PATTERSON COMPANIES, INC.
Form 10-K
June 24, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended April 25, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to _________

Commission File No. 0-20572

PATTERSON COMPANIES, INC.

(Exact name of registrant as specified in its charter)

Minnesota	**41-0886515**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1031 Mendota Heights Road

St. Paul, Minnesota 55120

(Address of principal executive offices including Zip Code)

Registrant s telephone number, including area code: (651) 686-1600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock, par value $.01	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act Yes ¨ No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K x

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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of voting stock held by non-affiliates of the registrant, computed by reference to the closing sales price as quoted on the NASDAQ Global Select Market on October 25, 2014, was approximately $4,277,000,000 (For purposes of this calculation all of the registrant s officers, directors and presidents of operating units are deemed affiliates of the registrant.)

As of June 15, 2015, there were 103,220,959 shares of Common Stock of the registrant issued and outstanding.

Documents Incorporated By Reference

Portions of the registrant s definitive proxy statement to be filed pursuant to Regulation 14A within 120 days after the registrant s fiscal year-end of April 25, 2015 are incorporated by reference into Part III.

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PART I

Item 1. BUSINESS

Certain information of a non-historical nature contained in Items 1, 2, 3 and 7 of this Form 10-K includes forward-looking statements. Reference is made to Risk Factors in Item 1A and Management s Discussion and Analysis of Financial Condition and Results of Operations Factors that May Affect Future Operating Results in Item 7, for a discussion of certain factors that could cause our Company s actual operating results to differ materially from those expressed in any forward-looking statements.

General

Patterson is a value-added distributor serving three major markets:

- North American dental supply;
- U.S. and U.K. veterinary supply; and
- The worldwide rehabilitation and assistive products supply market.

Patterson began distributing dental supplies in 1877. The modern history of the business dates to May 1985, when management and certain investors purchased the dental supply business of a subsidiary of The Beatrice Companies, Inc. Patterson became a publicly traded company in October 1992 and is a corporation organized under the laws of the state of Minnesota.

We had historically reported one operating segment, dental supply. In July 2001, the veterinary supply assets of J.A. Webster, Inc. were purchased and became a reportable business segment. Then in September 2003, AbilityOne Products Corp. was acquired, creating a third business segment which serves the rehabilitation supply market.

In June 2004, we changed our corporate name from Patterson Dental Company to Patterson Companies, Inc. (Patterson or the Company). Patterson retained its existing NASDAQ stock symbol PDCO. The corporate name change was adopted to reflect Patterson s expanded base of business in the veterinary and rehabilitation supply markets, as well as its traditional base of operations in the dental supply market. Patterson s operating units include Patterson Dental, Patterson Veterinary and Patterson Medical.

Our three reportable segments, dental supply, veterinary supply and rehabilitation supply, are strategic business units that offer similar products and services to different customer bases. Each business is a market leader with a strong competitive position, serves a fragmented market that offers consolidation opportunities and offers relatively low-cost consumable supplies, making our value-added business proposition highly attractive to customers.

On June 16, 2015, we completed the previously announced acquisition of Animal Health International, Inc., a leading production animal health distribution company in the United States, for approximately $1.1 billion in cash. Animal Health International generated sales and earnings before interest, income taxes, depreciation and amortization of $1.5 billion and $68 million, respectively, during the 12 months ended March 2015. This acquisition will more than double the size of Patterson s veterinary business. The combined unit will offer a range of products and services to customers in the U.S., Canada and the U.K. At the time of the signing of the acquisition agreement with Animal Health International, we also announced the potential sale of Patterson Medical. See Note 19 to the Consolidated Financial Statements for further information about the Animal Health International acquisition.

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Dental Supply

Overview

As Patterson s largest business, Patterson Dental is one of the two largest distributors of dental products in North America. Our dental business has operations in the United States and Canada. Patterson Dental, a full-service, value-added supplier to dentists, dental laboratories, institutions, and other healthcare professionals, provides consumable products (including x-ray film, restorative materials, hand instruments and sterilization products); basic and advanced technology dental equipment; practice management and clinical software; patient education systems; and office forms and stationery. Patterson Dental offers our customers a broad selection of dental products including more than 105,500 stock keeping units (SKUs) of which approximately 5,700 are private-label products sold under the Patterson brand. Patterson Dental also offers customers a full range of related services including dental equipment installation, maintenance and repair, dental office design and equipment financing. We market our dental products and services through more than 1,300 direct sales representatives, of which approximately 250 are equipment specialists.

Patterson Dental has over 130 years of experience providing quality products and services to dental professionals. Net sales of this segment have increased from $165.8 million in fiscal 1986 to approximately $2.4 billion in fiscal 2015 and profitability has increased from an operating loss in fiscal 1986 to operating income of $249.6 million in fiscal 2015.

We estimate the dental supply market we serve to be approximately $7 billion annually and that our share of this market is approximately 33%. The underlying structure of the dental supply market consists of a sizeable geographically dispersed number of fragmented dental practices and is attractive for our Company s role as a value-added, full-service distributor. According to the American Dental Association, there are over 191,000 dentists practicing in the United States. According to the Canadian Dental Association, there are approximately 21,000 licensed dentists in Canada. The average general practitioner generated approximately $646,000 in annual revenue in 2013, while the average specialty practitioner produced about $857,000. We believe that most dentists use between 5% and 7% of their annual revenue to purchase consumable supplies used in the daily operations of their practice. This translates into between $32,000 and $45,000 of supplies purchased by the average practice each year. We believe the average dental practitioner purchases about 40% of their supplies from their top supplier.

Total expenditures for dental services in the United States increased from $31 billion in 1990 to $105 billion in 2010. We believe that the demand for dental services, equipment and supplies will continue to be influenced by the following factors:

Demographics. The U.S. population grew from 235 million in 1980 to 320 million in 2014, and is expected to reach 335 million by 2020. The median age of the population is also increasing, and we believe that older dental patients spend more on a per capita basis for dental services.

Dental products and techniques. Technological developments in dental products continue to contribute to advances in dental techniques and procedures, including cosmetic dentistry and dental implants.

Demand for certain dental procedures. Demand is growing for preventive dentistry and specialty services such as periodontic (the treatment of gums), endodontic (root canals), orthodontic (braces), and other dental procedures that enable patients to keep their natural teeth longer and improve their appearance.

Increased dental office productivity. The number of dentists per capita in the U.S. is forecasted to decline over the next two decades. As a result, the number of patients per dental practice is expected to rise. For this reason, dentists are showing an increased willingness to invest in dental equipment and office infrastructure that can strengthen the productivity of their practices.

Demand for infection control products. Greater public awareness as well as regulations and guidelines instituted by OSHA, the American Dental Association and state regulatory authorities have resulted in

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increased use of infection control (asepsis) products such as protective clothing, gloves, facemasks, and sterilization equipment to prevent the spread of communicable diseases such as AIDS, hepatitis and herpes.

Coverage by dental plans. An increasing number of dental services are being funded by private dental insurance. In 2009, over 55% of the U.S. population had some form of dental coverage.

Strategy

Our objective is to remain a leading national distributor of supplies, equipment and related services in the market while continuing to improve our profitability and enhance our value to customers. To achieve this objective, we have adopted a strategy of emphasizing our value-added, full-service capabilities, using technology to enhance customer service, continuing to improve our own operating efficiencies, and growing through internal expansion and acquisitions.

Emphasizing Value-Added, Full-Service Capabilities. Patterson Dental is positioned to meet virtually all of the needs of dental practitioners by providing a full range of consumable supplies, equipment and software, and value-added services. We believe that our customers value full service and responsive delivery of quality supplies and equipment. Customers also increasingly expect suppliers to be knowledgeable about products and services, and generally, a superior sales representative can create a special relationship with the practitioner by providing an informational link to the overall industry. Our knowledgeable sales representatives assist customers in the selection and purchase of supplies and equipment. In addition, our high quality sales force allows us to offer broader product lines. Because most dental practices lack a significant degree of back office support, the convenience of our full-service capabilities enables dentists to spend more time with patients and, thus, generate additional revenues.

We meet our customers requirements by delivering frequent, small quantity orders rapidly and reliably from our strategically located distribution centers. Equipment specialists, service technicians and technology advisors also support our value-added strategy. Equipment specialists offer consultation on office design, equipment requirements and financing. Our experienced service technicians perform equipment installation, maintenance and repair services, including services on products purchased from others. Technology advisors from our sales branches provide guidance on integrating technology solutions, including practice management and clinical software, digital radiography, custom hardware and networking into the dental practice.

Using Technology to Enhance Customer Service. As part of Patterson Dental s commitment to providing superior customer service, we offer our customers easy order placement. We have offered electronic ordering capability to our dental supply segment since 1987, when we first introduced Remote Order Entry (REMO℠). Over the years, Patterson Dental has continued to introduce new order entry systems designed to meet the varying needs of our customers. We believe that computerized order entry systems help establish relationships with new customers and increase loyalty among existing customers by permitting customers to place orders from their offices directly to Patterson Dental 24 hours a day, seven days a week.

Today we offer three convenient ordering systems to the dental supply segment, eMAGINE®, PDXpress® and www.pattersondental.com, which we re-launched in fiscal 2012 to provide our customers with better search capabilities, easier access to their order history, customized purchase reports, and fingertip access to Patterson Advantage, the segment s customer loyalty program. Customers, as well as our sales force, use these systems, although the predominant platform today is www.pattersondental.com with minimal usage of PDXpress. Over the years, the number of orders transmitted electronically has grown steadily to approximately 78% of our consumable dental product volume or $1.0 billion in fiscal year 2015. In addition to enhancing customer service by offering electronic order entry systems to our customers, these systems enable our sales representatives to spend more time with existing customers and to call on additional customers.

The goal of Patterson Dental s internet strategy is to distribute information and service related products over the internet to enhance customers practices and to increase sales force productivity. Our internet environment includes order entry, customer support for their digital systems and our proprietary products, customer-loyalty program reports and services, access to *Patterson Today* articles and manufacturers product information. Additionally, Patterson Dental utilizes a tool, InfoSource®, to provide real time customer and sales information to our sales force, managers and vendors via the internet.

Our proprietary practice management and clinical software, EAGLESOFT®, is developed and maintained by our Patterson Technology Center (PTC). We believe the PTC differentiates Patterson Dental from our competition by positioning Patterson Dental as the only company providing a single-source solution for the high growth area of digital components. EAGLESOFT® has a current installation base of approximately 30,000 users. Among our many specialized capabilities, the PTC, in conjunction with specialists from the sales branch, provides system configuration, as well as the seamless integration of all digital operatory components with clinical software, including our EAGLESOFT® products. This integration creates an electronic patient database that combines the patient s front office record, clinical x-ray, intra-oral camera images, CEREC® and other digital equipment records. Patterson Dental offers EAGLESOFT® practice management software at no cost to customers with a subscription to support services. The local sales branch, in conjunction with the PTC, networks the digital record system throughout the entire office, offers all required custom computer hardware for the system, and provides ongoing customer training. The PTC has a contact center that troubleshoots customer issues and arranges for local service when needed.

Software and digital radiography customers also have access to the PTC s support capabilities. The PTC provides support for Patterson s proprietary products as well as select branded product, such as Sirona and Schick. In addition to troubleshooting problems through the PTC s support center, customers can access various service capabilities offered by the PTC including electronic claims and statement processing and system back-up capabilities.

Continuing to Improve Operating Efficiencies. Patterson Dental continues to implement programs designed to improve our operating efficiencies and allow for continued sales growth over time. These programs include a wide variety of initiatives from our continuing investment in management information systems to consolidation of distribution centers and sales branches. More recent initiatives include upgrading our order entry and order management systems.

Patterson Dental has improved operating efficiencies by converting our communications architecture to faster, higher capacity data lines that combine voice and data transmissions. We have developed a new field management tool for our technical service operations, improving our ability to coordinate the actions of service technicians and enhancing customer service while reducing the overall cost of operations.

An integral part of our shared services concept is the consolidation and leveraging of distribution centers between Patterson s segments. As of April 2015, eight distribution centers are shared between two or all three of our operating units. In addition, we have established shared sales branch offices in several locations between multiple segments. Because of these and other efforts, we expect to continue to improve our operating expense leverage and efficiencies going forward.

Growing Through Internal Expansion and Acquisitions. We intend to continue to grow by hiring established sales representatives, hiring and training skilled sales professionals as territory sales representatives, and acquiring other distributors in order to enter new, or more deeply penetrate existing, geographic markets and expand our customer base. We believe that Patterson Dental is well positioned to take advantage of expected continued consolidation in the dental distribution market. Over the past 25 years, Patterson has made a number of acquisitions, including the following:

Dental Distribution Acquisitions

Since 1987, Patterson has acquired over 30 dental products distributors in the United States and Canada. These acquisitions have included the third largest dental dealer in the United States and the

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second largest dental dealer in Canada, as well as regional and local dental dealers throughout North America, including Holt Dental Supply in fiscal 2015. As a result of these acquisitions, along with internal expansion, we are now one of the two largest full service dental products distributors in both the United States and Canada.

Printed Office Products Acquisitions

In 1996, we acquired the Colwell Systems division of Deluxe Corporation. Colwell Systems, now known as Patterson Office Supplies, produces and sells a variety of printed office products used in medical, dental and veterinary offices, as well as other clinical based settings.

Software Acquisitions

In 1997, Patterson Dental acquired EagleSoft, Inc., a developer and marketer of Windows®-based practice management and clinical software for dental offices. EagleSoft s operations evolved to become the Patterson Technology Center, which is located in Effingham, Illinois. In 2001, Patterson purchased Modern Practice Technologies, a company that provided custom computing solutions to the dental industry. This acquisition helped us to position ourselves to provide all of the custom hardware and networking required for interfacing the entire dental office.

