608	(694)	518
Tax effect	378	(88)	156	(105)
Unrealized gain (loss) from foreign currency hedging activities	(1,172)	520	(538)	413
Unrealized investment gain (loss)	(17)	197	(155)	380
Tax effect	7	(77)	62	(172)

Unrealized investment gain (loss)	(10)	120	(93)	208
Pension adjustment gain (loss)	(696)	(91)	567	241
Tax effect	179	83	(77)	(203)
Pension adjustment gain (loss)	(517)	(8)	490	38
Comprehensive income	$ 168,493	$ 128,548	$ 334,470	$ 314,595

The following table summarizes our total comprehensive income, net of applicable taxes as follows:

	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Comprehensive income attributable to Henry Schein, Inc.	$ 157,264	$ 119,366	$ 305,582	$ 288,500
Comprehensive income attributable to noncontrolling interests	146	109	335	323
Comprehensive income attributable to Redeemable noncontrolling interests	11,083	9,073	28,553	25,772
Comprehensive income	$ 168,493	$ 128,548	$ 334,470	$ 314,595

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Note 6 – Fair Value Measurements

ASC Topic 820 "Fair Value Measurements and Disclosures" ("ASC Topic 820") provides a framework for measuring fair value in generally accepted accounting principles.

ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC Topic 820 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

- Level 1— Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

- Level 2— Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3— Inputs that are unobservable for the asset or liability.

The following section describes the valuation methodologies that we used to measure different financial instruments at fair value.

Investments and notes receivable

There are no quoted market prices available for investments in unconsolidated affiliates and notes receivable; however, we believe the carrying amounts are a reasonable estimate of fair value.

Debt

The fair value of our debt as of September 28, 2013 and December 29, 2012 was estimated at $407.8 million and $533.3 million, respectively. Factors that we considered when estimating the fair value of our debt include market conditions, prepayment and make-whole provisions, liquidity levels in the private placement market, variability in pricing from multiple lenders and term of debt.

Derivative contracts

Derivative contracts are valued using quoted market prices and significant other observable and unobservable inputs. We use derivative instruments to minimize our exposure to fluctuations in foreign currency exchange rates. Our derivative instruments primarily include foreign currency forward agreements related to intercompany loans and certain forecasted inventory purchase commitments with suppliers.

The fair values for the majority of our foreign currency derivative contracts are obtained by comparing our contract rate to a published forward price of the underlying market rates, which is based on market rates for comparable transactions and are classified within Level 2 of the fair value hierarchy.

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Note 6 – Fair Value Measurements – (Continued)

Redeemable noncontrolling interests

Some minority shareholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value based on third-party valuations. The future value of redeemable noncontrolling interests is subject to expected earnings and, if such earnings are not achieved, the value of the redeemable noncontrolling interests might be impacted. The noncontrolling interests subject to put options are adjusted to their estimated redemption amounts each reporting period with a corresponding adjustment to Additional paid-in capital. Future reductions in the carrying amounts are subject to a "floor" amount that is equal to the fair value of the redeemable noncontrolling interests at the time they were originally recorded. The recorded value of the redeemable noncontrolling interests cannot go below the floor level. These adjustments do not impact the calculation of earnings per share. The values for Redeemable noncontrolling interests are classified within Level 3 of the fair value hierarchy. The details of the changes in Redeemable noncontrolling interests are presented in Note 4.

The following table presents our assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of September 28, 2013 and December 29, 2012:

	September 28, 2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Derivative contracts	$ -	$ 474	$ -	$ 474
Total assets	$ -	$ 474	$ -	$ 474
Liabilities:				
Derivative contracts	$ -	$ 2,844	$ -	$ 2,844
Total liabilities	$ -	$ 2,844	$ -	$ 2,844
Redeemable noncontrolling interests	$ -	$ -	$ 475,021	$ 475,021

	December 29, 2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-sale securities	$ -	$ -	$ 2,816	$ 2,816
Derivative contracts	-	710	-	710
Total assets	$ -	$ 710	$ 2,816	$ 3,526
Liabilities:				
Derivative contracts	$ -	$ 1,159	$ -	$ 1,159
Total liabilities	$ -	$ 1,159	$ -	$ 1,159

Redeemable noncontrolling interests	$	-	$	-	$	435,175	$	435,175

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Note 7 – Business Acquisitions and Divestiture of an Equity Affiliate

Acquisitions

The operating results of all acquisitions are reflected in our financial statements from their respective acquisition dates.

We completed certain acquisitions during the nine months ended September 28, 2013. Such acquisitions were immaterial to our financial statements individually and in the aggregate.

Some prior owners of such acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain financial targets are met. For acquisitions completed prior to 2009, we accrue liabilities that may arise from these transactions when we believe that the outcome of the contingency is determinable beyond a reasonable doubt. For acquisitions completed in subsequent periods, we have accrued liabilities for the estimated fair value of additional purchase price consideration at the time of the acquisition. Any adjustments to these accrual amounts are recorded in our consolidated statements of income. For the nine months ended September 28, 2013 and September 29, 2012, there were no material adjustments recorded in our consolidated statement of income relating to changes in estimated contingent purchase price liabilities.

Divestiture of an Equity Affiliate

On July 10, 2013, we divested our investment in a dental wholesale distributor in the Middle East that had primarily served as an importer that distributed products largely to other distributors. The divestiture resulted in a one-time loss, which is recorded in a separate line item, “Loss on sale of equity investment” within our consolidated statements of income and within the cash flows from operating activities section of our consolidated statements of cash flows, of $12.5 million, or $0.14 per diluted share, in the third quarter of 2013. Pursuant to the terms of this divestiture, we made cash payments, which are recorded in a separate line item, “Payments related to sale of equity investment”, within the cash flows from investing activities section of our consolidated statements of cash flows, to this distributor in the aggregate amount of $13.4 million, which it was required to use to reduce its debt, pay certain trade payables and provide working capital. The investment in this distributor had been fully impaired as of the end of 2012. There is no tax benefit related to the loss on this divestiture.

Note 8 – Plans of Restructuring

During the year ended December 29, 2012, we incurred restructuring costs of $15.2 million ($10.5 million after taxes). These costs consisted of employee severance pay and benefits related to the elimination of approximately 200 positions; facility closing costs, representing primarily lease terminations and property and equipment write-off costs; and outside professional and consulting fees directly related to the restructuring plan. This restructuring program is complete and we do not expect any additional costs from this program.

The costs associated with this restructuring are included in a separate line item, “Restructuring costs” within our consolidated statements of income.

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Note 8 – Plans of Restructuring – (Continued)

The following table shows the amounts expensed and paid for restructuring costs that were incurred during the nine months ended September 28, 2013 and during our 2012 fiscal year and the remaining accrued balance of restructuring costs as of September 28, 2013, which is included in Accrued expenses: Other and Other liabilities within our consolidated balance sheet:

	Severance Costs	Facility Closing Costs	Total
Balance, December 31, 2011	$ 569	$ 551	$ 1,120
Provision	12,841	2,351	15,192
Payments and other adjustments	(11,584)	(1,671)	(13,255)
Balance, December 29, 2012	$ 1,826	$ 1,231	$ 3,057
Provision	-	-	-
Payments and other adjustments	(1,261)	(673)	(1,934)
Balance, September 28, 2013	$ 565	$ 558	$ 1,123

The following table shows, by reportable segment, the restructuring costs incurred during the nine months ended September 28, 2013 and the 2012 fiscal year and the remaining accrued balance of restructuring costs as of September 28, 2013:

	Health Care Distribution	Technology and Value-Added Services	Total
Balance, December 31, 2011	$ 1,120	$ -	$ 1,120
Provision	14,981	211	15,192
Payments and other adjustments	(13,058)	(197)	(13,255)
Balance, December 29, 2012	$ 3,043	$ 14	$ 3,057
Provision	-	-	-
Payments and other adjustments	(1,920)	(14)	(1,934)
Balance, September 28, 2013	$ 1,123	$ -	$ 1,123

Note 9 – Earnings Per Share

Basic earnings per share is computed by dividing net income attributable to Henry Schein, Inc. by the weighted-average number of common shares outstanding for the period. Our diluted earnings per share is computed similarly to basic earnings per share, except that it reflects the effect of common shares issuable for presently unvested restricted stock and restricted stock units and upon exercise of stock options, using the treasury stock method in periods in which they have a dilutive effect.

A reconciliation of shares used in calculating earnings per basic and diluted share follows:

	Three Months Ended	Nine Months Ended

	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Basic	85,646	87,465	86,208	87,802
Effect of dilutive securities:				
Stock options, restricted stock and restricted stock units	1,758	2,182	1,759	2,273
Diluted	87,404	89,647	87,967	90,075

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Note 10 – Income Taxes

For the nine months ended September 28, 2013, our effective tax rate was 28.3% compared to 31.3% for the prior year period. During the third quarter of 2013, we concluded that it is more likely than not that certain deferred tax assets related to tax loss carryforwards originating outside the United States, which had been previously reserved, will be realized. As a result, our provision for income taxes includes a $13.4 million reduction of the valuation allowance which is based on an estimate of future taxable income available to be offset by the tax loss carryforwards.