In 2004, Patterson Dental acquired CAESY Education Systems, Inc., the leading provider of electronic patient education services to dental practices in North America. Headquartered in Vancouver, Washington, CAESY provides dental practices with a range of communications media that educate patients about professional dental care, procedures and treatment alternatives with the goal of facilitating patient decisions about dental services and increasing the productivity of the dental professional. Educational materials are communicated through CD/DVD media, software-as-a-service, computer programs and the dentist s web site. These materials can be used within the dental waiting room, at chair side and in the patient s home.

In 2008, Patterson Dental acquired Dolphin Imaging Systems, LLC and Dolphin Practice Management, LLC, the leading providers of 3D imaging and practice management software for specialized dental practitioners, including orthodontists, oral maxillofacial surgeons and dental radiologists. Dolphin s imaging software maximizes the benefit of cone beam and other digital photography and radiography systems. We believe there are no major competitors for Dolphin s full range of products.

Products and Services

The following table sets forth the percentage of total sales by the principal categories of products and services offered to our dental segment customers:

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Consumable and printed products	55%	54%	53%
Equipment and software	34	35	36
Other [(1)]	11	11	11
	100%	100%	100%

(1) Consists of other value-added products and services including technical service and software maintenance.

Consumable and Printed Products

Dental Supplies. We offer a broad product line of consumable dental supplies such as x-ray film and solutions; impression materials; restorative materials (composites and alloys); high and low-speed hand pieces;

hand instruments; sterilization products; anesthetics; infection control products such as protective clothing, gloves and facemasks; paper, cotton and other disposable products; toothbrushes and a full line of dental accessories including hand instruments, burs, and diamonds. In addition to representing a wide array of branded products from numerous manufacturers, we also market our own private label line of dental supplies including anesthetics, instruments, preventive and restorative products, and cotton and paper products. Our private label line complements the branded products for customers seeking a lower cost alternative on products that have become a commodity in the market. Compared to most name brand supplies, the private label line provides lower prices for our customers and higher gross margins for Patterson.

Printed Office Products. Patterson Dental, through Patterson Office Supplies, provides a variety of printed office products, office filing supplies, and practice management systems to office-based healthcare providers including dental, veterinary and medical offices. Products include custom printed products, insurance and billing forms, stationery, envelopes, business cards, labels, file folders, appointment books and other stock office supply products.

These office products are sold through our sales force as well as direct mail catalogs distributed to over 100,000 customers several times per year. A staff of telemarketing personnel located in Champaign, Illinois supports both channels, receiving orders by telephone, through the mail or electronically from the dental, veterinary and medical distribution order processing system.

Equipment and Software

Dental Equipment. Patterson Dental is the largest supplier of dental equipment in the U.S. and Canada. We offer a wide range of dental equipment products including radiography equipment, dental chairs, dental hand piece control units, diagnostic equipment, sterilizers, dental lights and compressors. We also distribute newer technology equipment that provides our customers with tools to improve productivity and patient satisfaction. Examples of such innovative and higher productivity products include the CEREC® family of products, a chair-side restoration system; digital imaging products (including intra-oral, panoramic and 3-D or cone beam x-rays); and inter-oral cameras.

Software. Patterson Dental develops and markets our own proprietary lines (EagleSoft® and Dolphin) of practice management and clinical software for dental professionals, including software for scheduling, billing, charting and capture/storage/retrieval of digital images. Patterson Dental also sells software products developed by third parties, including SIDEXIS® by Sirona and Dimax2 by Planmeca. These value-added products are designed to help achieve office productivity improvements, which translate into higher profitability for the customer.

Hardware. We offer our dental customers custom hardware and networking solutions required for integrating the entire dental office, which marks another step in our overall strategy of providing customers with the convenience and cost-effectiveness of a virtually complete range of products and value-added services.

Patient Education Services. The CAESY® education systems line of products, now available as software-as-a-service in addition to DVD format, offers patient education products and services. These communication tools are designed to educate patients in an efficient, cost-effective manner.

Other

Software Services. Patterson offers a variety of services to complement our software products, such as service agreements, software training, back-up services, electronic claims processing and billing statement processing. These services provide value to customers by allowing them to keep their software products current or receive payments more rapidly while obtaining greater productivity.

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Equipment Installation, Repair and Maintenance. To keep their practices running efficiently, dentists require reliable performance from their equipment. All major equipment sold by Patterson includes installation and our 90-day labor warranty at no additional charge. Patterson also provides complete repair and maintenance services for all dental equipment, whether or not purchased from Patterson, including our 24-hour hand piece repair service. In addition to service technicians, who provide installation and repair services on basic dental equipment, we have also invested in personnel who specialize in installing and troubleshooting issues with technology solutions such as practice management software, digital imaging products, CAD/CAM, hardware and networking. The goal of this group, which is comprised of both local service technicians and the staff at the PTC, is to assist customers in integrating newer technology into their dental practices. The PTC helps our customers minimize costly downtime by offering a single point of contact for post-sale technology related issues.

Dental Office Design. Patterson provides dental office layout and design services using a computer-aided design (CAD) program. Equipment specialists can create original or revise existing dental office designs in a fraction of the time required to produce conventional drawings. Customers purchasing major equipment items receive dental office design services at no additional charge.

Equipment Financing. Patterson Dental provides a variety of options to fulfill our customers financing needs. For qualified purchasers of equipment, we will arrange customer financing through Patterson or a third party. For non-equipment related needs, such as for working capital or real estate, customers are also referred to a third party. These alternatives allow us to offer our customers convenience while still meeting their diverse financing needs. In fiscal 2015, we originated approximately $379.6 million of equipment finance contracts in the United States. Patterson Dental, or our third party vendor, financed approximately 47% of the equipment purchased by our customers during fiscal 2015.

Since 1998, Patterson Dental has maintained one or more finance referral agreements with outside finance companies to provide a more extensive selection of finance opportunities to our customers. This might include financing for practice transition transactions, working capital, leasing, real estate and long-term capital. Wells Fargo Practice Finance, a division of Wells Fargo Bank N.A., provides this service currently. Patterson receives referral fees under this agreement, and Wells Fargo extends credit and services the accounts.

To fund the financing that is originated by us, Patterson has created a special purpose entity (SPE), PDC Funding Company, LLC, a wholly-owned and fully consolidated subsidiary, and entered into a Receivables Purchase Agreement in order to participate in a commercial paper conduit. We transfer finance contracts we originate to the SPE. In turn, the SPE sells the contracts to the commercial paper conduit. As of April 25, 2015, the maximum outstanding capacity of this arrangement at any one time is $500 million.

A second SPE, PDC Funding Company II, LLC, sells contracts through a Contract Purchase Agreement to a bank. This agreement operates similarly to the Receivables Purchase Agreement described above, except that the capacity is $100 million.

The SPEs do not issue debt. There is no recourse to Patterson for contracts purchased by either the commercial paper conduit or the bank, but there is a deferred purchase price equal to approximately 13% of the principal of these contracts. Patterson services the customer contracts under both of these arrangements in exchange for a fee that approximates our cost for providing the service.

Sales and Marketing

During fiscal 2015, Patterson Dental sold products or services to approximately 120,000 customers in the U.S. and Canada who made one or more purchases during the year. Patterson Dental s customers include dentists, laboratories, institutions and other healthcare professionals. No single customer accounted for more than 3% of sales during fiscal 2015, and Patterson Dental is not dependent on any single customer or geographic group of customers. Our sales and marketing efforts are designed to establish and improve customer relationships through personal interaction with our sales representatives and frequent direct marketing contact, which underscores our value-added approach.

Patterson Dental has over 80 local offices throughout the U.S. and Canada so that we can provide a presence in the market and decision making near the customer. These offices, or sales branches, are staffed with a complete complement of Patterson Dental capabilities, including sales, customer service and technical service personnel, as well as a local manager who has broad decision making authority with regard to customer related transactions and issues.

A primary component of Patterson Dental s value-added approach is our sales force. Due to the fragmented nature of the dental supply market, we believe that a large sales force is necessary to reach potential customers and to provide full service. Sales representatives provide an informational link to the overall industry; assist practitioners in selecting and purchasing products and help customers efficiently manage their supply inventories. Each sales representative works within an assigned sales territory under the supervision of a location (branch) manager. Sales representatives are all Patterson employees and are generally compensated on a commission basis, with some, less experienced, representatives receiving a base salary and commission.

To assist our sales representatives, Patterson Dental publishes a variety of catalogs and fliers containing product and service information. Dental customers receive a full-line product catalog containing approximately 37,000 inventoried items. The catalog includes pictures of products, detailed descriptions and specifications of products and is used by practitioners as a reference source. Selected consumable supplies, new products, specially priced items and high demand items such as infection control products, are promoted through merchandise fliers printed and distributed bi-monthly. In addition, dental equipment sold by Patterson is featured in our tri-yearly publication, *Patterson Today,* which also includes articles on dental office design, trends in dental practice, products and services offered by Patterson Dental and information on equipment maintenance.

To enhance the total value we bring to our customers, Patterson Dental offers a value-added benefit program for our preferred customers. The PATTERSON ADVANTAGE[SM] program enables members to earn Advantage Dollars which can be applied toward future purchases of equipment and technology products. Patterson Advantage also entitles our best customers to priority technical services, automated supply management summary reports, educational materials and a variety of exclusive discount offers.

Distribution

Patterson Dental believes that responsive delivery of quality supplies and equipment is key to customer satisfaction. We ship dental consumable supplies from eight strategically located distribution centers in the U.S. and two in Canada. Orders for consumable dental supplies can be placed by telephone or electronically 24 hours a day, seven days a week. Printed office products are shipped from our manufacturing and distribution facility in central Illinois.

All orders are routed through our centralized computer ordering, shipping and inventory management systems, which are linked to each of our strategically located distribution centers. If an item is not available in the distribution center nearest to the customer, the computer system automatically directs fulfillment of the item from another center. Rapid and accurate order fulfillment is another principal component of our value-added approach. We estimate that 98% of Patterson Dental s consumable goods orders are shipped to the customer on time, which is generally within 24 hours.

In order to assure the availability of Patterson Dental s broad product lines for prompt delivery to customers, we must maintain sufficient inventories at our distribution centers. Purchasing of consumables and standard equipment is centralized, and our purchasing department uses a real-time perpetual inventory system to manage inventory levels. Our inventory consists mostly of consumable supply items. By utilizing computerized inventory management and ordering systems, we are able to accurately predict inventory turns in order to minimize inventory levels for each item.

Patterson Dental s more than 80 dental sales offices are generally configured with display areas where the latest dental equipment can be demonstrated. Dental equipment is generally custom ordered and is staged at our sales branches before delivery to dental offices for installation.

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Sources of Supply

Effective purchasing is a key strategy Patterson Dental has adopted in order to achieve our objective of continuing to improve profitability. Utilizing electronic data interchange allows us to improve efficiencies and reduce administrative costs.

Patterson Dental obtains products from more than 800 vendors. In June 2012 we entered into an exclusive distribution agreement with Sirona Dental Systems, Inc., the manufacturer of the CEREC® dental restorative systems and Schick® digital x-rays, in addition to sophisticated panoramic and cone beam radiography products. We served as the only national dealer for A-dec equipment, including chairs, units and cabinetry, for substantially all of fiscal 2015. A-dec is the largest manufacturer of dental equipment in the U.S.

While Patterson Dental makes purchases from many suppliers, and there is generally more than one source of supply for most of the categories of products we sell, the concentration of business with key suppliers is considerable. Our top ten supply vendors accounted for approximately 61% and 60% of the cost of dental products sold in fiscal 2015 and fiscal 2014. Of these ten, the top two vendors accounted for 18% and 8% for fiscal 2015 and 17% and 8% for fiscal 2014 cost of sales, respectively.

Competition

The highly competitive U.S. dental products distribution industry consists principally of national, regional and local full-service and mail-order companies. The dental supply market is extremely fragmented. In addition to Patterson Dental and one other national, full-service firm, Henry Schein Dental, a unit of Henry Schein, Inc., there are at least 15 full-service distributors that operate on a regional level, and hundreds of small local distributors. Also, some manufacturers sell directly to end users.

We approach our markets by emphasizing and delivering a value-added model to the practitioner. To differentiate ourselves from our competition, we deploy a strategy of premium customer service with multiple value-added components, a highly qualified and motivated sales force, highly-trained and experienced service technicians, an extensive breadth and mix of products and services, technology solutions allowing customers to easily access our inventory, accurate and timely delivery of product, strategic location of sales offices and distribution centers, and competitive pricing.

Patterson Dental also experiences competition in Canada in the dental supply market. The principal competitor is a national, full-service dental distributor, Henry Schein Dental, a unit of Henry Schein, Inc. We believe we compete in Canada on essentially the same basis as in the United States.

Veterinary Supply

Overview

Patterson Veterinary is a leading distributor of veterinary supplies primarily to companion-pet (dogs, cats and other common household pets), equine and large animal veterinarians and veterinary clinics, public and private institutions, and shelters across the United States and in the United Kingdom (U.K.) with the purchase of National Veterinary Services Limited (NVS) in fiscal 2014. Patterson Veterinary, including NVS, has developed a strong brand identity as a value-added, full-service distributor with a comprehensive offering of pharmaceuticals, vaccines, parasiticides, diagnostics, prescription and non-prescription diets, nutritionals, consumable supplies, equipment, and software. Patterson Veterinary s product offering, totaling more than 56,000 items, is sold by approximately 230 field sales representatives.

Net sales by Patterson Veterinary in fiscal 2015 were $1.5 billion and operating income totaled $56.6 million. In addition to our core business of distributing veterinary products, Patterson Veterinary s U.S. operation has a significant agency commission business with several pharmaceutical manufacturers. Under the agency

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relationships, Patterson Veterinary receives orders for products from customers, transmits these orders to vendors who then pick, pack, and ship the products. These vendors then invoice and collect payment from our customers. Patterson Veterinary receives a commission payment for soliciting the order and for providing other customer service activities. The agency commissions that Patterson Veterinary earns range from 2% to 7%, a portion of which is shared with the field sales and customer service representatives. Patterson Veterinary s agency commissions accounted for less than 1% of our net sales in fiscal 2015.

U.S. Market

We estimate the market for pharmaceuticals and supplies sold to companion animal and equine veterinarians through distribution is approximately $3.4 billion on an annual basis. Based upon this estimated market size, we believe our share of this market is approximately 21%. Similar to the dental supply market, the veterinary supply market is fragmented and geographically diverse. As of December 31, 2014, according to the American Veterinary Medical Association, or AVMA, there were more than 65,000 veterinarians in private practice nationwide specializing in small animals, predominately companion pets. The average private veterinary practice generates approximately $1,000,000 of annual revenue. These practices purchase between $130,000 and $150,000 of supplies each year, and similar to the dental practitioner, tend not to maintain a large supply of inventory on hand. The typical veterinary practice purchases approximately 80% of its supplies from its top two suppliers. The average purchase of consumables by the veterinary practice is noticeably higher than that of the dental practitioner due predominately to pharmaceutical products, which veterinarians both administer and dispense.

Historically, the demand for veterinary services in the U.S. has grown significantly faster than growth in the overall economy. More recently, the market growth has slowed as a result of a decrease in consumer spending. However, we anticipate increasing demand for veterinary services due to the following favorable factors:

Number of households with companion animals. The number of households with companion animals is steadily expanding which increases the demand for veterinary services. According to the AVMA 2012 U.S. Pet Ownership & Demographics Sourcebook, the percentages of U.S. households owning dogs, cats or horses are 36.5%, 30.4%, and 1.5%, respectively.

Veterinary expenditures per household. The amount pet owners are willing to spend caring for their pets is increasing substantially. The American Pet Products Association estimates that pet owners will spend $60.5 billion in 2015 to care for the American pet population, a significant increase compared to $41.2 billion spent in 2007.

Veterinary products and techniques. Many new therapeutic and preventive products are being developed for the companion animal market. Technological developments have resulted in new innovative veterinary products and advances in veterinary services.

U.K. Market

We estimate the U.K. market for pharmaceuticals and supplies sold to companion, equine and large animal veterinarians through distribution is approximately £1.0 billion. Based upon this estimated market size, we believe our share of this market overall is approximately 42%. The fastest growing segment is companion animal, which represents approximately 66% of the market, with large animal and equine segments representing 25% and 9%, respectively. There are approximately 20,000 veterinarians in the U.K. practicing in veterinary outlets. Customers in this market are classified as independent practices, members of buying groups, corporations, and charities. Similar to the U.S. markets, independent practices are typically small, privately-held businesses that place at least one order per week to avoid storing and managing large volumes of supplies. However, there has been a shift in the U.K. market towards consolidation of veterinary practices either through outright purchases by corporations or by joint venture whereby the practitioner continues to work as a salaried member of the practice.

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U.S. Operations

Strategy

Patterson Veterinary s objective is to build a leading national position in the companion animal veterinary market through internal expansion and acquisitions, while continuing to improve our profitability and enhance our value to customers. Our key strategies and priorities for accomplishing these objectives include growing through internal expansion and acquisitions, emphasizing our value-added full-service capabilities, continuing to improve operating efficiencies, and expanding our service offerings.

Growing Through Internal Expansion and Acquisitions. We intend to continue to grow by opening additional sales offices, hiring established sales representatives, hiring and training skilled sales professionals as territory sales representatives, and acquiring other distributors in order to enter new, or more deeply penetrate existing, geographic markets and expand our customer base. We believe that Patterson Veterinary is well positioned to take advantage of expected continued consolidation in the veterinary distribution market. Patterson Veterinary has made a number of acquisitions, including the following:

Veterinary Distribution Acquisitions

Since 2004, Patterson Veterinary has acquired several veterinary distributors in the United States. These acquisitions include two regional distributors, ProVet, which was the companion animal veterinary supply division of Lextron, Inc., and Columbus Serum Company, as well as Milburn Distributions, Inc., the largest distributor specializing in the U.S. equine veterinary supply market, and selected local and specialty distributors. In 2011, Patterson Veterinary acquired American Veterinary Supply Corporation, a full service distributor on Long Island, New York with annualized sales of approximately $25 million that served approximately 2,000 veterinary practices and hospitals in the New York metropolitan area.

In 2010, Patterson Veterinary made a minority equity investment in Strategic Pharmaceutical Solutions, Inc. dba VetSource, a leading North American provider of integrated specialty pharmacy distribution, including home delivery capabilities.

In December 2012, Patterson Veterinary acquired the assets of Universal Vaporizer Support (UVS) based in Foster City, California with annual sales of approximately $3 million. UVS provides cleaning and calibration services for a variety of anesthetic vaporizers used in veterinary medicine.

Software Acquisitions

In 2005, Patterson Veterinary acquired Intra Corp., one of the nation s leading developers of veterinary practice management software that is marketed under the INTRAVET® brand name. INTRAVET® has more than 1,600 software installations nationwide.

In 2008, Patterson Veterinary acquired Odyssey Veterinary Software, LLC, a developer and marketer of DIAGNOSTIC IMAGING ATLAS® (DIA) software. At that time, DIA encompassed over 2,000 3D clinical animations and images, which enable the veterinarian to more fully explain and illustrate the pet s diagnosis and recommend treatment to their clients.

In 2011, Patterson Veterinary acquired ePet Records, LLC. Rebranded as ePETHEALTH , this innovative communication platform provides practitioners with a secure internet portal for their clients to access 24/7 for their pets medical information plus descriptive, easy-to-understand resources and educational materials with 3D graphics. Through ePETHEALTH , veterinarians can also send their clients automated electronic health service and appointment reminders, eNewsletters and health education articles and videos.

Emphasizing Value-Added, Full-Service Capabilities. Patterson Veterinary believes that veterinary customers value full service and responsive delivery of product, in addition to competitive prices. Customers also

increasingly expect suppliers to be knowledgeable about products and services, and, generally, a superior sales representative can create a special relationship with the practitioner by providing an informational link to the overall industry. Patterson Veterinary s knowledgeable sales representatives assist customers in the selection and purchasing of supplies. Most veterinarians are independent, or small unit based, practitioners who are unable to store and manage large volumes of supplies in their offices. We meet our customer s requirements by delivering frequent, small quantity orders rapidly and reliably from strategically located distribution centers.

Equipment specialists, technology specialists and service technicians also support our value-added strategy. Equipment specialists offer consultation on office design, equipment requirements and financing. Technology specialists provide guidance on integrating technology solutions including practice management software, client education and communication software, and our home delivery service offering. Our experienced service technicians perform equipment installation, maintenance and repair services, including service on products or equipment not purchased through Patterson Veterinary.

Continuing to Improve Operating Efficiencies. Patterson Veterinary continues to implement programs designed to improve our operating efficiencies and allow for continued sales growth over time. These programs include a wide variety of initiatives from our continuing investment in management information systems to consolidation of distribution centers and sales branches.

In January 2013, Patterson Veterinary launched its newly designed website www.pattersonvet.com with upgraded features from the depth of information available to the ease and efficiency of navigating the site as well as enhanced search capabilities including descriptions with multiple images and product details to assist with product research and purchasing decisions. In fiscal 2015, approximately 38% of the consumable sales were ordered through both our website and eMagine electronic ordering platform.

In 2011, Patterson Veterinary implemented a centralized return processing center located in Columbus, Ohio. This initiative has allowed us to more efficiently handle customer product returns, improve the customer s experience as well as meet vendor return requirements. As a result of implementing the centralized return processing center, approximately 87% of returns are credited back to the customer within 24 hours of receipt. Centralizing this process has also lead to both operational efficiencies as well as a reduction in shipping costs associated with product returns.

Expanding our Services. Patterson Veterinary continuously seeks to broaden our service offerings to maximize sales opportunities within our existing customer base while strengthening and enhancing practice economics and pet health.

Technical Service. Patterson Veterinary offers onsite preventative maintenance and repair services in most major markets across the United States covering a wide range of equipment. Our experienced service technicians perform equipment installation, maintenance and repair services including services on products not purchased through Patterson Veterinary.

ePetHealth. A leading suite of communication and educational tools designed to help the clinic increase compliance and pet-owner loyalty to the practice through clinic eMarketing tools, health service reminders, online medical records, drug home delivery and award winning DIA videos and content.

DIA. A premier client education software for companion animal and equine practices, provides over 3,000 illustrations, animations, clinical images, radiographs and other diagnostic images that cover a wide range of medical conditions. Additionally, DIA Reception provides high definition footage and animations to better explain common pet health issues and conditions to pet owners.

VetSource. A leading professional pharmacy providing home delivery service of medications to pet owners, which improves client compliance, retains drug revenues within the veterinary practice, and optimizes inventory investments.

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Patterson Veterinary University. Patterson Veterinary University (PVU) offers exclusive business courses for veterinarians, hospital managers, technicians, receptionists, and veterinary students. Veterinary students can take advantage of the two credit course Entrepreneurship for Veterinarians during their senior year in veterinary school. PVU Management offers four in-depth courses on human resources, inventory management, marketing and finance. The PVU Communication and Customer Service course for receptionists and technicians helps create a unified health care team within a veterinary hospital. The newest course PVU Executive: Next Level Practice Ownership is designed to help guide veterinary practice owners from where they are today to where they want to be in the future by providing practice owners information that helps expand their current hospital performance and fulfill their practice dreams.

Anesthesia Vaporizer Service. Patient safety is top priority with manufacturer-trained service technicians who provide fast, reliable service, repair and calibration for a variety of anesthetic vaporizers used in veterinary medicine.

National Handpiece Repair. In February 2012, we launched Patterson s Veterinary dental handpiece repair initiative utilizing Patterson Dental s National Repair Center. Practitioners can now have both their high-speed and slow-speed handpieces cleaned, repaired, and returned within 24 hours from receipt.

Anesthesia Technical Support Hotline. Using our dedicated hotline, with one phone call customers can obtain answers and detail support for their anesthesia and monitoring equipment.

Products and Services

The following table sets forth the percentage of total sales by the principal categories of products and services offered by our U.S. operations to veterinary segment customers:

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Consumable and printed products	93%	94%	93%
Equipment and software	6	4	5
Other	1	2	2
	100%	100%	100%

Consumable and Printed Products

Patterson Veterinary offers our customers a broad selection of veterinary supply products including pharmaceuticals, vaccines, parasiticides, diagnostics, veterinary pet foods, nutritional products and consumable supplies. Our pharmaceutical products typically include anesthetics, analgesics, antibiotics, and ophthalmics. Our biological products are primarily comprised of vaccines and injectibles. Our parasiticides are used for control of external parasites (fleas, ticks, flies, mosquitoes) and internal parasites. Our diagnostics product category includes consumable in-clinic tests for detecting heartworm, lyme disease, feline leukemia and parvovirus, as well as consumable products for measuring blood chemistry, electrolyte balance and cell counts. Veterinary pet foods consist of both specialty diets and premium pet foods. Nutritional products are comprised of dietary supplements, vitamins, dental chews and specialty treats. Consumable supplies include lab supplies, various types and sizes of paper goods, needles and syringes, instruments, gauze and wound dressings, sutures, latex gloves, orthopedic and casting products. Many of the office supply products sold by Patterson Office Supplies are also offered to the veterinary supply market.

Equipment and Software

Veterinary Equipment. Patterson Veterinary sells equipment for hospital, laboratory and general surgical use within the veterinary practice. We also offer innovative, quality equipment that differentiates Patterson Veterinary from the competition including anesthesia machines, surgical monitors, diagnostic equipment, ultrasound, dental power units, cages, lights, digital x-ray systems and x-ray machines.

Practice Management Software. Patterson Veterinary develops and markets our own proprietary line of practice management software, INTRAVET®, for veterinary professionals, including software for scheduling, billing, charting and capture/storage/retrieval of digital images.

Client Education Software. Patterson Veterinary also develops and markets our own proprietary client education software, DIA®, for veterinary professionals. DIA encompasses over 3,000 3D clinical animations and images, enabling veterinarians to more fully explain and illustrate a pet s diagnosis and treatment recommendations to their clients.

Client Communication Portal. Patterson Veterinary develops and markets our own innovative web-based client communication platform, ePetHealth, providing practitioners a suite of client offerings such as online medical records, eMarketing tools, client education resources, and a home delivery portal.

Other

Other products and services include commissions earned on agency sales, equipment repair revenues, software maintenance contract revenue, PVU revenue and freight recovery on shipments to customers.

Sales, Marketing and Distribution

During fiscal 2015, Patterson Veterinary sold products or services to over 21,000 customers in the U.S. who made one or more purchases during the year. Our customers include veterinarians, laboratories, institutions and other animal health professionals. No single customer accounted for more than 1% of sales during fiscal 2015, and Patterson Veterinary is not dependent on any single customer or geographic group of customers. Our sales and marketing efforts are designed to establish and improve customer relationships through personal interaction with our field sales and customer service representatives and frequent direct marketing contact, which underscores our value-added approach.

Patterson Veterinary currently has 19 local offices throughout the U.S. so that we can provide a presence in the market and decision making near the customer. These offices, or branches, are staffed with a complete complement of Patterson Veterinary s capabilities, including sales, customer service and technical service personnel, as well as a local manager who has broad decision making authority with regard to customer related transactions and issues.

Field Sales Representatives. A primary component of Patterson Veterinary s value-added approach is our sales force. Due to the fragmented nature of the veterinary supply market, we believe that a large sales force is necessary to reach potential customers and to provide full service. Sales representatives provide an informational link to the overall industry; assist practitioners in selecting and purchasing products and help customers efficiently manage their supply inventories. Each sales representative works within an assigned sales territory under the supervision of a location (branch) manager. Sales representatives are all Patterson Veterinary employees and are generally compensated on a commission basis, with some, less experienced, representatives receiving a base salary and commission.

Customer Service Representatives. We support our field sales representatives and direct marketing efforts with customer service representatives in eight call centers covering the United States. As of April 25, 2015, we

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had 115 customer service representatives. Customer service representatives work in tandem with our field sales representatives, providing a dual coverage approach for individual customers. In addition to processing orders, customer service representatives are responsible for assisting customers with ordering, informing customers of monthly promotions, and responding to general inquiries. Customer service representatives utilize our customized order entry system to process customer orders, access pricing, determine product availability, provide promotional information about products, research customer preferences, and review order histories.