Absent the effects of the reduction of this valuation allowance in the third quarter of 2013, our effective tax rate for the nine months ended September 28, 2013 would have been 31.1% as compared to our actual effective tax rate of 28.3%. The remaining difference between our effective tax rates and the federal statutory tax rates for both periods primarily relates to state and foreign income taxes and interest expense.

The total amount of unrecognized tax benefits as of September 28, 2013 was approximately $49.6 million, all of which would affect the effective tax rate if recognized. It is expected that the amount of unrecognized tax benefits will change in the next 12 months; however, we do not expect the change to have a material impact on our consolidated financial statements.

The total amounts of interest and penalties, which are classified as a component of the provision for income taxes, were approximately $9.8 million and $0, respectively, for the nine months ended September 28, 2013.

The tax years subject to examination by major tax jurisdictions include the years 2009 and forward by the U.S. Internal Revenue Service, the years 1997 and forward for certain states and the years 2005 and forward for certain foreign jurisdictions.

Note 11 – Derivatives and Hedging Activities

We are exposed to market risks as well as changes in foreign currency exchange rates as measured against the U.S. dollar and each other, and changes to the credit markets. We attempt to minimize these risks by primarily using foreign currency forward contracts and by maintaining counter-party credit limits. These hedging activities provide only limited protection against currency exchange and credit risks. Factors that could influence the effectiveness of our hedging programs include currency markets and availability of hedging instruments and liquidity of the credit markets. All foreign currency forward contracts that we enter into are components of hedging programs and are entered into for the sole purpose of hedging an existing or anticipated currency exposure. We do not enter into such contracts for speculative purposes and we manage our credit risks by diversifying our investments, maintaining a strong balance sheet and having multiple sources of capital.

Fluctuations in the value of certain foreign currencies as compared to the U.S. dollar may positively or negatively affect our revenues, gross margins, operating expenses and retained earnings, all of which are expressed in U.S. dollars. Where we deem it prudent, we engage in hedging programs using primarily foreign currency forward contracts aimed at limiting the impact of foreign currency exchange rate fluctuations on earnings. We purchase short-term (i.e., 18 months or less) foreign currency forward contracts to protect against currency exchange risks associated with intercompany loans due from our international subsidiaries and the payment of merchandise purchases to our foreign suppliers. We do not hedge the translation of foreign currency profits into U.S. dollars, as we regard this as an accounting exposure, not an economic exposure. Our hedging activities have historically not had a material impact on our consolidated financial statements. Accordingly, additional disclosures related to derivatives and hedging activities required by ASC Topic 815 have been omitted.

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Note 12 – Stock-Based Compensation

Our accompanying unaudited consolidated statements of income reflect share-based pre-tax compensation expense of $8.0 million ($5.6 million after-tax) and $24.7 million ($17.0 million after-tax) for the three and nine months ended September 28, 2013, respectively, and $11.9 million ($8.2 million after-tax) and $31.9 million ($21.9 million after-tax) for the three and nine months ended September 29, 2012, respectively.

Stock-based compensation represents the cost related to stock-based awards granted to employees and non-employee directors. We measure stock-based compensation at the grant date, based on the estimated fair value of the award, and recognize the cost (net of estimated forfeitures) as compensation expense on a straight-line basis over the requisite service period. Our stock-based compensation expense is reflected in selling, general and administrative expenses in our consolidated statements of income.

Stock-based awards are provided to certain employees and non-employee directors under the terms of our 2013 Stock Incentive Plan, as amended, and our 1996 Non-Employee Director Stock Incentive Plan, as amended (together, the “Plans”). The Plans are administered by the Compensation Committee of the Board of Directors. Prior to March 2009, awards under the Plans principally included a combination of at-the-money stock options and restricted stock (including restricted stock units). Since March 2009, equity-based awards have been granted solely in the form of restricted stock and restricted stock units, with the exception of stock options for certain pre-existing contractual obligations.

Grants of restricted stock are common stock awards granted to recipients with specified vesting provisions. We issue restricted stock that vests solely based on the recipient’s continued service over time (primarily four-year cliff vesting) and restricted stock that vests based on our achieving specified performance measurements and the recipient’s continued service over time (primarily three-year cliff vesting).

With respect to time-based restricted stock, we estimate the fair value on the date of grant based on our closing stock price. With respect to performance-based restricted stock, the number of shares that ultimately vest and are received by the recipient is based upon our performance as measured against specified targets over a three-year period as determined by the Compensation Committee of the Board of Directors. Although there is no guarantee that performance targets will be achieved, we estimate the fair value of performance-based restricted stock based on our closing stock price at time of grant.

The Plans provide for adjustments to the performance-based restricted stock targets for significant events such as acquisitions, divestitures, new business ventures and share repurchases. Over the performance period, the number of shares of common stock that will ultimately vest and be issued and the related compensation expense is adjusted upward or downward based upon our estimation of achieving such performance targets. The ultimate number of shares delivered to recipients and the related compensation cost recognized as an expense will be based on our actual performance metrics as defined under the Plans.

Restricted stock units are awards that we grant to certain employees that entitle the recipient to shares of common stock upon vesting. We grant restricted stock units with the same time-based and performance-based vesting that we use for restricted stock. The fair value of restricted stock units is determined on the date of grant, based on our closing stock price.

Total unrecognized compensation cost related to non-vested awards as of September 28, 2013 was $82.1 million, which is expected to be recognized over a weighted-average period of approximately 2.2 years.

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Note 12 – Stock-Based Compensation – (Continued)

The following table summarizes stock option activity under the Plans during the nine months ended September 28, 2013:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Outstanding at beginning of period	2,138	$ 48.61		
Granted	-	-		
Exercised	(544)	41.91		
Forfeited	-	-		
Outstanding at end of period	1,594	$ 50.89	3.2	$ 83,814
Options exercisable at end of period	1,594	$ 50.89	3.2	$ 83,814

The following tables summarize the activity of our non-vested restricted stock/units for the nine months ended September 28, 2013:

	Time-Based Restricted Stock/Units		
	Shares/Units	Weighted Average Grant Date Fair Value Per Share	Intrinsic Value Per Share
Outstanding at beginning of period	1,018	$ 56.87	
Granted	210	89.22	
Vested	(280)	35.59	
Forfeited	(24)	69.29	
Outstanding at end of period	924	$ 70.35	$ 103.48

	Performance-Based Restricted Stock/Units		
	Shares/Units	Weighted Average Grant Date Fair Value Per Share	Intrinsic Value Per Share
Outstanding at beginning of period	1,315	$ 53.27	
Granted	167	82.83	

Vested	(363)		56.55		
Forfeited	(20)		74.24		
Outstanding at end of period	1,099	$	60.44	$	103.48

Note 13 – Supplemental Cash Flow Information

Cash paid for interest and income taxes was:

	Nine Months Ended			
	September 28, 2013		September 29, 2012	
Interest	$	16,969	$	18,756
Income taxes		82,869		139,430

During the nine months ended September 28, 2013, we had a $0.7 million non-cash net unrealized loss related to hedging activities. During the nine months ended September 29, 2012, we had a $0.5 million non-cash net unrealized gain related to hedging activities.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note Regarding Forward-Looking Statements

In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, we provide the following cautionary remarks regarding important factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. All forward-looking statements made by us are subject to risks and uncertainties and are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are identified by the use of such terms as "may," "could," "expect," "intend," "believe," "plan," "estimate," "foreca "project," "anticipate" or other comparable terms.

Risk factors and uncertainties that could cause actual results to differ materially from current and historical results include, but are not limited to: effects of a highly competitive market; our dependence on third parties for the manufacture and supply of our products; our dependence upon sales personnel, customers, suppliers and manufacturers; our dependence on our senior management; fluctuations in quarterly earnings; risks from expansion of customer purchasing power and multi-tiered costing structures; possible increases in the cost of shipping our products or other service issues with our third-party shippers; general global macro-economic conditions; disruptions in financial markets; possible volatility of the market price of our common stock; changes in the health care industry; implementation of health care laws; failure to comply with regulatory requirements and data privacy laws; risks associated with our global operations; transitional challenges associated with acquisitions and joint ventures, including the failure to achieve anticipated synergies; financial risks associated with acquisitions and joint ventures; litigation risks; the dependence on our continued product development, technical support and successful marketing in the technology segment; risks from rapid technological change; risks from disruption to our information systems; certain provisions in our governing documents that may discourage third-party acquisitions of us; and changes in tax legislation. The order in which these factors appear should not be construed to indicate their relative importance or priority.

We caution that these factors may not be exhaustive and that many of these factors are beyond our ability to control or predict. Accordingly, any forward-looking statements contained herein should not be relied upon as a prediction of actual results. We undertake no duty and have no obligation to update forward-looking statements.

Where You Can Find Important Information

We may disclose important information through one or more of the following channels: SEC filings, public conference calls and webcasts, press releases, the investor relations page of our website (www.henryschein.com) and the social media channels identified on the investor relations page of our website.