Direct Marketing. To assist our sales representatives, Patterson Veterinary publishes a catalog containing product and service information. Patterson Veterinary customers receive a full-line product catalog containing over 14,500 inventoried items. The catalog includes pictures of products, detailed descriptions and specifications of products and is used by practitioners as a reference source. We also promote selected consumable products, our value-added program and services, new products, specially priced items and high demand items through our monthly magazine, *Insight*. Additional direct marketing tools that we utilize include equipment catalogs, customer loyalty programs, specific product and vendor programs, flyers, faxes, eNewsletters, social media, and other promotional materials. In order to extend our customer reach and enhance customer interaction, we also participate in national, regional and local trade shows.

E-Commerce Platform. Patterson Veterinary s website allows customers the ability to order items 24 hours a day, seven days a week. The website also incorporates value-added functions that permit customers to check their invoice, payment and credit history, make a payment, build a shopping list of frequently purchased items and track their order status.

Distribution. Patterson Veterinary believes that responsive delivery of quality supplies and equipment is key to customer satisfaction. We ship veterinary consumable supplies from 11 strategically located distribution centers in the United States. Orders for veterinary consumable supplies can be placed through our field sales force, customer service representatives or electronically 24 hours a day, seven days a week. Printed office products are shipped from Patterson s manufacturing and distribution facility in central Illinois.

All orders are routed through our centralized computer ordering, shipping and inventory management systems, which are linked to each of our strategically located distribution centers. If an item is not available in the distribution center nearest to the customer, the computer system automatically directs fulfillment of the item from another center. Rapid and accurate order fulfillment is another principal component of our value-added approach. We estimate that 97% of Patterson Veterinary s consumable orders are received by the customer the next business day.

In order to assure the availability of Patterson Veterinary s broad product lines for prompt delivery to customers, we must maintain sufficient inventories at our distribution centers. Purchasing of consumables and standard equipment is centralized, and our purchasing department uses a real-time perpetual inventory system to manage inventory levels. Our inventory consists mostly of consumable supply items and pharmaceutical products. By utilizing computerized inventory management and ordering systems, we are able to accurately predict inventory turns in order to minimize inventory levels for each item.

Sources of Supply

Patterson Veterinary U.S. operations obtain products from nearly 650 vendors. While Patterson Veterinary makes purchases from many vendors and there is generally more than one source of supply for most of the categories of products, the concentration of business with key vendors is considerable. In fiscal 2015 and 2014, Patterson Veterinary s top 10 veterinary supply manufacturers comprised 65% and 68%, and the single largest supplier comprised 14% and 17%, of the total cost of veterinary supply sales, respectively.

There are two major types of arrangements that account for the flow of transactions between us and our customers. Traditional buy/sell transactions, which account for the vast majority of our business, involve direct purchases of products by us from vendors, which we manage and store in our distribution centers. A customer then places an order with us, and the orders are then picked, packed, shipped and billed by us to our customer.

We also process orders from our customers under agency agreements with some of our vendors, primarily for certain seasonal pharmaceutical products. Under this model, when we receive orders for products from the customer, we transmit the order to the vendor who then picks, packs, and ships the products. The vendor then invoices and collects payment from our customer. We receive a commission payment for soliciting the order and for providing other customer service activities.

Competition

The distribution and manufacture of veterinary products in the U.S. is highly competitive. In addition to two other national, full-service firms, Henry Schein Animal Health, Inc. and MWI Veterinary Supply, Inc. (acquired by AmerisourceBergen in February 2015), Patterson Veterinary competes with several full-service distributors that operate on a regional level and numerous smaller local and specialty distributors, including Idexx Laboratories, and to lesser extent, mail order distributors or buying groups. Patterson Veterinary also competes directly with pharmaceutical companies who sell certain products directly to the customer.

Patterson Veterinary approaches its markets by emphasizing and delivering a value-added model to the practitioner. To differentiate ourselves from our competition we deploy a strategy of premium customer service, a highly qualified and motivated sales force, an extensive breadth and mix of products and services, accurate and timely delivery of product, strategic location of sales offices and competitive pricing.

U.K. Operations

Strategy

In August 2013, we completed the acquisition of all the outstanding stock of National Veterinary Services Limited (NVS) from Dechra Pharmaceuticals, PLC (NVS Acquisition). Headquartered in Stoke-on-Trent, NVS is the largest veterinary products distributor in the U.K. serving the companion, equine and large animal markets. Total cash consideration paid for NVS was £91.2 million (approximately $142.7 million). NVS s objective is to grow its presence in the U.K. and Europe, to further develop a leading position in the veterinary market through acquisitions, while continuing to improve our profitability and enhance our value to customers. Our key strategies and priorities for accomplishing these objectives include growing through acquisitions, emphasizing our value-added full-service capabilities, continuing to improve operating efficiencies, and expanding our service offerings. In April 2015, NVS acquired both Abbey Veterinary Services and C.A.P.L. Limited, which provide laboratory services in the U.K. with combined annual revenues of £1.7 million.

NVS has a great opportunity to harness the investments from key initiatives launched by Patterson Veterinary in the U.S. Such initiatives include ePet Health, DIA, technical services and supply of equipment in addition to the recently launched instruments and orthopedic product line. NVS also seeks to capitalize on the content developed by Patterson Veterinary University to offer continuing professional education to practices in the U.K. The following are a number of value added services offered today in addition to the national distribution network discussed later under sales, marketing and distribution:

Laboratory Services. Offer veterinary diagnostic laboratory services to veterinarians including pathology, hematology, chemistry, and microbiology. Samples are accepted from a wide range of species including dogs, cats, horses, birds, reptiles, fish, farm and zoo animals. One of the key objectives is to improve market share position by competing on service, utilizing NVS s unique distribution network. Veterinary diagnostic laboratory services are approximately 2% of total net sales.

Indicies. Provide multi-practice customers with practice benchmarks, two years of purchase history, and group practice data consolidation to help them better manage their network of practices.

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Order Platforms. Direct electronic data interchange and interactive website ordering platforms comprise 75% of customer orders containing 90% of total ordered lines.

Vetcom. Offer a windows-based practice management software package that includes an ordering platform.

Products and Services

The following table sets forth the percentage of total sales by the principal categories of products and services offered by our U.K. operations to veterinary segment customers:

	Fiscal Year Ended	
	April 25, 2015	April 26, 2014
Consumable and printed products	97%	96%
Equipment and software	1	1
Other	2	3
	100%	100%

Consumable and Printed Products

NVS offers our customers a broad selection of veterinary supply products including pharmaceuticals, vaccines, parasiticides, diagnostics, veterinary pet foods, nutritional products and consumable supplies. Our pharmaceutical products typically include anesthetics, analgesics, antibiotics, and ophthalmics. Our biological products are primarily comprised of vaccines and injectibles. Our parasiticides are used for control of external parasites (fleas, ticks, flies, mosquitoes) and internal parasites. Our diagnostics product category includes consumable in-clinic tests for detecting heartworm, lyme disease, feline leukemia and parvovirus, as well as consumable products for measuring blood chemistry, electrolyte balance and cell counts. Veterinary pet foods consist of both specialty diets and premium pet foods. Nutritional products are comprised of dietary supplements, vitamins, dental chews and specialty treats. Consumable supplies include lab supplies, various types and sizes of paper goods, needles and syringes, instruments, gauze and wound dressings, sutures, latex gloves, orthopedic and casting products.

Other

Laboratory services. NVS offers veterinary diagnostic laboratory services to veterinarians including pathology, hematology, chemistry, and microbiology. Samples are accepted from a wide range of species including dogs, cats, horses, birds, reptiles, fish, farm and zoo animals.

Sales, Marketing and Distribution

NVS has more than 1,000 customers and is well positioned to service all segments of the veterinary market through its sales and marketing team, national distribution network, and a fully integrated computer system. NVS has the highest percentage of buying groups and corporations compared to its competitors. The corporate relationship with these large customers is managed by the senior management team. The relationships with individual practices (regardless of whether they are corporately-owned or independent) are serviced by the field sales representatives, the customer service team and the depot delivery drivers. With buying groups and corporations representing a large percentage of revenues as well as the fact that 90% of orders being placed by customers are entered electronically either through the NVS web based ordering platform or via the website, the need for a large dedicated field sales team is greatly reduced. There are currently 11 field sales representatives who are responsible for calling on 300-350 customers each.

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This is an operations-driven business, which means the burden of maintaining a high level of service with the customer rests with the customer service team and the delivery drivers. Both are highly valued by the customer and work closely together to meet customer expectations. NVS maintains a national distribution network, which serves as a competitive advantage. NVS offers next day business delivery on a nationwide basis in the U.K. Orders are accepted until 8:00 pm in their centralized distribution center and shipped nationwide overnight to one of 10 depots located throughout the country. The depots are essentially small staging warehouses where pre-packed orders are sorted by route for delivery to the customer. A fleet of company owned, fully cold chain compliant vehicles, at each depot, delivers the product to the customer the next business day making the driver of these vehicles an important contact point and part of the sales team. We estimate that 99% of NVS s consumable orders are received by the customer the next business day. NVS also utilizes this distribution network to collect the customer laboratory service samples for onward shipment to the laboratories for analysis. Lab results are available electronically to the veterinarian.

With 90% of order lines being entered electronically by the customer either through their direct ordering platform or via their website, the customer service team is primarily responsible for handling customer inquiries and resolving issues.

Direct Marketing. To assist our sales representatives, NVS publishes a catalog containing product and service information. NVS customers receive a full-line product catalog containing over 16,000 inventoried items. The catalog includes descriptions and specifications of products and is used by practitioners as a reference source. We also promote our specials service where we will procure non-stock items for individual customers. In addition we promote our value-added products and services, new products, specially priced items and high demand items through our quarterly magazine, *The Cube*. Additional direct marketing tools that we utilize include specialist catalogs, customer loyalty programs, specific product and vendor programs, flyers, faxes, eNewsletters, social media, and other promotional materials. In order to extend our customer reach and enhance customer interaction, we also participate in national, regional and local trade shows and specialist veterinary events including supporting continued professional development for veterinarians and nurses.

Sources of Supply

NVS obtains products from nearly 400 vendors. While NVS makes purchases from many vendors and there is generally more than one source of supply for most of the categories of products, the concentration of business with key vendors is considerable. In fiscal 2015 and 2014, the top 10 veterinary supply manufacturers comprised 77% in both years, and the single largest supplier comprised 17% and 16%, of the total cost of veterinary supply sales, respectively.

Competition

Beyond NVS, which has national coverage, veterinary distribution in the U.K. market is concentrated primarily with two other major distributors; Henry Schein Animal Health, Inc. based in Scotland and MWI Veterinary Supply, Inc. (acquired by AmerisourceBergen in February 2015) based in Somerset, with coverage mainly in southern England. We also compete directly with pharmaceutical companies who sell certain products or services directly to the customer.

Rehabilitation Supply

Overview

Patterson Medical is headquartered in Warrenville, Illinois, and is a value-added distributor of rehabilitation medical supplies and equipment. We believe Patterson Medical offers the most comprehensive range of distributed and self-manufactured rehabilitation products to health care professionals globally. Our mission is to provide health care professionals and their patients with access to products that improve peoples lives by helping them to attain their highest achievable level of independence, safety and comfort. We operate as Patterson Medical globally, and are transitioning our acquired catalog brands such as Sammons Preston, Homecraft, and Ausmedic into product brands. Patterson Medical still operates as Medco Sports Medicine in the North American sports medicine market.

Patterson Medical serves as the gateway through which over 30,000 rehabilitation products originating from more than 1,500 suppliers and manufacturers are sold to a diverse customer base with an emphasis on physical therapists (PTs) and occupational therapists (OTs). We offer our customers a one-stop shop through what we believe to be the most comprehensive catalogs in the industry, the largest direct sales force and a highly efficient customer service and distribution operations. Major channels of distribution are acute care hospitals, long-term care facilities, rehabilitation clinics, dealers and schools.

Patterson Medical offers a wide range of differentiated, non-invasive products and expertise to users and their health care providers, while focusing on niches, worldwide, where our capabilities, reputation and customer partnerships can result in a competitive advantage. Patterson Medical s goal is to become our customers first choice for rehabilitation supplies and equipment in each of our chosen markets.

Patterson Medical is highly diversified with no single product, customer or purchasing group representing a significant percentage of total revenue. In addition, given the relatively small average order size (approximately $225), our products often do not represent a major expense category for our customers.

Patterson Medical has been pursuing a strategy of organic growth, complemented by strategic acquisitions in its domestic and international markets. This has included building and buying sales offices in the U.S., and buying and integrating distributors in the U.K., France, Australia and New Zealand. Patterson Medical also uses a robust international dealer network to service customers in countries where we do not have an established direct presence. Approximately 80% of Patterson Medical s revenue originates in North America.

Patterson Medical manufactures or has exclusively manufactured for us products representing approximately 35% of its total revenue. These products carry the Patterson Medical brand, or one of the many brands added through acquisition. Patterson Medical owns manufacturing facilities in the U.S., Australia, and Thailand, and has a China sourcing office. Patterson Medical is a distributor for the other 65% of its product offering, carrying the top brands in the rehabilitation industry. One of Patterson Medical s strengths is our trading relationship with the top manufacturers of rehabilitation products in the U.S. and abroad.

We believe the rehabilitation medical supply and assistive product industry is approximately $5.6 billion worldwide and is expected to grow faster than the overall economy over the next several years. Industry growth is driven by strong growth in the physical and occupational therapy markets and favorable demographic trends associated with the aging of the baby-boom generation. We do not participate in all product segments, so Patterson Medical s addressable market (defined as the collective market for products sold by Patterson Medical) is approximately $3.4 billion worldwide. We believe that Patterson Medical has an industry leading market share of approximately 15% in a highly fragmented rehabilitation and assistive products market.

We believe that the demand for rehabilitation products will continue to be influenced by the following factors:

Favorable Demographics. Favorable demographic trends such as extended life expectancy, active lifestyles and a general willingness to spend discretionary income on health care and well-being, is expected to contribute to increased demand for products distributed by Patterson Medical. Specifically, the aging baby-boomer population, together with their increased disposable income and desire for independence, will fuel product purchases to assist with the frailties associated with old age and provide sustained sales growth.

The U.S. Census Bureau has projected the 85 and older population in the U.S. to increase significantly, from less than 6 million in 2011 to 14 million by 2040 and 19 million by 2050. The 65 to 84 year old population is expected to more than double between 2011 and 2040. Current trends indicate that these age groups represent the majority of home and community-based health care patients.

The aging of the population is a revenue growth driver because approximately 10% of people over the age of 65 and approximately 50% of people over the age of 85 need assistance with everyday activities. Patterson Medical believes we are well positioned to benefit from this trend by providing aids to daily living, namely dressing devices; toileting, dining, bathing aids; and grooming devices, all of which promote greater patient independence, improved patient responsibility and improved responsiveness to treatment.

Increasing Number of PTs and OTs, Patterson Medical s Primary User Groups. According to the U.S. Department of Labor Bureau of Labor Statistics (BLS), there were approximately 199,000 PTs and 109,000 OTs in the U.S. in 2010. Approximately 60% of PTs were employed in either hospitals or offices of physical therapists. The remaining 40% of PTs was employed in home health agencies, outpatient rehabilitation clinics, physician offices and nursing homes. The majority of OTs work in hospitals, including many in rehabilitation and psychiatric hospitals. The remaining OTs work in outpatient occupational therapy offices and clinics, schools, home health agencies, nursing homes, community mental health centers, adult day care programs, job training services and residential care facilities. The demand for PTs and OTs is expected to remain strong. The BLS estimates a growth of 33.5% for OTs between 2010 and 2020, and a growth of 39% for PTs in that same time period. Both professions are expected to grow much faster than average.

Increasing Frequency of Reconstructive and Implant Surgery. Another important driver of the growth in the PT market is the growing need for rehabilitation products resulting from the increasing frequency of reconstructive implant procedures, including hip and knee replacements. The worldwide reconstructive implant market is currently in excess of $5.0 billion and expected to grow between 7% and 8% annually. This growth trajectory is largely driven by favorable demographics, as patient populations are expanding at both ends of the age spectrum. Among seniors, more active lifestyles and longer life expectancies are responsible for the increasing frequency of reconstructive implants. We believe Patterson Medical is well positioned to benefit from the growth in reconstructive implants, by providing physical therapy and exercise products that help patients return to a normal level of function.

Volatility in Funding and Regulation. The demographic growth in aged population both in the U.S. and abroad will continue to pose funding challenges for governments. Whether private pay, Medicare, Medicaid or some other funding mechanism, the population need has been outpacing available funds. This has resulted in governments changing funding methods, allocations, and rules to try to better match supply with demand. Although we do not directly participate in third party reimbursed (patient specific) product, the pressure on healthcare providers can have a pass through effect. Patterson Medical has pursued a diversified strategy so we do not rely too heavily on any one product category.

International Operations

Patterson Medical s Europe, Middle East and Asia (EMEA) operations are based in the U.K. and are made up of Patterson Medical Limited in the U.K. and Patterson Medical France and Sacedi in France. Patterson Medical s Australia and New Zealand operations (ANZ) are based in Australia. Our international domestic operations broadly reflect the same business model as used in the North American market. In the U.K., France, Australia and New Zealand, operations include sales and marketing, customer service, distribution, purchasing and administration. Outside of these countries, Patterson Medical uses a network of over 200 distributors to reach its customers.

Patterson Medical is a leading supplier of aids to daily living (ADL) and rehabilitation products in the U.K., and a significant player in the international markets. Having developed and designed many proprietary products, we are the prime source for numerous established and market leading ADL brands, including products sold under the names Homecraft, Days, and Physiomed. The Patterson catalog offers a broad line of ADL, therapy, rehabilitation and pediatric products containing over 10,000 items and is circulated to PTs, OTs, loan equipment stores and private clinics, trade outlets and the general public.

Patterson s central sales and marketing strategy is to provide a one-stop shop proposition to hospitals, local government and trade customers (dealers) throughout the U.K. Customers are reached through a combination of mail order, a 54 person sales force, telemarketing and in-market promotional and exhibition activity.

In 2009, Patterson acquired Mobilis Healthcare, increasing our global presence. While the Homecraft catalog has historically been focused on occupational therapy, Mobilis was a complementary addition, given its strong position in the physiotherapy market.

In 2010, Patterson acquired the rehabilitation business of DCC Healthcare. The acquired DCC businesses, Days Healthcare, Physiomed and Ausmedic, rank among the leaders in their overseas markets, providing assistive living products and rehabilitation equipment and supplies to hospitals, physical and occupational therapists, long-term care facilities, dealers and consumers in the U.K., continental Europe, Australia, New Zealand and other international markets.

Patterson Medical France consists of the sale and distribution of Patterson Medical products in France. Products are marketed to customers through product brochures, mailings, telemarketing and a sales force that covers the French rehabilitation market. Sacedi focuses on distribution in the therapy and sports medicine market segments.

Strategy

Our objective is for Patterson Medical to be the customers first choice for rehabilitation medical supplies and equipment in each of its chosen markets.

Emphasizing Value-Added, Full-Service Capabilities. Patterson Medical currently offers our customers a one-stop shop for products through our industry-leading catalog with over 20,000 items, focused primarily on physical and occupational therapy products. Patterson Medical adds new products each year to our ever-expanding catalog and is committed to doing so long-term. Consistent with Patterson Medical s current product offering, some of these new products are branded, exclusive or self-manufactured.

We recognize that different customer groups have very different economic, product, distribution channel requirements and treatment goals. Patterson Medical proactively attempts to anticipate and flexibly respond to the diverse needs of our customers, while focusing on niches, worldwide, where our capabilities, reputation and customer partnerships can result in a competitive advantage. As such, we foresee an on-going evolution of our product offerings to meet the ever-increasing demands of our diverse customer segments.

Improving Operating Efficiencies. Patterson Medical s proprietary products, which consist of self-manufactured products, products manufactured for Patterson Medical and products sold through exclusive distribution arrangements, represent approximately 35% of total revenues.

Growing Through Internal Expansion and Acquisitions. Patterson Medical believes we are well positioned to expand in our core markets. Our market presence, clinical understanding and close customer relationships allow us to anticipate and flexibly respond to the diverse needs of our customers. We believe our market knowledge, strong vendor relationships and manufacturing capabilities will continue to drive the delivery of value-added solutions through the continual enrichment of our product mix. Additionally, we believe our broad portfolio of national accounts and commitment to expand our sales force will enhance Patterson Medical s growth and penetration within our current and new customer base.

Patterson Medical acquired Homecraft, Mobilis, Physiomed, Days Medical, and other businesses to establish a platform for international expansion. Each business that was added has been integrated and has added to an ever expanding brand and product portfolio. The international business continues to accelerate, in terms of both product lines and geographic regions. Since the Homecraft/Kinetec transaction, Patterson Medical has added over 550 pages of new products to the catalog. The international acquisitions brought with them a proven capability to source products at favorable costs and at high levels of quality from China, which has resulted in meaningful cost savings.

In 2004, Patterson Medical acquired the assets of Medco Supply Company, Inc. (Medco) from NCH Corporation. With sales of approximately $60 million, Medco is one of the nation s leading sports medicine distributors and is based in Buffalo, New York. In addition to Medco s sports medicine supply business, Medco sells first aid, safety and medical consumable products to commercial and institutional customers, as well as consumable supplies and equipment to podiatrists. The complete product offering includes approximately 10,000 SKUs that are sold through direct mail catalogs and eight territory sales people. Medco markets to athletic trainers, schools and school nurses, daycare providers and healthcare professionals including podiatrists, chiropractors and physical therapists.

In 2007, Patterson Medical acquired PTOS software, a leading line of practice management software for physical therapists.

In 2009, Patterson Medical acquired Mobilis Healthcare, a U.K.-based business with sales of $28 million. Mobilis serves 12,000 customers in the U.K. and France and owns several leading brands that are sold into its primary markets.

In 2010, Patterson Medical acquired the rehabilitation business of Empi Therapy Solutions, with sales of approximately $30 million.

In 2010, Patterson Medical acquired the rehabilitation business of DCC Healthcare, with sales of approximately $70 million.

Products and Services

The following table sets forth the percentage of total sales represented by the principal categories of products and services offered to rehabilitation segment customers:

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Consumables	75%	74%	72%
Equipment and software	20	21	23
Other	5	5	5
	100%	100%	100%

Consumables

Patterson Medical offers a large selection of supply products that can be categorized as follows:

Aids to Daily Living dressing devices, toileting, dining, bathing aids and grooming devices

Orthopedic Soft Goods / Splints braces, splints and orthotics for protecting, supporting and positioning

Clinical products that assist in the examination and treatment of patients, such as exercise bands, putty, weights, balls and mats

Mobility walkers, canes and wheelchair accessories such as gloves, trays and carrying bags

Pediatric Seating and Positioning rolls, wedges, specialty seating and standers, and mobility assistance products for special needs children; category also includes sensory motor stimulation products such as toys, crafts and devices to assist with balance

Modalities products for heating and cooling therapies, electrical stimulation, laser, ultrasound, paraffin, iontophoresis and therapeutic creams and lotions

Equipment and Software

Rehabilitation equipment consists of exercise, examination, treatment and therapy equipment and furniture. These products include parallel bars, treatment tables, mat platforms, treadmills, and stationary bicycles. The 2007 acquisition of PTOS software added a line of practice management software to Patterson Medical s wide array of product offerings. In addition, certain acquisitions in the recent past have given us access to premium equipment lines.

Other

Other products and services revenues include equipment repair revenues, software maintenance contract revenue and freight recovery on shipments to customers.

Sales and Marketing

Patterson Medical has been going through a process of establishing its brand globally to better leverage its international scope. This has led to a catalog branding transition of our acquired businesses (in various stages) including Sammons Preston in the U.S. and Canada, and Homecraft, Days, Physiomed, and Ausmedic in the remainder of the world.

A core element of Patterson Medical s strategy is to maintain the most comprehensive single catalog of rehabilitation products and supplies. The catalog, published for over 50 years, is considered the gold standard of the industry and features the most comprehensive product offering with longstanding industry leading positions and recognized brand names. Our product management group works closely with customers, suppliers and the sales force to evaluate new products for inclusion in Patterson Medical s product offering. We add approximately 2,000 new products to the catalog each year.

Patterson Medical has an experienced sales force, national account contracts with major customer groups, unmatched customer service within the industry and the proven ability to introduce new products each year, allowing us to compete across the entire spectrum of the rehabilitation medical supplies and non-wheelchair assistive products industry. Our field sales force totals over 200 worldwide. New sales representatives are generally hired from the ranks of physical and occupational therapists, manufacturer representatives and others with extensive industry knowledge.

Patterson Medical s U.S. national accounts group collaborates with our sales force to meet the changing needs of our expanding account base. The national accounts program is staffed by seasoned professionals who have developed a comprehensive portfolio of contracts. Furthermore, the Patterson Medical organization has national contracts with major purchasing groups within each submarket, including hospitals, nursing homes and dealers.

The rehabilitation medical supplies and equipment business is highly fragmented. No one manufacturer, distributor or customer represents a significant portion of Patterson Medical s revenue.

To enhance the total value we bring to our customers, Patterson Medical created a value-added benefit program for its preferred customers. The Patterson Advantage[sm] program entitles our best customers to discount pricing and cash rebates, priority service scheduling, supply management summary reports and continuing education course discounts.

Distribution

Patterson Medical s distribution process centers on our ability to efficiently fill small dollar amount orders. In the U.S., over 6,000 packages ship daily from six locations. A majority of products are shipped out of three full service, shared Patterson distribution centers, one in Mt. Joy, Pennsylvania, one in Dinuba, California, and another in South Bend, Indiana. Approximately 95% of the small packages in the U.S. ship via UPS.

Patterson Medical s U.S. call center operates from 7am 7pm Monday through Friday, processing in excess of 5,000 calls per day. In addition, customers can order 24 hours a day through Patterson Medical s websites. The combination of in-house staff and web ordering options provides customers with 24 hours a day, seven days a week ordering capability. Approximately 40% of customer orders are through the web or electronic data interchange, which has decreased call center activity, allowing Patterson Medical to provide more personalized service to customers.

Sources of Supply

Among Patterson Medical s core strengths is our ability to obtain premier products from vendors. Our products are purchased from over 1,500 suppliers and manufacturers. Although no single supplier accounted for more than 7% of Patterson Medical s total purchases in fiscal 2015, we frequently are the largest single customer of these manufacturers. Suppliers view the ability to distribute their products through our global network positively due to our reputation, longstanding industry leading position, comprehensive catalogs, national account contracts, sales force presence and distribution capabilities. We continually work at strengthening our supplier relationships through the introduction of supplier programs.

Competition

We operate in the highly fragmented rehabilitation medical supplies and equipment industry. Patterson Medical s competition is generally either locally or regionally focused.

We believe Patterson Medical is the only national player to offer one-stop shopping to our customers. Patterson Medical s national and international scale and purchasing power provide us with a favorable cost position relative to our competition.

For further information on our three operating segments, and operations by geographic area, see Management s Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K and Note 13 to the Consolidated Financial Statements.

Shared Services Initiative

We have continued to consolidate our distribution infrastructure and business systems over the past several years. As of April 25, 2015, we have eight facilities that serve two or three of our business units. These strategically located facilities enable us to realize operating efficiencies and improve customer service.

Our business units also share a number of sales branch office locations, enabling multiple business units to operate at one physical location. As of April 25, 2015, we have nine shared locations.