Executive-Level Overview

We believe we are the world's largest provider of health care products and services primarily to office-based dental, animal health and medical practitioners. We serve over 775,000 customers worldwide, including dental practitioners and laboratories, animal health clinics and physician practices, as well as government, institutional health care clinics and other alternate care clinics. We believe that we have a strong brand identity due to our more than 81 years of experience distributing health care products.

We are headquartered in Melville, New York, employ nearly 16,000 people (of which more than 7,000 are based outside the United States) and have operations or affiliates in 25 countries, including the United States, Australia, Austria, Belgium, Canada, China, the Czech Republic, France, Germany, Hong Kong SAR, Iceland, Ireland, Israel, Italy, Luxembourg, Mauritius, the Netherlands, New Zealand, Portugal, Slovakia, South Africa, Spain, Switzerland, Thailand and the United Kingdom.

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We have established strategically located distribution centers to enable us to better serve our customers and increase our operating efficiency. This infrastructure, together with broad product and service offerings at competitive prices, and a strong commitment to customer service, enables us to be a single source of supply for our customers' needs. Our infrastructure also allows us to provide convenient ordering and rapid, accurate and complete order fulfillment.

We conduct our business through two reportable segments: health care distribution and technology and value-added services. These segments offer different products and services to the same customer base. The health care distribution reportable segment aggregates our global dental, animal health and medical operating segments. This segment consists of consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.

Our global dental group serves office-based dental practitioners, schools and other institutions. Our global animal health group serves animal health practices and clinics. Our global medical group serves office-based medical practitioners, ambulatory surgery centers, other alternate-care settings and other institutions. Our global technology and value-added services group provides software, technology and other value-added services to health care practitioners. Our technology group offerings include practice management software systems for dental and medical practitioners and animal health clinics. Our value-added practice solutions include financial services on a non-recourse basis, e-services, practice technology, network and hardware services, as well as continuing education services for practitioners.

Industry Overview

In recent years, the health care industry has increasingly focused on cost containment. This trend has benefited distributors capable of providing a broad array of products and services at low prices. It also has accelerated the growth of HMOs, group practices, other managed care accounts and collective buying groups, which, in addition to their emphasis on obtaining products at competitive prices, tend to favor distributors capable of providing specialized management information support. We believe that the trend towards cost containment has the potential to favorably affect demand for technology solutions, including software, which can enhance the efficiency and facilitation of practice management.

Our operating results in recent years have been significantly affected by strategies and transactions that we undertook to expand our business, domestically and internationally, in part to address significant changes in the health care industry, including consolidation of health care distribution companies, health care reform, trends toward managed care, cuts in Medicare and collective purchasing arrangements.

Our current and future results have been and could be impacted by the current economic environment and uncertainty, particularly impacting overall demand for our products and services.

Industry Consolidation

The health care products distribution industry, as it relates to office-based health care practitioners, is highly fragmented and diverse. This industry, which encompasses the dental, animal health and medical markets, was estimated to produce revenues of approximately $30 billion in 2012 in the combined North American, European and Australian/New Zealand markets. The industry ranges from sole practitioners working out of relatively small offices to group practices or service organizations ranging in size from a few practitioners to a large number of practitioners who have combined or otherwise associated their practices.

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Due in part to the inability of office-based health care practitioners to store and manage large quantities of supplies in their offices, the distribution of health care supplies and small equipment to office-based health care practitioners has been characterized by frequent, small quantity orders, and a need for rapid, reliable and substantially complete order fulfillment. The purchasing decisions within an office-based health care practice are typically made by the practitioner or an administrative assistant. Supplies and small equipment are generally purchased from more than one distributor, with one generally serving as the primary supplier.

The trend of consolidation extends to our customer base. Health care practitioners are increasingly seeking to partner, affiliate or combine with larger entities such as hospitals, health systems, group practices or physician hospital organizations. In many cases, purchasing decisions for consolidated groups are made at a centralized or professional staff level; however, orders are delivered to the practitioners' offices.

We believe that consolidation within the industry will continue to result in a number of distributors, particularly those with limited financial, operating and marketing resources, seeking to combine with larger companies that can provide growth opportunities. This consolidation also may continue to result in distributors seeking to acquire companies that can enhance their current product and service offerings or provide opportunities to serve a broader customer base.

Our trend with regard to acquisitions and joint ventures has been to expand our role as a provider of products and services to the health care industry. This trend has resulted in our expansion into service areas that complement our existing operations and provide opportunities for us to develop synergies with, and thus strengthen, the acquired businesses.

As industry consolidation continues, we believe that we are positioned to capitalize on this trend, as we believe we have the ability to support increased sales through our existing infrastructure. We also have invested in expanding our sales/marketing infrastructure to include a focus on building relationships with decision makers who do not reside in the office-based practitioner setting.

As the health care industry continues to change, we continually evaluate possible candidates for merger and joint venture or acquisition and intend to continue to seek opportunities to expand our role as a provider of products and services to the health care industry. There can be no assurance that we will be able to successfully pursue any such opportunity or consummate any such transaction, if pursued. If additional transactions are entered into or consummated, we would incur merger and/or acquisition-related costs, and there can be no assurance that the integration efforts associated with any such transaction would be successful.

Aging Population and Other Market Influences

The health care products distribution industry continues to experience growth due to the aging population, increased health care awareness, the proliferation of medical technology and testing, new pharmacology treatments and expanded third-party insurance coverage, partially offset by the affects of increased unemployment on insurance coverage. In addition, the physician market continues to benefit from the shift of procedures and diagnostic testing from acute care settings to alternate-care sites, particularly physicians' offices.

According to the U.S. Census Bureau's International Data Base, in 2012 there were more than five million Americans aged 85 years or older, the segment of the population most in need of long-term care and elder-care services. By the year 2050, that number is projected to more than triple to approximately 19 million. The population aged 65 to 84 years is projected to increase over 85% during the same time period.

As a result of these market dynamics, annual expenditures for health care services continue to increase in the United States. Given current operating, economic and industry conditions, we believe that demand for our products and services will grow at slower rates. The Centers for Medicare and Medicaid Services, or CMS, published "National Health Expenditure Projections 2012-2022" indicating that total national health care spending reached approximately $2.8 trillion in 2012, or 17.9% of the nation's gross domestic product, the benchmark measure for annual production of goods and services in the United States. Health care spending is projected to reach approximately $5.0 trillion in 2022, approximately 19.9% of the nation's gross domestic product.

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Government

Certain of our businesses involve the distribution of pharmaceuticals and medical devices, and in this regard we are subject to extensive local, state, federal and foreign governmental laws and regulations applicable to the distribution of pharmaceuticals and medical devices. Additionally, government and private insurance programs fund a large portion of the total cost of medical care, and there has been an emphasis on efforts to control medical costs, including laws and regulations lowering reimbursement rates for pharmaceuticals, medical devices, and/or medical treatments or services. Also, many of these laws and regulations are subject to change and may impact our financial performance.

Health Care Reform

For example, the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act, each enacted in March 2010, generally known as the Health Care Reform Law, increased federal oversight of private health insurance plans and included a number of provisions designed to reduce Medicare expenditures and the cost of health care generally, to reduce fraud and abuse, and to provide access to increased health coverage. The Health Care Reform Law requirements include a 2.3% excise tax on domestic sales of many medical devices by manufacturers and importers beginning in 2013 and a fee on branded prescription drugs and biologics that was implemented in 2011, both of which may affect sales. On June 28, 2012, the United States Supreme Court upheld as constitutional a key provision in the Health Care Reform Law, often referred to as the “individual mandate,” which will require most individuals to have health insurance in 2014, or pay a penalty. However, the decision also invalidated a provision in the Health Care Reform Law requiring states, in 2014, to expand their Medicaid programs or risk the complete loss of all federal Medicaid funding. The Court held that the federal government may offer states the option of accepting the expansion requirement, but that it may not take away pre-existing Medicaid funds in order to coerce states into complying with the expansion. Almost half the states have not yet accepted the Medicaid expansion, so the full extent of increased health care coverage under the Health Care Reform Law is uncertain. In addition, on July 9, 2013, the Internal Revenue Service published a notice delaying from January 1, 2014 to January 1, 2015 the implementation of the “employer mandate” that generally requires employers with 50 or more full time employees to provide certain health insurance to those employees or pay specified fines.

A Health Care Reform Law provision, generally referred to as the Physician Payment Sunshine Act or Open Payments Program, has imposed new reporting and disclosure requirements for drug and device manufacturers with regard to payments or other transfers of value made to certain practitioners (including physicians, dentists and teaching hospitals), and for such manufacturers and for group purchasing organizations, with regard to certain ownership interests held by physicians in the reporting entity. On February 1, 2013, CMS released the final rule to implement the Physician Payment Sunshine Act. Under this rule, data collection activities began on August 1, 2013, and first disclosure reports are due by March 31, 2014 for the period August 1, 2013 through December 31, 2013. As required under the Physician Payment Sunshine Act, CMS will publish information from these reports on a publicly available website, including amounts transferred and physician, dentist and teaching hospital identities, which according to CMS will be available to the public by September 30, 2014.