The PTC has staff dedicated to support the technology offerings of each of our business units. Such technology product and service offerings have expanded in recent years and we will continue that focus. We

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support over 80,000 customers nationwide through the PTC, and strive to resolve any situation in one call, whether the question or concern involves hardware, software, computer networking or digital technology. Development of our proprietary practice management and certain of our patient education products takes place at the PTC. In addition to the PTC, technology support is provided to customers through our business unit s sales branches, which provide network installation and customer training.

Patterson Companies, Inc.

Trademarks and Patents

Our products and services are sold under numerous trademarks including PATTERSON®, EAGLESOFT®, CAESY®, SAMMONS PRESTON®, TUMBLE FORMS®, INTRAVET®, DIA® and DOLPHIN®. Many of our trademarks are registered with the U.S. Patent and Trademark Office. Our U.S. trademark registrations have 10-year terms, and may be renewed for additional 10-year terms. Because we believe our trademarks are well-recognized within their respective industries and valuable assets, we protect them against infringement. Some of our proprietary software in the orthodontia field is protected by patents, which have varying terms, generally of 17-20 years.

Employees

As of April 25, 2015, we had approximately 7,000 employees. We have not experienced a shortage of qualified personnel in the past and believe that we will be able to attract such employees in the future. We believe our relations with employees to be good.

Website

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports are made available on our website as soon as reasonably practicable after the material is electronically filed with or furnished to the Securities and Exchange Commissions. This material may be accessed by visiting the Investor Relations section of our website at www.pattersoncompanies.com.

Information relating to our corporate governance, including our Principles of Business Conduct and Code of Ethics, and information concerning executive officers, Board of Directors and Board committees, and transactions in Patterson securities by directors and officers, is available on or through our website www.pattersoncompanies.com in the Investor Relations section.

Information maintained on the website is not being included as a part of our Annual Report on Form 10-K.

Governmental Regulation

The marketing, distribution and sale of certain products we sell are subject to the requirements of various federal, state, and local laws and regulations. We are subject to regulation by the Federal Food and Drug Administration, the Drug Enforcement Administration and the U.S. Department of Transportation. Among the federal laws which impact us are the Federal Food, Drug and Cosmetic Act, which regulates the advertising, recordkeeping, labeling, handling, storage and sale of drugs and medical devices which are distributed by us, and which further requires us to be registered with the Federal Food and Drug Administration; the Safe Medical Devices Act, which imposes certain reporting requirements on us in the event of an incident involving serious illness, injury or death caused by a medical device we have distributed; and the Controlled Substance Act, which regulates the recordkeeping, handling, storage and sale of certain drugs sold by us and requires us to be registered with the Drug Enforcement Administration. In addition, the transportation of certain products we distribute that are considered hazardous materials is subject to regulation by the U.S. Department of Transportation.

Furthermore, the Physician Payment Sunshine Act has imposed new reporting and disclosure requirements for drug and device manufacturers with regard to payments or other transfers of value made to certain

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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. The final rule implementing the Physician Payment Sunshine Act is complex, ambiguous and broad in scope; however, wholesale drug and device distributors that take title to such products may be deemed to be applicable manufacturers subject to full reporting requirements. It is difficult to predict how the new requirements may impact existing relationships among manufacturers, distributors, physicians, dentists and teaching hospitals.

We also are required to be licensed as a distributor of drugs and medical devices by each state in which we conduct business. In addition, several state Boards of Pharmacy requires us to be licensed in their state for the sale of animal health products within their jurisdiction. Our company is also subject to the requirements of foreign laws and regulations, which impact our operations in those foreign countries in which we conduct business.

While we believe we are in substantial compliance with the laws and regulations, that regulate our business, and that we possess the licenses required in the conduct of our business, our failure to comply with any applicable laws or regulations, or the imposition of new laws or regulations, could negatively impact our business.

Executive Officers of the Registrant

Set forth below is the name, age and position of the executive officers of Patterson as of June 15, 2015.

Scott P. Anderson	48	President, Chief Executive Officer, Chairman of the Board Patterson Companies, Inc.
Ann B. Gugino	43	Executive Vice President, Chief Financial Officer and Treasurer Patterson Companies, Inc.
Paul A. Guggenheim	55	President Patterson Dental Supply, Inc.
George L. Henriques	54	President Patterson Veterinary Supply, Inc.
Michael J. Orscheln	57	President Patterson Medical Supply, Inc.
Ranell M. Hamm	53	Chief Information Officer Patterson Companies, Inc.
Jerome E. Thygesen	57	Vice President, Human Resources Patterson Companies, Inc.
Sean M. Muniz	47	Vice President, Operations Patterson Companies, Inc.

Our officers are elected annually and serve at the discretion of the Board of Directors.

Background of Executive Officers

Scott P. Anderson was elected President and Chief Executive Officer of Patterson in April 2010, and became our Chairman in April 2013. Mr. Anderson has worked with Patterson since 1993. Prior to June 2006 when he became President of Patterson Dental Supply, Inc., Patterson s largest business, Mr. Anderson held senior management positions in the dental unit, including Vice President, Sales, and Vice President, Marketing. Mr. Anderson started his career as a territory sales representative in the dental business before becoming national equipment manager, manager of the San Francisco branch and manager of the Minnesota branch, two of Patterson s largest dental branch offices. Mr. Anderson became one of our directors in June 2010. He also has served as a director of C.H. Robinson Worldwide, Inc. since January 2012.

Ann B. Gugino became Vice President, Chief Financial Officer and Treasurer in November 2014 and was promoted to Executive Vice President, Chief Financial Officer and Treasurer in June 2015. She previously served as Vice President, Strategy & Planning since April 2012. Before that, she was Vice President of Finance and Operations Patterson Dental from 2008 until April 2012. She joined Patterson in 2000 as an assistant controller and became Controller-Patterson Dental in 2004. Prior to her career with Patterson, she worked for Ernst & Young LLP and achieved her Certified Public Accountant designation.

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Paul A. Guggenheim became President of Patterson Dental Supply, Inc. in April 2010. Mr. Guggenheim previously was the southwest region manager of Patterson Dental. Mr. Guggenheim joined us in 2000 following our acquisition of Guggenheim Brothers Dental Supply. Mr. Guggenheim has worked in the dental industry for over 25 years and is former chairman of the American Dental Trade Association (now the Dental Trade Alliance). He also is past president of the Dental Dealers of America and former chairman of the American Dental Cooperative.

George L. Henriques became President of Patterson Veterinary Supply, Inc. in August 2006. Mr. Henriques previously served as Chief Information Officer of Webster since 2000 and is former chairman and board member of the American Veterinary Distributors Association.

Michael J. Orscheln became President of Patterson Medical Supply, Inc. in August 2013. Prior to joining Patterson, Mr. Orscheln served as President and Chief Executive Officer of Phonak U.S. from January 2009 to April 2012. Throughout over 30 years of healthcare distribution and medical manufacturing experience, Mr. Orscheln has held senior leadership positions with American Hospital Supply Corp., Baxter Healthcare Corp., Moore Corporation, Ltd., and Cardinal Health, Inc.

Ranell M. Hamm became Chief Information Officer in April 2011. Prior to joining Patterson, Ms. Hamm was Senior Director of Clinical Information Delivery for UnitedHealth Group. Prior to UnitedHealth Group she was employed by Assurant, Inc., where she was Senior Vice President of Finance Systems & Services, IT Security; Chief Information Officer/Chief Operating Officer of Shared Business Services; and Senior Vice President of Shared Services Organization.

Jerome E. Thygesen became Vice President, Human Resources in March 2006. Prior to joining Patterson, Mr. Thygesen was Vice President, Organizational Development for Fairview Red Wing Health Services from September 2001 to February 2006, and Director of Human Resources for Red Wing Shoe Company from March 1987 to June 2001.

Sean M. Muniz became the Vice President of Operations in November 2012. Mr. Muniz held the position of Director of Facilities and Risk Management since 2007 and, prior to that Mr. Muniz relocated to the Corporate Office when he became the Director of Operations for Patterson Logistics Services, Inc. in 2001. Mr. Muniz began his career with Patterson in 1990.

Item 1A. RISK FACTORS

The statements in this section describe the major risks to our business and should be considered carefully, in connection with all of the other information set forth in this annual report on Form 10-K. The risks that follow, individually or in the aggregate, are those that we think could cause our actual results to differ materially from those stated or implied in forward-looking statements.

General economic conditions and volatility in the financial markets could adversely affect our operating results and financial condition.

Uncertain weak economic conditions in the U.S. or global economy, or an uncertain economic outlook, could materially adversely affect our operating results and financial condition. Current economic conditions may continue to cause customers to reduce, modify, delay, or cancel purchasing our products and services, and a prolonged period of economic instability could reduce their ability to make payments. Furthermore, such conditions could cause our suppliers to reduce their production, decrease their number of product offerings, or change their terms of sale to us. Increasing commodity prices would also increase our cost of operations, either directly through increased energy costs or indirectly through what we are charged by our suppliers. Current economic conditions could also cause changes in our product mix as our customers prioritize established, low-margin products rather than innovative, high-margin products, which could reduce our profit margin.

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In addition, volatility and other disruptions in the financial markets could adversely affect the cost and availability of credit to us, as well as the cost of, and ability to sell, finance contracts we receive from customers to outside financial institutions. Reduced access to capital for our customers limits the amount of investment that they can make in their practices, and with limited investment by the customer, our revenue from equipment sales would be lower.

The dental supply, veterinary supply, and rehabilitation and assistive products supply markets are highly fragmented and competitive, and we may not be able to compete successfully.

Our competitors include national, regional and local full-service distributors, mail-order distributors and, increasingly, internet-based businesses. Some of our competitors have greater resources than we do, or operate through different sales and distribution models that could allow them to compete more successfully. For example, many of our suppliers are manufacturers, some of whom compete with us by selling directly to customers. Furthermore, internet-based businesses may be able to offer the same product at a lower cost.

Most of our products are available from multiple sources, and our customers tend to have relationships with several different distributors who can fulfill their orders. Our competitors could obtain exclusive rights to market particular products, which we would then be unable to market. Manufacturers also could increase their efforts to sell directly to end-users and thereby eliminate or reduce our role and that of other distributors. Industry consolidation among suppliers, price competition, the unavailability of products, whether due to our inability to gain access to products or to interruptions in supply from manufacturers, or the emergence of new competitors also could increase competition. Our failure to compete effectively may limit and/or reduce our revenue, profitability and cash flow.

We may be unable to successfully integrate the operations of Animal Health International or realize targeted cost savings, revenues and other benefits of the merger transaction.

On June 16, 2015, we closed a merger transaction with Animal Health International. We believe that the merger will be beneficial to us and our shareholders; however, achieving the targeted benefits of the Animal Health International merger will depend in part upon whether we can integrate Animal Health International s businesses in an efficient and effective manner. We may not be able to accomplish this integration process smoothly or successfully. The necessity of coordinating geographically separated organizations, systems and facilities and addressing possible differences in business backgrounds, corporate cultures and management philosophies may increase the difficulties of integration. We and Animal Health International operate numerous systems, including those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll and regulatory compliance. Moreover, the integration of our respective operations will require the dedication of significant management resources, which is likely to distract management s attention from day-to-day operations. Employee uncertainty and lack of focus during the integration process may also disrupt our business and result in undesired employee attrition. An inability of management to successfully integrate the operations of the two companies could have a material adverse effect on the business, results of operations and financial condition of the combined businesses.

In addition, we continue to evaluate our estimates of synergies to be realized from the Animal Health International merger and refine them, so that our actual cost-savings could differ materially from our initial estimates. Actual cost-savings, the costs required to realize the cost-savings and the source of the cost-savings could differ materially from our estimates, and we cannot assure you that we will achieve the full amount of cost-savings on the schedule anticipated or at all or that these cost-savings programs will not have other adverse effects on our business. In light of these uncertainties, you should not place undue reliance on our estimated cost-savings.

Finally, we may not be able to achieve the targeted operating or long-term strategic benefits of the Animal Health International merger or could incur higher transition costs. An inability to realize the full extent of, or any

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of, the anticipated benefits of the Animal Health International merger, as well as any delays encountered in the integration process, could have an adverse effect on our business, results of operations and financial condition.

Our new credit agreement contains restrictive covenants, which limit our business and financing activities.

In order to fund our financial obligations in connection with the Animal Health International merger, we entered into a credit agreement, which includes customary covenants that impose restrictions on our business and financing activities, subject to certain exceptions or the consent of our lenders, including, among other things, limits on our ability to incur additional debt, create liens, enter into merger, acquisition and divestiture transactions, pay dividends and engage in transactions with affiliates. The credit agreement contains certain customary affirmative covenants, including a requirement that we maintain a maximum consolidated leverage ratio and a minimum consolidated interest coverage ratio, and customary events of default. Our ability to comply with these covenants may be adversely affected by events beyond our control, including economic, financial and industry conditions. A breach of the credit agreement covenants may result in an event of default, which could allow our lenders to terminate the commitments under the credit agreement, declare all amounts outstanding under the credit agreement (if any), together with accrued interest, to be immediately due and payable and exercise other rights and remedies. If this occurs, we may not be able to refinance the accelerated indebtedness on acceptable terms, or at all, or otherwise repay the accelerated indebtedness.

Risks inherent in acquiring other businesses could offset the anticipated benefits of such acquisitions and we may face difficulty in efficiently and effectively integrating acquired businesses since we operate in three distinct segments.

As a part of our business strategy, we have acquired businesses in the ordinary course and expect to continue acquiring businesses in the future. These acquisitions can involve a number of risks and challenges, any of which could cause significant operating inefficiencies and adversely affect our growth and profitability, and may not result in the benefits and revenue growth we expect. Such risks and challenges include underperformance relative to our expectations and the price paid for the acquisition; unanticipated demands on our management and operational resources; difficulty in integrating personnel, operations and systems; retention of customers of the combined businesses; assumption of contingent liabilities; and acquisition-related earnings charges.

As we operate in three distinct segments, we consolidate the distribution, information technology, human resources, financial and other administrative functions of those business units jointly to meet their needs while addressing distinctions in the individual markets of those segments. We may not be able to do so effectively and efficiently.

Our ability to continue to make acquisitions will depend upon our success in identifying suitable targets, which requires substantial judgment in assessing their values, strengths, weaknesses, liabilities and potential profitability, as well as the availability of suitable candidates at acceptable prices, and whether restrictions are imposed by anti-trust or other regulations.

Our international operations are subject to inherent risks that could adversely affect our operating results.

There are a number of risks inherent in foreign operations, including complex regulatory requirements, staffing and management complexities, import and export costs, other economic factors and political considerations, all of which are subject to unanticipated changes. Additionally, foreign operations expose us to foreign currency fluctuations. Furthermore, we generally do not hedge translation exposure with respect to foreign operations.

We depend on our relationships with our sales representatives and customers, as well as suppliers of the products that we distribute.

The inability to attract or retain qualified employees, particularly sales representatives who relate directly with our customers, or our inability to build or maintain relationships with suppliers of products that we distribute may have an adverse effect on our business.

We are dependent on our suppliers because we do not manufacture the majority of the products we sell.

Interruptions in supply could adversely affect our operating results. If a supplier is unable to deliver product in a timely and efficient manner, whether due to financial difficulties, natural disasters or other reasons, we could experience lost sales. We generally do not have long-term contracts with our suppliers that commit them to producing products for us.

While there is generally more than one source of supply for most of the categories of products we sell, there is considerable concentration within our veterinary and dental businesses with a few key suppliers. For example, in fiscal 2015 and 2014, Patterson Veterinary s top 10 suppliers comprised 65% and 68%, respectively, and the single largest supplier comprised 14% and 17%, respectively, of the total cost of veterinary supply sales. In the event that any of our suppliers were to become unable or unwilling to continue to provide the products we sell in the amounts we require, we would need to identify and obtain products from acceptable replacement sources on a timely basis. There is no guarantee that we would be able to obtain such alternative sources of supply on a timely basis, if at all. An extended interruption in the supply of our products would have an adverse effect on our results of operations.

In addition, a portion of our products is sourced, directly or indirectly, from outside the United States. Political or financial instability, increased tariffs, restrictions on trade, currency exchange rates, labor unrest, outbreak of pandemics or other events could slow distribution activities, affect foreign trade beyond our control and adversely affect our results of operations.

The products we sell are subject to market and technological obsolescence.

We carry approximately 195,000 different product stock keeping units (SKUs). Some of these products are subject to technological obsolescence outside of our control, since we do not manufacture the majority of the products we sell. If our customers discontinue purchasing a given product, we might have to record expense related to the diminution in value of inventories we have in stock, and depending on the magnitude, that expense could adversely impact our operating results.

Audits by tax authorities could result in additional tax payments for prior periods.

The amount of income taxes we pay is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. tax authorities. If these audits result in assessments different from our reserves, our future results may include unfavorable adjustments to our tax liabilities.

We are subject to a variety of litigation that could adversely affect our results of operations and financial condition.

We are subject to a variety of litigation incidental to our business, including product liability claims, intellectual property claims, employment claims, commercial disputes, governmental inquiries and investigations, and other matters arising out of the ordinary course of our business. We also may be subject to securities litigation. Defending these lawsuits may divert our management s attention, may be expensive, and may require that we pay damage awards or settlements or become subject to equitable remedies that could adversely affect our financial condition and results of operations. Any insurance or indemnification rights that we may have may be insufficient or unavailable to protect us against potential loss exposure. A successful claim brought against us in excess of available insurance or not covered by indemnification agreements, or any claim that results in significant adverse publicity against us, could have an adverse effect on our business and our reputation.

Our future success depends on our leadership development and succession planning.

Our success depends, in large part, on our ability to recruit skilled personnel, and then identify and train our personnel to transition into key roles to support the long-term growth of our business. While our Board of

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Directors and management actively monitor our succession plans and processes, our business could suffer if we lose key personnel unexpectedly. In addition, competition for senior management is intense and we may not be successful in attracting and retaining key personnel.

We may be required to record a significant charge to earnings if our goodwill or other intangible assets become impaired.

Our balance sheet includes goodwill and other identifiable intangible assets. If impairment of our goodwill or other identifiable intangible assets is determined, we may be required to record a significant charge to earnings in the period of such determination under U.S. generally accepted accounting principles (GAAP).

The healthcare industry is experiencing substantial changes, which are causing uncertainty in the market and may adversely affect our dental and rehabilitation and assistive products supply businesses.

The healthcare industry is highly regulated and subject to changing political, economic and regulatory influences. In recent years, the healthcare industry has undergone significant change driven by various efforts to reduce costs, including: trends toward managed care; consolidation of healthcare distribution companies; consolidation of healthcare manufacturers; collective purchasing arrangements and consolidation among office-based healthcare practitioners that may enable purchasing at more favorable prices than we can obtain and may shift purchasing decisions to entities or persons with whom we do not have a historical relationship; and changes in reimbursements to customers. Our profit margins and the profit margins of our suppliers and our customers may be adversely affected by industry changes. If we are unable to react effectively to these and other changes in the healthcare industry, our operating results could be adversely affected.

In particular, recent healthcare related legislation and regulation in the U.S. may affect expenditures or reimbursements for rehabilitation and assistive products or expenditures or reimbursements for dental services by private dental insurance plans. Other new regulatory requirements could subject us to additional reporting and disclosure requirements, taxes, and/or restrictions. Regulations under healthcare reform legislation continue to evolve, resulting in uncertainty surrounding their application and related enforcement, as well as consuming resources necessary to comply.

Healthcare markets are rapidly changing, as well. For example, our assumptions concerning future per capita expenditures for dental services, including assumptions as to population growth and the demand for preventive and specialty dental services such as periodontic, endodontic and orthodontic procedures, may be mistaken. Fluctuations in demand for infection control products currently used for prevention of the spread of communicable diseases such as AIDS, hepatitis and herpes may adversely affect our revenue.

Failure to comply with existing and future U.S. and foreign laws and regulatory requirements could subject us to claims or otherwise harm our business.

The marketing, distribution and sale of certain products we sell are subject to the requirements of various federal, state and local laws and regulations in the U.S. and abroad. Our failure to comply with applicable laws may subject us to claims, additional liabilities, or enforcement actions by an administrative agency, which could require us to make settlement payments, be subject to civil or criminal penalties (including fines or loss of licenses), or damage our reputation, any of which could adversely affect our business, financial condition and results of operations.

In the U.S., we are subject to regulation by the Federal Food and Drug Administration, the Drug Enforcement Administration and the U.S. Department of Transportation. Among the federal laws which impact our business are the Federal Food, Drug and Cosmetic Act, which regulates the advertising, record keeping, labeling, handling, storage and sale of drugs and medical devices we distribute, and which requires us to be registered with the Federal Food and Drug Administration; the Safe Medical Devices Act, which imposes certain reporting requirements on us in the event of an incident involving serious illness, injury or death caused by a medical device we distributed; and the Controlled Substance Act, which regulates the record keeping, handling, storage and sale of certain drugs we sell, and which requires us to be registered with the Drug Enforcement Administration. In addition, the transportation of certain products we distribute, which are considered hazardous materials, is subject to regulation by the U.S. Department of Transportation.

We are also required to be licensed as a distributor of drugs and medical devices by each state in which we conduct business. In addition, several state Boards of Pharmacy require us to be licensed for the sale of animal health products within their jurisdiction. We are also subject to the requirements of foreign laws and regulations, which impact our operations in those foreign countries where we conduct business.

In the course of our business, particularly in providing installation and support relating to our practice management software, we frequently have access to personal financial and health information of our customers and their patients. Because of this access, we are also subject to additional federal and state laws and regulations, such as the Health Insurance Portability and Accounting Act (HIPAA), which, through regulations and rulemaking, impose on us certain requirements to protect the privacy and security of personal health information.

Furthermore, as discussed above, the industries in which we operate have recently experienced an increase in new regulations, which makes compliance increasingly difficult. Costs and resources associated with complying with these increasing regulations can be considerable.

The implementation of the reporting and disclosure obligations of the Physician Payment Sunshine Act could adversely affect our business.

The Physician Payment Sunshine Act 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. The final rule implementing the Physician Payment Sunshine Act is complex, ambiguous and broad in scope; however, wholesale drug and device distributors which take title to such products may be deemed to be applicable manufacturers subject to full reporting requirements. It is difficult to predict how the new requirements may impact existing relationships among manufacturers, distributors, physicians, dentists and teaching hospitals. While we believe we have substantially compliant programs and controls in place to comply with the Physician Payment Sunshine Act requirements, our compliance with the new final rule imposes additional costs on us.

We are exposed to the risk of changes in interest rates.

Our balance sheet includes certain non-current assets that are sensitive to movements in short-term interest rates. The variable rates are comprised of both LIBOR and commercial paper rates plus a spread and reset on certain dates, as set forth in the respective agreements. In addition, our balance sheet includes fixed rate long-term debt, whose fair value could be adversely affected by movements in interest rates. We finance purchases by our customers using finance contracts that are issued at fixed interest rates, and sell these contracts under various funding arrangements that are priced using variable interest rates. Sudden and dramatic changes in the interest rates within relevant markets could adversely affect our results of operations.

Risks generally associated with our information systems could adversely affect our results of operations.

We rely on information systems (IS) in our business to obtain, rapidly process, analyze and manage data to, among other things:

- facilitate the purchase and distribution of thousands of inventory items through numerous distribution centers;
- receive, process and ship orders on a timely basis;

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- accurately bill and collect from thousands of customers;
- process payments to suppliers; and
- provide technical support to our customers.

A cyber-attack that bypasses our IS security causing an IS security breach may lead to a material disruption of our IS and/or the loss of business information, which could adversely affect our business. These risks may include, among others, the following:

- future results could be adversely affected due to the theft, destruction, loss, misappropriation or release of confidential data or intellectual property;
- operational or business delays resulting from the disruption of IS and subsequent clean-up and mitigation activities;
- negative publicity resulting in reputation or brand damage with our customers, suppliers or industry peers; and
- liability for a breach of personal financial and health information belonging to our customers and their patients.

Our results of operations could be adversely affected if our IS are interrupted, damaged by unforeseen events, incur cyber-attacks or fail for any extended period of time.

If we experience significant disruptions in our operations during our enterprise resource planning implementation, our business may be adversely affected.

We depend on our information technology systems for the efficient functioning of our business, including accounting, data storage, purchasing and inventory management. We are working on implementing a new enterprise resource planning system (ERP) across our significant operating locations. We expect that the ERP will take three to four years to implement and will require the investment of significant human and financial resources. During implementation, we may encounter difficulties in operating our business, which could disrupt our operations, including our ability to timely ship and track customer orders, determine inventory requirements, manage our supply chain, and otherwise adequately service our customers, and lead to increased costs and other difficulties. If we experience significant disruptions during our ERP implementation, we may not be able to repair our systems in an efficient and timely manner. Accordingly, such events may disrupt or reduce the efficiency of our entire operation and have a material adverse effect on our operating results and cash flows.

Our governing documents and Minnesota law may discourage takeovers and business combinations that our shareholders might consider to be in their best interests.

Anti-takeover provisions of our articles of incorporation, bylaws, and Minnesota law could diminish the opportunity for shareholders to participate in acquisition proposals at a price above the then current market price of our common stock. For example, while we have no present plans to issue any preferred stock, our Board of Directors, without further shareholder approval, may issue up to approximately 30 million shares of undesignated preferred stock and fix the powers, preferences, rights and limitations of such class or series, which could adversely affect the voting power of our common stock. Further, as a Minnesota corporation, we are subject to provisions of the Minnesota Business Corporation Act, or MBCA, regarding control share acquisitions and business combinations. We may, in the future, consider adopting additional anti-takeover measures. The authority of our Board of Directors to issue undesignated preferred stock and the anti-takeover provisions of the MBCA, as well as any future anti-takeover measures adopted by us, may, in certain circumstances, delay, deter or prevent takeover attempts and other changes in control of our company not approved by our Board of Directors.

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Item 1B. UNRESOLVED STAFF COMMENTS

We have not received any written comments regarding our reports from the staff of the SEC issued 180 days or more preceding the end of the 2015 fiscal year that remain unresolved, nor have we received any written comments regarding our reports from the SEC within the past 180 days.

Item 2. PROPERTIES

We own our principal executive offices in St. Paul, Minnesota, and the majority of our distribution and manufacturing facilities. Leases of other distribution, manufacturing and administrative facilities generally are on a long-term basis, expiring at various times, with options to renew for additional periods. Most sales offices are leased for varying and usually shorter periods, with or without renewal options. We believe our properties are in good operating condition and are suitable for the purposes for which they are being used.

Patterson Logistics Services

The majority of assets we use to distribute product are owned and operated by Patterson Logistics Services, Inc. (PLSI), a wholly-owned subsidiary, which operates the distribution function for the benefit of all three of our sales and marketing business segments in the U.S. PLSI also advises on the operations of our distribution centers outside of the U.S but these properties are not owned by PLSI.

As of April 25, 2015, PLSI operated 15 distribution centers (eight primary centers) totaling approximately 1.2 million square feet of distribution space as follows:

- one dental distribution center located in Hawaii;
- four veterinary distribution centers located in Alabama, Colorado and Texas (two);
- two rehabilitation distribution centers located in New York State and Indiana;
- one distribution center located in Texas, which stocks and distributes both dental and rehabilitation product;
- three distribution centers located in Iowa, South Carolina and Washington state, which stock and distribute dental and veterinary products; and
- four distribution centers located in California, Florida, Indiana and Pennsylvania, which distribute product for all three of the business units.

Approximately 90% of the PLSI distribution center space is owned.

Patterson Technology Center

The Patterson Technology Center is a state-of-the-art 100,000 square foot facility in Effingham, Illinois, which was completed in fiscal 2012.

Dental Supply

In addition to the locations operated by PLSI, Patterson Dental utilizes an owned location in Illinois to manufacture and ship printed office products. The dental sales operations in Canada are supported by distribution centers located in Quebec and Alberta, Canada.