The final rule implementing the Physician Payment Sunshine Act is complex, ambiguous and broad in scope. CMS commentary on the final rule and more recent CMS communications indicate that wholesale drug and device distributors which take title to such products are to be treated as “applicable manufacturers” subject to full reporting requirements. In addition, certain of our subsidiaries manufacture drugs and devices. Accordingly, we will be required to collect and report detailed information regarding certain financial relationships we have with physicians, dentists and teaching hospitals. It is difficult to predict how the new requirements may impact existing relationships among manufacturers, distributors, physicians, dentists and teaching hospitals. The Physician Payment Sunshine Act preempts similar state reporting laws, although we or our subsidiaries may be required to continue to report under certain of such state laws. While we expect to have substantially compliant programs and controls in place to comply with the Physician Payment Sunshine Act requirements, our compliance with the new final rule is likely to impose additional costs on us.

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Health Care Fraud

Certain of our businesses are subject to federal and state (and similar foreign) health care fraud and abuse, referral and reimbursement laws and regulations with respect to their operations. Some of these laws, referred to as “false claims laws,” prohibit the submission or causing the submission of false or fraudulent claims for reimbursement to federal, state and other health care payers and programs. Other laws, referred to as “anti-kickback laws,” prohibit soliciting, offering, receiving or paying remuneration in order to induce the referral of a patient or ordering, purchasing, leasing or arranging for, or recommending ordering, purchasing or leasing of, items or services that are paid for by federal, state and other health care payers and programs.

The fraud and abuse laws and regulations have been subject to varying interpretations, as well as heightened enforcement activity over the past few years, and significant enforcement activity has been the result of “relators,” who serve as whistleblowers by filing complaints in the name of the United States (and if applicable, particular states) under federal and state false claims laws. Under the federal False Claims Act relators can be entitled to receive up to 30% of total recoveries. Also, violations of the federal False Claims Act can result in treble damages, and each false claim submitted can be subject to a penalty of up to $11,000 per claim. The Health Care Reform Law significantly strengthened the federal False Claims Act and the anti-kickback law provisions, which could lead to the possibility of increased whistleblower or relator suits, and among other things made clear that a federal anti-kickback law violation can be a basis for federal False Claims Act liability.

The government has expressed concerns about financial relationships between suppliers on the one hand and physicians and dentists on the other. As a result, we regularly review and revise our marketing practices as necessary to facilitate compliance. In addition, under the reporting and disclosure obligations of the Physician Payment Sunshine Act provisions of the Health Care Reform Law, discussed in more detail under “Health Care Reform” above, by September 30, 2014, the general public and government officials will be provided with new access to detailed information with regard to payments or other transfers of value to certain practitioners (including physicians, dentists and teaching hospitals) by applicable drug and device manufacturers subject to such reporting and disclosure obligations, which includes us. This information may lead to greater scrutiny, which may result in modifications to established practices and additional costs.

We also are subject to certain laws and regulations concerning the conduct of our foreign operations, including the U.S. Foreign Corrupt Practices Act and anti-bribery laws and laws pertaining to the accuracy of our internal books and records, which have been the focus of increasing enforcement activity in recent years.

Failure to comply with fraud and abuse laws and regulations could result in significant civil and criminal penalties and costs, including the loss of licenses and the ability to participate in federal and state health care programs, and could have a material adverse impact on our business. Also, these measures may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could require us to make changes in our operations or incur substantial defense and settlement expenses. Even unsuccessful challenges by regulatory authorities or private relators could result in reputational harm and the incurring of substantial costs. In addition, many of these laws are vague or indefinite and have not been interpreted by the courts, and have been subject to frequent modification and varied interpretation by prosecutorial and regulatory authorities, increasing the risk of noncompliance.

While we believe that we are substantially compliant with fraud and abuse laws and regulations, and have adequate compliance programs and controls in place to ensure substantial compliance, we cannot predict whether changes in applicable law, or interpretation of laws, or changes in our services or marketing practices in response to changes in applicable law, could adversely affect our business.

Operating and Security Standards

At the federal level, the Federal Food, Drug, and Cosmetic Act, or FDC Act, requires certain wholesalers to provide a drug pedigree for each wholesale distribution of prescription drugs, which includes an identifying statement that records the chain of ownership of a prescription drug. On July 14, 2011, the United States Food and Drug Administration, or FDA, published a proposed rulemaking that would remove the requirement that a pedigree track back to the manufacturer and that certain information be identified on the pedigree. Currently, the FDA, in

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exercise of its enforcement discretion, requires these wholesalers to maintain drug pedigrees that include transaction dates, names and addresses regarding transactions going back to either the manufacturer or the last authorized distributor of record that handled the drugs. The FDA has continued to develop its policies regarding the integrity of the supply chain, such as by issuing a Final Guidance in 2010 regarding standardized numerical identification for prescription drug packages and by issuing a final rule in 2013 for a unique medical device identification system, to be phased in over seven years, that will require most medical devices distributed in the United States to carry a unique device identifier.

Many states have already implemented or are considering drug pedigree laws and regulations. There have been increasing efforts by various levels of government, including state departments of health, state boards of pharmacy and comparable agencies, to regulate the pharmaceutical distribution system in order to prevent the introduction of counterfeit, adulterated or mislabeled pharmaceuticals into the distribution system. A number of states, including Florida, have already implemented pedigree requirements, including drug tracking requirements, which are intended to protect the integrity of the pharmaceutical distribution system. California has enacted a statute that, beginning in 2015, will require manufacturers to identify each package of a prescription pharmaceutical with a standard, machine-readable unique numerical identifier, and will require manufacturers and distributors to participate in an electronic track-and-trace system and provide or receive an electronic pedigree for each transaction in the drug distribution chain. The law will take effect on a staggered basis, commencing on January 1, 2015 for pharmaceutical manufacturers, and July 1, 2016 for pharmaceutical wholesalers and repackagers. Other states have passed or are reviewing similar requirements. Bills have been proposed in Congress that would impose similar requirements at the federal level, but Congress has not enacted such legislation at this time.

On September 28, 2013, the United States House of Representatives passed bicameral legislation, titled the Drug Quality and Security Act (H.R. 3204). Although it has not yet occurred, the legislation is expected to pass the Senate and be signed into law by the President. The legislation provides specific track and trace requirements for manufacturers, wholesalers, repackagers, and dispensers (e.g., pharmacies) of prescription drugs. The legislation also sets requirements for the licensing and operation of wholesalers and third party logistics (“3PL”) providers, and includes the creation of national wholesaler and 3PL licenses in cases where states do not license such entities. Wholesalers and 3PLs would also be required to submit annual reports to the FDA beginning on January 1, 2015. These reports would include information regarding each state where the wholesaler or 3PL is licensed, the name and address of each facility, and contact information. The pedigree (i.e., track and trace) system set forth in the legislation would preempt state pedigree requirements described above, and eventually would create a national interoperable electronic prescription drug track and trace system within ten years of enactment.

The federal Controlled Substances Act also regulates wholesale distribution of controlled substances and certain chemicals. The Combat Methamphetamine Enhancement Act of 2010, which became effective in April 2011, requires retail sellers of products containing certain chemicals, such as pseudoephedrine, to self-certify to the Drug Enforcement Administration (“DEA”) that they understand and agree to comply with the laws and regulations regarding such sales. The law also prohibits distributors from selling these products to retailers who are not registered with the DEA or who have not self-certified compliance with the laws and regulations. Various states also impose restrictions on the sale of certain products containing pseudoephedrine and other chemicals. The Secure and Responsible Drug Disposal Act of 2010, signed by President Obama in October 2010, is intended to allow patients to deliver unused controlled substances to designated entities to more easily and safely dispose of controlled substances while reducing the chance of diversion. The law authorizes the DEA to promulgate regulations to allow, but not require, designated entities to receive unused controlled substances.

Regulated Software; Electronic Health Records

The FDA has become increasingly active in addressing the regulation of computer software intended for use in health care settings, and has been developing policies on regulating clinical decision support tools and other types of software as medical devices. Certain of our businesses involve the development and sale of software and related products to support physician and dental practice management, and it is possible that the FDA could determine that one or more of our products is a medical device, which could subject us or one or more of our businesses to substantial additional requirements with respect to these products.

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Certain of our businesses involve access to personal health, medical, financial and other information of individuals, and are accordingly directly or indirectly subject to numerous federal, state, local and foreign laws and regulations that protect the privacy and security of such information, such as the privacy and security provisions of the federal Health Insurance Portability and Accountability Act of 1996, as amended, and implementing regulations ("HIPAA"). HIPAA requires, among other things, the implementation of various recordkeeping, operational, notice and other practices intended to safeguard that information, limit its use to allowed purposes, and notify individuals in the event of privacy and security breaches. Failure to comply with these laws and regulations can result in substantial penalties and other liabilities. As a result of the federal Health Information Technology for Economic and Clinical Health Act ("HITECH Act"), which was enacted in 2009, some of our businesses that were previously only indirectly affected by federal HIPAA privacy and security rules became directly subject to such rules because such businesses serve as "business associates" of HIPAA covered entities, such as health care providers. On January 17, 2013, the Office for Civil Rights of the Department of Health and Human Services released a final rule implementing the HITECH Act and making certain other changes to HIPAA privacy and security requirements. Compliance with the rule was required by September 23, 2013, and increases the requirements applicable to some of our businesses.

In addition, federal initiatives, including in particular the HITECH Act, are providing a program of incentive payments available to certain health care providers involving the adoption and use of certain electronic health care records systems and processes. The HITECH initiative includes providing, among others, physicians and dentists, with financial incentives if they meaningfully use certified electronic health record technology ("EHR"). Also, eligible providers that fail to adopt certified EHR systems may be subject to Medicare reimbursement reductions beginning in 2015. Qualification for the incentive payments requires the use of EHRs that are certified as having certain capabilities for meaningful use pursuant to standards adopted by the Department of Health and Human Services. Initial ("stage one") standards addressed criteria for periods beginning in 2011. CMS has also issued a final rule with more demanding "stage two" criteria for periods beginning in 2014 for eligible health professionals (including physicians and dentists), and has indicated that it will delay rulemaking on more rigorous "stage three" criteria until 2014. Certain of our businesses involve the manufacture and sale of certified EHR systems and other products linked to incentive programs, and so must maintain compliance with these evolving governmental criteria.

Also, HIPAA requires certain health care providers, such as physicians, to use certain transaction and code set rules for specified electronic transactions, such as transactions involving claims submissions. Commencing July 1, 2012, CMS required that electronic claim submissions and related electronic transactions be conducted under a new HIPAA transaction standard, called Version 5010. CMS has required this upgrade in connection with another new requirement applicable to the industry, the implementation of new diagnostic code sets to be used in claims submission. The new diagnostic code sets are called the ICD-10-CM. They were originally to be implemented on October 1, 2013, but CMS recently issued a final rule that extended the implementation date until October 1, 2014. Certain of our businesses provide electronic practice management products that must meet those requirements, and while we believe that we are prepared to timely adopt the new standards, it is possible that the transition to these new standards, particularly the transition to ICD-10-CM, may result in a degree of disruption and confusion, thus potentially increasing the costs associated with supporting this product.

There may be additional legislative initiatives in the future impacting health care.

E-Commerce

Electronic commerce solutions have become an integral part of traditional health care supply and distribution relationships. Our distribution business is characterized by rapid technological developments and intense competition. The continuing advancement of online commerce requires us to cost-effectively adapt to changing technologies, to enhance existing services and to develop and introduce a variety of new services to address the changing demands of consumers and our customers on a timely basis, particularly in response to competitive offerings.

Through our proprietary, technologically based suite of products, we offer customers a variety of competitive alternatives. We believe that our tradition of reliable service, our name recognition and large customer base built on solid customer relationships, position us well to participate in this significant aspect of the distribution business. We continue to explore ways and means to improve and expand our Internet presence and capabilities, including our online commerce offerings and our use of various social media outlets.

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Results of Operations

The following table summarizes the significant components of our operating results for the three and nine months ended September 28, 2013 and September 29, 2012 and cash flows for the nine months ended September 28, 2013 and September 29, 2012 (in thousands):

	Three Months Ended		Nine Months Ended	
	September 28, 2013	September 29, 2012	September 28, 2013	September 29, 2012
Operating results:				
Net sales	$ 2,348,956	$ 2,231,058	$ 7,034,277	$ 6,531,529
Cost of sales	1,709,309	1,622,014	5,077,783	4,687,511
Gross profit	639,647	609,044	1,956,494	1,844,018
Operating expenses:				
Selling, general and administrative	479,170	459,422	1,466,323	1,391,207
Restructuring costs	-	-	-	15,192
Operating income	$ 160,477	$ 149,622	$ 490,171	$ 437,619
Other expense, net	$ (552)	$ (3,037)	$ (12,065)	$ (10,094)
Net income	116,372	105,310	336,493	301,673
Net income attributable to Henry Schein, Inc.	107,378	96,771	307,286	275,609
Cash flows:				
Net cash provided by operating activities			$ 389,547	$ 208,438
Net cash used in investing activities			(93,758)	(237,300)
Net cash used in financing activities			(349,240)	(29,295)

Plan of Restructuring

During the nine months ended September 28, 2012, we incurred restructuring costs of $15.2 million ($10.5 million after taxes) consisting of employee severance pay and benefits related to the elimination of approximately 200 positions; facility closing costs, representing primarily lease terminations and asset write-off costs; and outside professional and consulting fees directly related to the restructuring plan. This restructuring program is complete and we do not expect any additional costs from this program.

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Three Months Ended September 28, 2013 Compared to Three Months Ended September 29, 2012

Net Sales

Net sales for the three months ended September 28, 2013 and September 29, 2012 were as follows (in thousands):

	September 28, 2013	% of Total	September 29, 2012	% of Total	Increase $	Increase %
Health care distribution (1):						
Dental	$ 1,183,201	50.4 %	$ 1,119,430	50.2 %	$ 63,771	5.7 %
Animal health	642,289	27.3	598,124	26.8	44,165	7.4
Medical	444,533	18.9	442,538	19.8	1,995	0.5
Total health care distribution	2,270,023	96.6	2,160,092	96.8	109,931	5.1
Technology and value-added services (2)	78,933	3.4	70,966	3.2	7,967	11.2
Total	$ 2,348,956	100.0 %	$ 2,231,058	100.0 %	$ 117,898	5.3

(1) Consists of consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.

(2) Consists of practice management software and other value-added products, which are distributed primarily to health care providers, and financial and other services, including e-services and continuing education services for practitioners.

The $117.9 million, or 5.3%, increase in net sales for the three months ended September 28, 2013 includes an increase of 5.2% in local currency growth (3.4% increase in internally generated revenue and 1.8% growth from acquisitions) as well as an increase of 0.1% related to foreign currency exchange.

The $63.8 million, or 5.7%, increase in dental net sales for the three months ended September 28, 2013 includes an increase of 5.2% in local currency growth (3.0% increase in internally generated revenue and 2.2% growth from acquisitions) as well as an increase of 0.5% related to foreign currency exchange. The 5.2% increase in local currency sales was due to dental consumable merchandise sales growth of 4.7% (1.9% increase in internally generated revenue and 2.8% growth from acquisitions), as well as an increase in dental equipment sales and service revenues of 6.8% (6.3% increase in internally generated revenue and 0.5% growth from acquisitions).

The $44.2 million, or 7.4%, increase in animal health net sales for the three months ended September 28, 2013 includes an increase of 8.0% in local currency growth (5.9% increase in internally generated revenue and 2.1% growth from acquisitions) partially offset by a decrease of 0.6% related to foreign currency exchange.

The $2.0 million, or 0.5%, increase in medical net sales for the three months ended September 28, 2013 includes an increase of 0.3% in local currency growth due to an increase in internally generated revenue as well as an increase of 0.2% related to foreign currency exchange. During the three months ended September 28, 2013, seasonal influenza vaccine sales were lower than in the comparable prior year quarter. Excluding sales of seasonal influenza vaccines from both periods, net sales increased 2.6%, with 2.4% internal sales growth in local currencies.

The $8.0 million, or 11.2%, increase in technology and value-added services net sales for the three months ended September 28, 2013 includes an increase of 11.8% in local currency growth (8.5% increase in internally generated revenue and 3.3% growth from acquisitions) partially offset by a decrease of 0.6% related to foreign currency exchange.

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Gross Profit

Gross profit and gross margin percentages by segment and in total for the three months ended September 28, 2013 and September 29, 2012 were as follows (in thousands):

	September 28, 2013	Gross Margin %	September 29, 2012	Gross Margin %	Increase $	Increase %
Health care distribution	$ 589,912	26.0 %	$ 563,324	26.1 %	$ 26,588	4.7 %
Technology and value-added services	49,735	63.0	45,720	64.4	4,015	8.8
Total	$ 639,647	27.2	$ 609,044	27.3	$ 30,603	5.0

For the three months ended September 28, 2013, gross profit increased $30.6 million, or 5.0%, from the comparable prior year period. As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies. Additionally, we realize substantially higher gross margin percentages in our technology segment than in our health care distribution segment. These higher gross margins result from being both the developer and seller of software products and services, as well as certain financial services. The software industry typically realizes higher gross margins to recover investments in research and development.

Within our health care distribution segment, gross profit margins may vary from one period to the next. Changes in the mix of products sold as well as changes in our customer mix have been the most significant drivers affecting our gross profit margin. For example, sales of pharmaceutical products are generally at lower gross profit margins than other products. Conversely, sales of our private label products achieve gross profit margins that are higher than average. With respect to customer mix, sales to our large-group customers are typically completed at lower gross margins due to the higher volumes sold as opposed to the gross margin on sales to office-based practitioners who normally purchase lower volumes at greater frequencies.

Health care distribution gross profit increased $26.6 million, or 4.7%, for the three months ended September 28, 2013 compared to the prior year period. Health care distribution gross profit margin decreased to 26.0% for the three months ended September 28, 2013 from 26.1% for the comparable prior year period. The decrease in our health care distribution gross profit margin is primarily due to growth in sales within our animal health businesses, which typically include a greater percentage of lower-margin pharmaceutical products than our other operating units.

Technology and value-added services gross profit increased $4.0 million, or 8.8%, for the three months ended September 28, 2013 compared to the prior year period. Technology gross profit margin decreased to 63.0% for the three months ended September 28, 2013 from 64.4% for the comparable prior year period, primarily due to changes in the product sales mix and from higher support costs associated with our growing number of software and eServices customers.

Selling, General and Administrative

Selling, general and administrative expenses by segment and in total for the three months ended September 28, 2013 and September 29, 2012 were as follows (in thousands):

	September 28, 2013	% of Respective Net Sales	September 29, 2012	% of Respective Net Sales	Increase $	Increase %

Health care distribution	$	449,963	19.8	%	$	433,392	20.1	%	$	16,571	3.8 %
Technology and value-added services		29,207	37.0			26,030	36.7			3,177	12.2
Total	$	479,170	20.4		$	459,422	20.6		$	19,748	4.3

Selling, general and administrative expenses increased $19.7 million, or 4.3%, to $479.2 million for the three months ended September 28, 2013 from the comparable prior year period. As a percentage of net sales, selling, general and administrative expenses decreased to 20.4% from 20.6% for the comparable prior year period.

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As a component of selling, general and administrative expenses, selling expenses increased $14.5 million, or 4.9%, to $309.6 million for the three months ended September 28, 2013 from the comparable prior year period. As a percentage of net sales, selling expenses remained consistent at 13.2% with the comparable prior year period.

As a component of selling, general and administrative expenses, general and administrative expenses increased $5.2 million, or 3.2%, to $169.6 million for the three months ended September 28, 2013 from the comparable prior year period. As a percentage of net sales, general and administrative expenses decreased to 7.2% from 7.4% for the comparable prior year period.

Other Expense, Net

Other expense, net, for the three months ended September 28, 2013 and September 29, 2012 were as follows (in thousands):

	September 28, 2013	September 29, 2012	Variance $	Variance %
Interest income	$ 3,236	$ 3,283	$ (47)	(1.4)%
Interest expense	(5,051)	(7,308)	2,257	30.9
Other, net	1,263	988	275	27.8
Other expense, net	$ (552)	$ (3,037)	$ 2,485	81.8

Other expense, net decreased by $2.5 million for the three months ended September 28, 2013 compared to the prior year period. Interest income remained consistent with the comparable prior year period. Interest expense decreased $2.3 million primarily due to the early debt repayment by Henry Schein Animal Health (“HSAH”), formerly Butler Schein Animal Health, during February 2013. Other, net remained consistent with the comparable prior year period.

Income Taxes

For the three months ended September 28, 2013, our effective tax rate was 21.7% compared to 30.5% for the prior year period. During the third quarter of 2013, we concluded that it is more likely than not that certain deferred tax assets related to tax loss carryforwards originating outside the United States, which had been previously reserved, will be realized. As a result, our provision for income taxes includes a $13.4 million reduction of the valuation allowance which is based on an estimate of future taxable income available to be offset by the tax loss carryforwards.

Absent the effects of the reduction of this valuation allowance in the third quarter of 2013, our effective tax rate for the three months ended September 28, 2013 would have been 30.1% as compared to our actual effective tax rate of 21.7%. The remaining difference between our effective tax rates and the federal statutory tax rates for both periods primarily relates to state and foreign income taxes and interest expense.

Loss on Sale of Equity Investment

On July 10, 2013, we divested our investment in a dental wholesale distributor in the Middle East that had primarily served as an importer that distributed products largely to other distributors. The divestiture resulted in a one-time loss of $12.5 million, or $0.14 per diluted share, in the third quarter of 2013. Pursuant to the terms of this divestiture, we made cash payments to this distributor in the aggregate amount of $13.4 million, which it was required to use to reduce its debt, pay certain trade payables and provide working capital. The investment in this distributor had been fully impaired as of the end of 2012. There is no tax benefit related to the loss on this divestiture.

Net Income

Net income increased $11.1 million, or 10.5%, for the three months ended September 28, 2013, compared to the prior year period due to the factors noted above.

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Nine Months Ended September 28, 2013 Compared to Nine Months Ended September 29, 2012

Net Sales

Net sales for the nine months ended September 28, 2013 and September 29, 2012 were as follows (in thousands):

	September 28, 2013	% of Total	September 29, 2012	% of Total	Increase $	Increase %
Health care distribution (1):						
Dental	$ 3,633,577	51.7 %	$ 3,461,015	53.0 %	$ 172,562	5.0 %
Animal health	1,947,728	27.7	1,709,972	26.2	237,756	13.9
Medical	1,221,282	17.3	1,158,486	17.7	62,796	5.4
Total health care distribution	6,802,587	96.7	6,329,473	96.9	473,114	7.5
Technology and value-added services (2)	231,690	3.3	202,056	3.1	29,634	14.7
Total	$ 7,034,277	100.0 %	$ 6,531,529	100.0 %	$ 502,748	7.7

(1) Consists of consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.

(2) Consists of practice management software and other value-added products, which are distributed primarily to health care providers, and financial and other services, including e-services and continuing education services for practitioners.

The $502.7 million, or 7.7%, increase in net sales for the nine months ended September 28, 2013 includes an increase of 7.7% in local currency growth (3.6% increase in internally generated revenue and 4.1% growth from acquisitions).

The $172.6 million, or 5.0%, increase in dental net sales for the nine months ended September 28, 2013 includes an increase of 4.7% in local currency growth (1.9% increase in internally generated revenue and 2.8% growth from acquisitions) as well as an increase of 0.3% related to foreign currency exchange. The 4.7% increase in local currency sales was due to an increase in dental equipment sales and service revenues of 4.6% (3.7% increase in internally generated revenue and 0.9% growth from acquisitions) and dental consumable merchandise sales growth of 4.8% (1.4% increase in internally generated revenue and 3.4% growth from acquisitions).

The $237.8 million, or 13.9%, increase in animal health net sales for the nine months ended September 28, 2013 includes an increase of 14.3% in local currency growth (5.7% internally generated growth and 8.6% growth from acquisitions) partially offset by a decrease of 0.4% related to foreign currency exchange.

The $62.8 million, or 5.4%, increase in medical net sales for the nine months ended September 28, 2013 includes an increase of 5.3% in local currency growth (4.6% internally generated growth and 0.7% growth from acquisitions) as well as an increase of 0.1% related to foreign currency exchange. During the nine months ended September 28, 2013, seasonal influenza vaccine sales were lower than in the comparable prior year period. Excluding sales of seasonal influenza vaccines from both periods, net sales increased 5.9%, with 5.8% in local currencies including 5.0% internal sales growth.

The $29.6 million, or 14.7%, increase in technology and value-added services net sales for the nine months ended September 28, 2013 includes an increase of 15.0% in local currency growth (9.9% internally generated growth and 5.1% growth from acquisitions) partially offset by a decrease of 0.3% related to foreign currency exchange.

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Gross Profit

Gross profit and gross margin percentages by segment and in total for the nine months ended September 28, 2013 and September 29, 2012 were as follows (in thousands):

	September 28, 2013	Gross Margin %	September 29, 2012	Gross Margin %	Increase $	%
Health care distribution	$ 1,808,625	26.6 %	$ 1,712,945	27.1 %	$ 95,680	5.6 %
Technology and value-added services	147,869	63.8	131,073	64.9	16,796	12.8
Total	$ 1,956,494	27.8	$ 1,844,018	28.2	$ 112,476	6.1

For the nine months ended September 28, 2013, gross profit increased $112.5 million, or 6.1%, from the comparable prior year period. As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies. Additionally, we realize substantially higher gross margin percentages in our technology segment than in our health care distribution segment. These higher gross margins result from being both the developer and seller of software products and services, as well as certain financial services. The software industry typically realizes higher gross margins to recover investments in research and development.

Within our health care distribution segment, gross profit margins may vary from one period to the next. Changes in the mix of products sold as well as changes in our customer mix have been the most significant drivers affecting our gross profit margin. For example, sales of pharmaceutical products are generally at lower gross profit margins than other products. Conversely, sales of our private label products achieve gross profit margins that are higher than average. With respect to customer mix, sales to our large-group customers are typically completed at lower gross margins due to the higher volumes sold as opposed to the gross margin on sales to office-based practitioners who normally purchase lower volumes at greater frequencies.

Health care distribution gross profit increased $95.7 million, or 5.6%, for the nine months ended September 28, 2013 compared to the prior year period. Health care distribution gross profit margin decreased to 26.6% for the nine months ended September 28, 2013 from 27.1% for the comparable prior year period. The decrease in our health care distribution gross profit margin is primarily due to growth in sales within our animal health businesses, which typically include a greater percentage of lower-margin pharmaceutical products than our other operating units.

Technology and value-added services gross profit increased $16.8 million, or 12.8%, for the nine months ended September 28, 2013 compared to the prior year period. Technology gross profit margin decreased to 63.8% for the nine months ended September 28, 2013 from 64.9% for the comparable prior year period, primarily due to changes in the product sales mix and from higher support costs associated with our growing number of software and eServices customers.

Selling, General and Administrative

Selling, general and administrative expenses by segment and in total for the nine months ended September 28, 2013 and September 29, 2012 were as follows (in thousands):

	September 28, 2013	% of Respective Net Sales	September 29, 2012	% of Respective Net Sales	Increase $	%
Health care distribution	$ 1,379,534	20.3 %	$ 1,314,764	20.8 %	$ 64,770	4.9 %

Technology and value-added services		86,789	37.5		76,443	37.8		10,346	13.5
Total	$	1,466,323	20.8	$	1,391,207	21.3	$	75,116	5.4

Selling, general and administrative expenses increased $75.1 million, or 5.4%, to $1,466.3 million for the nine months ended September 28, 2013 from the comparable prior year period. As a percentage of net sales, selling, general and administrative expenses decreased to 20.8% from 21.3% for the comparable prior year period.

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As a component of selling, general and administrative expenses, selling expenses increased $55.4 million, or 6.2%, to $947.6 million for the nine months ended September 28, 2013 from the comparable prior year period. As a percentage of net sales, selling expenses decreased to 13.5% from 13.7% for the comparable prior year period.

As a component of selling, general and administrative expenses, general and administrative expenses increased $19.7 million, or 4.0%, to $518.8 million for the nine months ended September 28, 2013 from the comparable prior year period. As a percentage of net sales, general and administrative expenses decreased to 7.3% from 7.6% for the comparable prior year period.

Other Expense, Net

Other expense, net, for the nine months ended September 28, 2013 and September 29, 2012 were as follows (in thousands):

	September 28, 2013	September 29, 2012	Variance $	Variance %
Interest income	$ 9,744	$ 10,222	$ (478)	(4.7)%
Interest expense	(22,668)	(22,659)	(9)	(0.0)
Other, net	859	2,343	(1,484)	(63.3)
Other expense, net	$ (12,065)	$ (10,094)	$ (1,971)	(19.5)

Other expense, net increased by $2.0 million for the nine months ended September 28, 2013 compared to the prior year period. Interest income decreased $0.5 million primarily due to lower investment income and a decrease in late fee income. Interest expense remained consistent with the comparable prior year period. Other, net decreased by $1.5 million due primarily to net proceeds received from litigation settlements during the second quarter of 2012 and a reserve recorded during the first quarter of 2013 related to a loan to an equity affiliate.

Income Taxes

For the nine months ended September 28, 2013, our effective tax rate was 28.3% compared to 31.3% for the prior year period. During the third quarter of 2013, we concluded that it is more likely than not that certain deferred tax assets related to tax loss carryforwards originating outside the United States, which had been previously reserved, will be realized. As a result, our provision for income taxes includes a $13.4 million reduction of the valuation allowance which is based on an estimate of future taxable income available to be offset by the tax loss carryforwards.

Absent the effects of the reduction of this valuation allowance in the third quarter of 2013, our effective tax rate for the nine months ended September 28, 2013 would have been 31.1% as compared to our actual effective tax rate of 28.3%. The remaining difference between our effective tax rates and the federal statutory tax rates for both periods primarily relates to state and foreign income taxes and interest expense.

Loss on Sale of Equity Investment

On July 10, 2013, we divested our investment in a dental wholesale distributor in the Middle East that had primarily served as an importer that distributed products largely to other distributors. The divestiture resulted in a one-time loss of $12.5 million, or $0.14 per diluted share, in the third quarter of 2013. Pursuant to the terms of this divestiture, we made cash payments to this distributor in the aggregate amount of $13.4 million, which it was required to use to reduce its debt, pay certain trade payables and provide working capital. The investment in this distributor had been fully impaired as of the end of 2012. There is no tax benefit related to the loss on this divestiture.

Net Income

Net income increased $34.8 million, or 11.5%, for the nine months ended September 28, 2013, compared to the prior year period due to the factors noted above.

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Liquidity and Capital Resources

Our principal capital requirements include funding of acquisitions, purchases of additional noncontrolling interests, repayments of debt principal, the funding of working capital needs, purchases of fixed assets and repurchases of common stock. Working capital requirements generally result from increased sales, special inventory forward buy-in opportunities and payment terms for receivables and payables. Historically, sales have tended to be stronger during the third and fourth quarters and special inventory forward buy-in opportunities have been most prevalent just before the end of the year, and have caused our working capital requirements to have been higher from the end of the third quarter to the end of the first quarter of the following year.

We finance our business primarily through cash generated from our operations, revolving credit facilities and debt placements. Our ability to generate sufficient cash flows from operations is dependent on the continued demand of our customers for our products and services, and access to products and services from our suppliers.

Our business requires a substantial investment in working capital, which is susceptible to fluctuations during the year as a result of inventory purchase patterns and seasonal demands. Inventory purchase activity is a function of sales activity, special inventory forward buy-in opportunities and our desired level of inventory. We anticipate future increases in our working capital requirements.

We finance our business to provide adequate funding for at least 12 months. Funding requirements are based on forecasted profitability and working capital needs, which, on occasion, may change. Consequently, we may change our funding structure to reflect any new requirements.

We believe that our cash and cash equivalents, our ability to access private debt markets and public equity markets, and our available funds under existing credit facilities provide us with sufficient liquidity to meet our currently foreseeable short-term and long-term capital needs. We have no off-balance sheet arrangements.

Net cash flow provided by operating activities was $389.5 million for the nine months ended September 28, 2013, compared to $208.4 million for the comparable prior year period. The net change of $181.1 million was primarily attributable to net income improvements and changes in net working capital.

Net cash used in investing activities was $93.8 million for the nine months ended September 28, 2013, compared to $237.3 million for the comparable prior year period. The net change of $143.5 million was primarily due to decreases in payments for equity investments and business acquisitions, partially offset by payments associated with the sale of an equity investment. We expect to invest approximately $15 million to $25 million during the remainder of the fiscal year in capital projects to modernize and expand our facilities and computer systems and to integrate certain operations into our existing structure.

Net cash used in financing activities was $349.2 million for the nine months ended September 28, 2013, compared to $29.3 million for the comparable prior year period. The net change of $319.9 million was primarily due to increased net principal payments of debt as well as lower proceeds from issuance of stock upon exercise of stock options, partially offset by a reduction in acquisitions of noncontrolling interests in subsidiaries.

The following table summarizes selected measures of liquidity and capital resources (in thousands):

	September 28, 2013	December 29, 2012
Cash and cash equivalents	$ 69,915	$ 122,080
Working capital	1,188,975	1,231,668

Debt:				
Bank credit lines	$	15,751	$	27,166
Current maturities of long-term debt		80,588		17,992
Long-term debt		311,458		488,121
Total debt	$	407,797	$	533,279

Our cash and cash equivalents consist of bank balances and investments in money market funds representing overnight investments with a high degree of liquidity.

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Accounts receivable days sales outstanding and inventory turns

Our accounts receivable days sales outstanding from operations increased to 40.7 days as of September 28, 2013 from 40.4 days as of September 29, 2012. During the nine months ended September 28, 2013, we wrote off approximately $6.7 million of fully reserved accounts receivable against our trade receivable reserve. Our inventory turns from operations decreased to 5.9 as of September 28, 2013 from 6.3 as of September 29, 2012. Our working capital accounts may be impacted by current and future economic conditions.

Credit Facilities

On September 12, 2012, we entered into a new $500 million revolving credit agreement (the "Credit Agreement") with a $200 million expansion feature, which expires on September 12, 2017. This credit facility replaced our then existing $400 million revolving credit facility with a $100 million expansion feature, which would have expired on September 5, 2013. There were no borrowings outstanding under this revolving credit facility as of September 28, 2013. The interest rate is based on USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. The Credit Agreement provides, among other things, that we are required to maintain certain interest coverage and maximum leverage ratios, and contains customary representations, warranties and affirmative covenants. The Credit Agreement also contains customary negative covenants, subject to negotiated exceptions on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of September 28, 2013, there were $10.1 million of letters of credit provided to third parties under the credit facility.

As of September 28, 2013, we had various other short-term bank credit lines available, of which $15.8 million was outstanding. At September 28, 2013, borrowings under all of our credit lines had a weighted average interest rate of 4.26%.

Term Loan Note

On July 3, 2013, we entered into a $100 million term loan, of which $75.0 million was outstanding as of September 28, 2013. The interest rate on this note is LIBOR plus 75 basis points. The note was repaid in the fourth quarter of 2013.

Private Placement Facilities

On August 10, 2010, we entered into $400 million private placement facilities with two insurance companies. On April 30, 2012, we increased our available credit facilities by $375 million by entering into a new agreement with one insurance company and amending our existing agreements with two insurance companies. These facilities are available on an uncommitted basis at fixed rate economic terms to be agreed upon at the time of issuance, from time to time during a three year issuance period, through April 26, 2015. The facilities allow us to issue senior promissory notes to the lenders at a fixed rate based on an agreed upon spread over applicable treasury notes at the time of issuance. The term of each possible issuance will be selected by us and can range from five to 15 years (with an average life no longer than 12 years). The proceeds of any issuances under the facilities will be used for general corporate purposes, including working capital and capital expenditures, to refinance existing indebtedness and/or to fund potential acquisitions. The agreements provide, among other things, that we maintain certain maximum leverage ratios, and contain restrictions relating to subsidiary indebtedness, liens, affiliate transactions, disposal of assets and certain changes in ownership. These facilities contain make-whole provisions in the event that we pay off the facilities prior to the applicable due dates.

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The components of our private placement facility borrowings as of September 28, 2013 are presented in the following table:

Date of Borrowing	Amount of Borrowing Outstanding	Borrowing Rate	Due Date
September 2, 2010	$ 100,000	3.79 %	September 2, 2020
January 20, 2012	50,000	3.45	January 20, 2024
January 20, 2012 (1)	50,000	3.09	January 20, 2022
December 24, 2012	50,000	3.00	December 24, 2024
	$ 250,000		

(1) Annual repayments of approximately $7.1 million for this borrowing will commence on January 20, 2016.

Henry Schein Animal Health

During the first quarter of 2013, we repaid the then outstanding debt related to the HSAH transaction using our existing Credit Agreement. As part of this transaction, we recorded a one-time interest expense charge of $6.2 million related to the accelerated amortization of deferred financing costs.

U.S. Trade Accounts Receivable Securitization

On April 17, 2013, we entered into a facility agreement of up to $300 million with a bank, as agent, based on the securitization of our U.S. trade accounts receivable. The new facility allowed us to replace public debt (approximately $220 million) at a higher interest rate at HSAH during February 2013 and will provide funding for working capital and general corporate purposes. The financing is structured as an asset-backed securitization program with pricing committed for up to three years. The borrowings outstanding under this securitization facility were $20.0 million as of September 28, 2013. The interest rate on borrowings under this facility is based on the average asset-backed commercial paper rate plus 75 basis points.

We are required to pay a commitment fee of 30 basis points on the daily balance of the unused portion of the facility if usage is greater than or equal to 50% of the facility limit or a commitment fee of 35 basis points on the daily balance of the unused portion of the facility if usage is less than 50% of the facility limit.

Borrowings under this facility will initially be presented as a component of Long-term debt within our consolidated balance sheet.

Divestiture of an Equity Affiliate

On July 10, 2013, we divested our investment in a dental wholesale distributor in the Middle East that had primarily served as an importer that distributed products largely to other distributors. The divestiture resulted in a one-time loss of $12.5 million, or $0.14 per diluted share, in the third quarter of 2013. Pursuant to the terms of this divestiture, we made cash payments to this distributor in the aggregate amount of $13.4 million, which it was required to use to reduce its debt, pay certain trade payables and provide working capital. The investment in this distributor had been fully impaired as of the end of 2012. There is no tax benefit related to the loss on this divestiture.

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Stock Repurchases

From June 21, 2004 through September 28, 2013, we repurchased $1.0 billion, or 16,164,648 shares, under our common stock repurchase programs, with $73.6 million available for future common stock share repurchases.

Redeemable Noncontrolling Interests

Some minority shareholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value. ASC Topic 480-10 is applicable for noncontrolling interests where we are or may be required to purchase all or a portion of the outstanding interest in a consolidated subsidiary from the noncontrolling interest holder under the terms of a put option contained in contractual agreements. The components of the change in the Redeemable noncontrolling interests for the nine months ended September 28, 2013 and the year ended December 29, 2012 are presented in the following table:

	September 28, 2013	December 29, 2012
Balance, beginning of period	$ 435,175	$ 402,050
Decrease in redeemable noncontrolling interests due to redemptions	(5,124)	(23,637)
Increase in redeemable noncontrolling interests due to business acquisitions	9,676	30,935
Net income attributable to redeemable noncontrolling interests	28,872	34,803
Dividends declared	(17,714)	(21,013)
Effect of foreign currency translation gain (loss) attributable to redeemable noncontrolling interests	(319)	904
Change in fair value of redeemable securities	24,455	53,769
Other adjustment to redeemable noncontrolling interests	-	(42,636)
Balance, end of period	$ 475,021	$ 435,175

Changes in the estimated redemption amounts of the noncontrolling interests subject to put options are adjusted at each reporting period with a corresponding adjustment to Additional paid-in capital. Future reductions in the carrying amounts are subject to a "floor" amount that is equal to the fair value of the redeemable noncontrolling interests at the time they were originally recorded. The recorded value of the redeemable noncontrolling interests cannot go below the floor level. These adjustments do not impact the calculation of earnings per share.

Additionally, some prior owners of such acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain financial targets are met. For acquisitions completed prior to 2009, we accrue liabilities that may arise from these transactions when we believe that the outcome of the contingency is determinable beyond a reasonable doubt. For 2009 and future acquisitions, as required by ASC Topic 805, "Business Combinations," we have and will accrue liabilities for the estimated fair value of additional purchase price adjustments at the time of the acquisition. Any adjustments to these accrual amounts are recorded in our consolidated statement of income.

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Critical Accounting Policies and Estimates

There have been no material changes in our critical accounting policies and estimates from those disclosed in Item 7 of our Annual Report on Form 10-K for the year ended December 29, 2012.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our exposure to market risk from that disclosed in Item 7A of our Annual Report on Form 10-K for the year ended December 29, 2012.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of September 28, 2013 to ensure that all material information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to them as appropriate to allow timely decisions regarding required disclosure and that all such information is recorded, processed, summarized and reported as specified in the SEC’s rules and forms.

Changes in Internal Control Over Financial Reporting

The combination of continued acquisition integration activity and systems implementations undertaken during the quarter and carried over from prior quarters, when considered in the aggregate, represents a material change in our internal control over financial reporting.

During the quarter ended September 28, 2013, we completed the implementation of a warehouse management system for our French dental business, which represents aggregate annual revenues of approximately $264.0 million. In addition, post-acquisition integration related activities continued for our global dental, animal health and technology businesses acquired during 2012 and 2013, representing aggregate annual revenues of approximately $168.0 million. These acquisitions, the majority of which utilize separate information and financial accounting systems, have been included in our consolidated financial statements.

All acquisition integrations and systems implementations involved necessary and appropriate change-management controls that are considered in our annual assessment of the design and operating effectiveness of our internal control over financial reporting.

Limitations of the Effectiveness of Internal Control

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met. Because of the inherent limitations of any internal control system, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected.

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become a party to legal proceedings, including, without limitation, product liability claims, employment matters, commercial disputes, governmental inquiries and investigations, and other matters arising out of the ordinary course of our business. In our opinion, pending matters will not have a material adverse effect on our financial condition or results of operations.

As of September 28, 2013, we had accrued our best estimate of potential losses relating to claims that were probable to result in a liability and for which we were able to reasonably estimate a loss. This accrued amount, as well as related expenses, was not material to our financial position, results of operations or cash flows. Our method for determining estimated losses considers currently available facts, presently enacted laws and regulations and other external factors, including probable recoveries from third parties.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Part 1, Item 1A, of our Annual Report on Form 10-K for the year ended December 29, 2012.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of equity securities by the issuer

Our current share repurchase program, announced on June 21, 2004, originally allowed us to repurchase up to $100 million of shares of our common stock, which represented approximately 3.5% of the shares outstanding at the commencement of the program. As summarized in the table below, subsequent additional increases totaling $1 billion, authorized by our Board of Directors, to the repurchase program provide for a total of $1.1 billion of shares of our common stock to be repurchased under this program.

Date of Authorization	Amount of Additional Repurchases Authorized
October 31, 2005	$ 100,000,000
March 28, 2007	100,000,000
November 16, 2010	100,000,000
August 18, 2011	200,000,000
April 18, 2012	200,000,000
November 12, 2012	300,000,000

As of September 28, 2013, we had repurchased $1.0 billion of common stock (16,164,648 shares) under these initiatives, with $73.6 million available for future common stock share repurchases.

The following table summarizes repurchases of our common stock under our stock repurchase program during the fiscal quarter ended September 28, 2013:

Fiscal Month	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Our Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under Our Program (2)
06/30/13 through 08/03/13	316,200	$ 101.26	316,200	1,099,963
08/04/13 through 08/31/13	227,000	104.42	227,000	919,166
09/01/13 through 09/28/13	186,500	103.19	186,500	711,606
	729,700		729,700	

(1) All repurchases were executed in the open market under our existing publicly announced authorized program.

(2) The maximum number of shares that may yet be purchased under this program is determined at the end of each month end fiscal
period based on the closing price of our common stock at that time.

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ITEM 6. EXHIBITS

Exhibits.

10.1	Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2014.+
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.+
101.INS	XBRL Instance Document+
101.SCH	XBRL Taxonomy Extension Schema Document+
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document+
101.DEF	XBRL Taxonomy Definition Linkbase Document+
101.LAB	XBRL Taxonomy Extension Label Linkbase Document+
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document+

\+ Filed herewith

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

Henry Schein, Inc.
(Registrant)

By: /s/ Steven Paladino
Steven Paladino
Executive Vice President and
Chief Financial Officer
(Authorized Signatory and Principal Financial
and Accounting Officer)

Dated: November 5, 2013