The dental supply segment is headquartered in our principal executive offices, which is an owned facility. This segment also maintains sales and administrative offices at approximately 88 locations in over 40 states in the U.S. and at 10 locations in Canada, the majority of which are leased.

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Veterinary Supply

Veterinary Supply headquarters is a leased facility in Devens, Massachusetts. Our veterinary sales personnel generally reside within branch locations.

Internationally, this segment s U.K. business has its primary distribution facility in Stoke-on-Trent, and additionally has nine depots used as secondary distribution points throughout the U.K.

Rehabilitation Supply

Patterson Medical is headquartered in a leased facility in Warrenville, Illinois. Domestically, the rehabilitation supply segment maintains manufacturing facilities in Wisconsin and New York. This segment s eighteen branch office locations include nine that are shared with the dental supply segment.

Internationally, this segment has facilities located in the U.K., France, Canada, Australia, New Zealand, China and Thailand.

Item 3. LEGAL PROCEEDINGS

From time to time, we may become a party to ordinary routine litigation incidental to our business, including, without limitation, product liability claims, intellectual property claims, employment claims, commercial disputes, governmental inquiries and investigations, and other matters arising out of the ordinary course of our business. While the results of legal proceedings cannot be predicted with certainty, based upon our historical experience, the resolution of these proceedings is not expected to have a material effect on our consolidated financial position, results of operations, or cash flows.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

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PART II

Item 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Patterson s common stock trades on the NASDAQ Global Select Market® under the symbol PDCO.

The following table sets forth the range of high and low sale prices for Patterson s common stock for each full quarterly period within the two most recent fiscal years. Such quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

	High	Low	Dividends per share
Fiscal 2015			
First Quarter	$ 41.93	$ 37.03	$ 0.20
Second Quarter	42.61	38.04	0.20
Third Quarter	51.49	41.43	0.20
Fourth Quarter	51.48	47.22	0.22
Fiscal 2014			
First Quarter	40.59	37.20	0.16
Second Quarter	42.60	39.59	0.16
Third Quarter	44.27	39.99	0.16
Fourth Quarter	43.01	39.05	0.20

On June 15, 2015, the number of holders on record of common stock was 2,043. The transfer agent for Patterson s common stock is Wells Fargo Bank, N.A., 161 North Concord Exchange, South St. Paul, Minnesota, 55075-0738, telephone: (651) 450-4064.

We had not paid any cash dividends on our common stock from our initial public offering in 1992 until the fourth quarter of fiscal 2010, at which time a $0.10 per share cash dividend was paid. In fiscal 2015 a quarterly cash dividend of $0.20 per share was paid throughout the year, except in the fourth quarter when the dividend was increased to $0.22 per share. We expect to continue to pay a quarterly cash dividend for the foreseeable future; however, the payment of dividends is within the discretion of our Board of Directors and will depend upon our earnings, capital requirements, operating results and financial condition among other factors.

For information relating to securities authorized for issuance under equity compensation plans, see Part III, Item 12.

On March 19, 2013, Patterson s Board of Directors approved a share repurchase plan by which up to 25,000,000 shares may be purchased in open market transactions through March 19, 2018. As of April 25, 2015, 20,852,000 shares remain available under the current repurchase authorization. No shares were repurchased during the fourth quarter of fiscal 2015.

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The graph below compares the cumulative total shareholder return on $100 invested at the market close on April 23, 2010, the last trading day before the beginning of our 2011 fiscal year, through April 24, 2015, the last trading day of our fiscal year 2015, with the cumulative return over the same time period on the same amount invested in the S&P 500 Index and a Peer Group Index, consisting of five companies (including our company) based on the same Standard Industrial Classification Code.* The chart below the graph sets forth the actual numbers depicted on the graph.

	Fiscal Year Ending					
	4/24/2010	4/30/2011	4/28/2012	4/27/2013	4/26/2014	4/25/2015
Patterson Companies, Inc.	100.00	107.36	106.83	119.74	132.92	159.49
S&P 500	100.00	114.31	120.21	138.62	166.71	193.35
Peer Group	100.00	112.10	112.83	129.15	154.70	185.86

* The current composition of SIC Code 5047 Wholesale Medical, Dental & Hospital Equipment & Supplies is as follows: Fuse Medical, Inc., Henry Schein, Inc., Millennium Healthcare, Inc., Owens & Minor, Inc., and Patterson Companies, Inc.

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Item 6. SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands, except per share amounts)

	Fiscal Year Ended				
	April 25, 2015	April 26, 2014 (1)(2)	April 27, 2013	April 28, 2012 (3)	April 30, 2011
Statement of Income Data:					
Net sales	$ 4,375,020	$ 4,063,715	$ 3,637,212	$ 3,535,661	$ 3,415,670
Cost of sales	3,136,814	2,865,437	2,446,443	2,373,147	2,271,445
Gross profit	1,238,206	1,198,278	1,190,769	1,162,514	1,144,225
Operating expenses	864,779	852,522	836,314	804,505	768,217
Operating income	373,427	345,756	354,455	358,009	376,008
Other expense, net	(30,756)	(32,844)	(33,338)	(28,197)	(20,121)
Income before income taxes	342,671	312,912	321,117	329,812	355,887
Income taxes	119,410	112,300	110,845	116,997	130,502
Net income	$ 223,261	$ 200,612	$ 210,272	$ 212,815	$ 225,385
Diluted earnings per share	$ 2.24	$ 1.97	$ 2.03	$ 1.92	$ 1.89
Weighted average shares and potentially dilutive shares outstanding	99,694	101,643	103,807	110,846	119,066
Dividends per common share	$ 0.82	$ 0.68	$ 0.58	$ 0.50	$ 0.42
Balance Sheet Data:					
Working capital	$ 995,540	$ 872,254	$ 912,817	$ 873,865	$ 863,278
Total assets	2,947,706	2,864,677	2,681,778	2,739,368	2,564,968
Total long-term debt	725,000	725,000	725,000	725,000	525,000
Stockholders equity	1,514,123	1,471,664	1,394,455	1,375,202	1,560,540

See the Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report on Form 10-K.

(1) Fiscal 2014 includes a pre-tax restructuring charge of $15.4 million, or approximately $0.13 per diluted share, related to the Medical Restructuring described in Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations.
(2) In August 2013, we acquired National Veterinary Services Limited, which had revenues of more than £315 million, or approximately $493 million, in its fiscal year ended June 30, 2013 prior to acquisition. See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations.
(3) ESOP expense increased operating expenses by approximately $24.0 million, or $0.13 per diluted share, in fiscal 2012 as compared to fiscal 2011 as a result of changes in accounting standards.

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Item 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Our fiscal 2015 financial information is summarized in this Management s Discussion and Analysis and the Consolidated Financial Statements and related Notes. The following background is provided to readers to more fully understand our Company s financial information.

Patterson operates a distribution business in three complementary markets: dental supply, veterinary supply and rehabilitation supply. Historically, our strategy for growth focused on internal growth and the acquisition of smaller distributors and businesses offering related products and services to the dental market. In fiscal 2002, we expanded our strategy to take advantage of a parallel growth opportunity in the veterinary supply market by acquiring the assets of J. A. Webster, Inc., which we operated as Webster Veterinary Supply (Webster) until fiscal 2013. Webster is now known as Patterson Veterinary. Patterson added a third component to our business platform in fiscal 2004 when we entered the rehabilitation supply market with the acquisition of AbilityOne Products Corp. (AbilityOne). AbilityOne is now known as Patterson Medical.

Operating margins of the veterinary business are considerably lower than the dental and rehabilitation supply businesses. While operating expenses run at a lower rate in the veterinary business, their gross margin is substantially lower due generally to the low margins on the pharmaceutical products that are distributed.

We operate with a 52-53 week accounting convention with our fiscal year ending on the last Saturday in April. Fiscal years 2013, 2014 and 2015 ending April 27, 2013, April 26, 2014 and April 25, 2015, respectively, included 52 weeks. Fiscal year 2016 will end on April 30, 2016 and consist of 53 weeks.

There are several important aspects of Patterson s business that are useful in analyzing it, including: (1) market growth in the various markets in which we operate; (2) internal growth; (3) growth through acquisition; and (4) continued focus on controlling costs and enhancing efficiency. Management defines internal growth as the increase in net sales from period to period, excluding the impact of changes in currency exchange rates, and excluding the net sales, for a period of twelve months following the transaction date, of businesses we have acquired.

NVS Acquisition. In August 2013, we completed the acquisition of all the outstanding stock of National Veterinary Services Limited (NVS) from Dechra Pharmaceuticals, PLC (NVS Acquisition). NVS is the largest veterinary products distributor in the U.K. Total cash consideration paid for NVS was £91.2 million (approximately $142.7 million). Sales in fiscal 2015 were $200.2 million higher, and earnings per diluted share were $0.02 higher, than fiscal 2014 as a result of this acquisition. The NVS business has lower gross margin and operating expense rates than our historical businesses.

Medical Restructuring. In August 2013, we announced a plan to divest certain non-core product lines in our medical segment (Medical Restructuring). As a result of the plan to dispose of these product lines, we incurred a pre-tax restructuring charge of $15.4 million or approximately $0.13 per diluted share in fiscal 2014, including. $13.8 million in non-cash losses on disposal of assets. We estimate that disposing of these product lines will generate operational savings of approximately $2 million beginning in fiscal year 2015.

Transaction Costs. During the fourth quarter of fiscal 2015, we incurred $4.6 million of pre-tax transaction costs, or approximately $0.03 per diluted share, related to the June 16, 2015 acquisition of Animal Health International and the potential sale of Patterson Medical. See Subsequent Events in this Item 7 and Note 19 to the Consolidated Financial Statements for information regarding our acquisition of Animal Health International.

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Results of Operations

The following table summarizes our consolidated results of operations over the past three fiscal years as a percent of sales:

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Net sales	100.0%	100.0%	100.0%
Cost of sales	71.7	70.5	67.3
Gross profit	28.3	29.5	32.7
Operating expenses	19.8	21.0	23.0
Operating income	8.5	8.5	9.7
Other expense (income)	0.7	0.8	0.9
Income before income taxes	7.8	7.7	8.8
Income taxes	2.7	2.8	3.0
Net income	5.1%	4.9%	5.8%

Fiscal 2015 Compared to Fiscal 2014

Net Sales. Consolidated net sales in fiscal 2015 were $4,375.0 million, an increase of 7.7%, from $4,063.7 million in fiscal 2014. The growth in sales includes a 5.4% contribution from acquisitions and a 1.0% unfavorable impact of changes in foreign currency translation rates.

Dental segment sales in fiscal 2015 rose 3.0% to $2,454.3 million from $2,382.1 million in fiscal 2014. The growth included a 0.2% contribution from acquisitions and a 0.8% unfavorable impact from changes in foreign currency translation rates. Consumable sales increased 2.5%. Dental equipment and software sales increased 2.9% in fiscal 2015 to $818.3 million with strong contributions from both basic equipment and technology sales, led by new users of CEREC CAD/CAM systems. Other dental sales, consisting primarily of technical service parts and labor, software support services and artificial teeth, increased 6.2% in fiscal 2015.

Veterinary segment sales grew 21.1% to $1,456.6 million, with the NVS Acquisition responsible for 17.1 percentage points of such growth over the prior year. Consumables increased 2.9%, equipment and software sales increased 5.5% and other increased 1.5%. We believe that our equipment and technology strategy, which includes enhancing our infrastructure and becoming a national technical service provider, is driving the increases in equipment, software and services.

Medical segment sales of $464.2 million decreased 3.0% from fiscal 2014. Sales were negatively affected by 4.3% due to reduced sales from the non-core product lines that were divested in fiscal 2014, and by 0.7% due to an unfavorable impact of changes in foreign currency translation rates.

Gross Margin. Consolidated gross margin decreased 120 basis points from the prior year to 28.3%. The NVS Acquisition accounts for 130 basis points of the decrease and the Medical Restructuring accounts for 10 basis points increase resulting in a comparable gross margins being flat year over year. Veterinary gross margin decreased 150 basis points mainly due to the acquisition of NVS.

Operating Expenses. The consolidated operating expense ratio of 19.8% decreased 120 basis points from the prior year ratio of 21.0%. The NVS Acquisition accounts for 90 basis points of the decrease. The incremental expenses from the Transaction Costs relating to the acquisition of Animal Health International and the potential sale of Patterson Medical increased operating expenses by 10 basis points and the Medical Restructuring decreased operating expenses by 30 basis points resulting in a comparable decrease of 10 basis points from the prior year.

Operating Income. Current year operating income was $373.4 million, or 8.5% of net sales. In the prior year, operating income was $345.8 million, or 8.5% of net sales.

Other (Expense) Income, Net. Net other expense was $30.8 million in the current year, a decrease of $2.0 million from the prior year. Net other expense is comprised primarily of interest expense, partly offset by interest income. Foreign currency had a negative impact of $1.9 million compared to a negative impact of $2.1 million in the prior year.

Income Taxes. The effective income tax rate was 34.8% in fiscal 2015 as compared to 35.9% in fiscal 2014. The effective tax rate decreased in fiscal 2015 as compared to fiscal 2014 due to the unfavorable impact of the Medical Restructuring in fiscal 2014 and an overall current year geographical shift in profits due to the NVS acquisition.

Net Income and Earnings Per Share. Net income increased 11.3% to $223.3 million, compared to $200.6 million in the prior year. The increase is mainly driven by increased sales. Earnings per diluted share were $2.24 in the current year compared to $1.97 in the prior year. Transaction Costs in the current year and Medical Restructuring costs in the prior year reduced earnings per diluted share by $0.03 and $0.13, respectively. Weighted average diluted shares in the current year were 99,694,000 compared to 101,643,000 in the prior year. The decrease in the weighted average shares was primarily due to share repurchase activity. The current year s cash dividend was $0.82 per common share compared to $0.68 in the prior year.

Fiscal 2014 Compared to Fiscal 2013

Net Sales. Consolidated net sales in fiscal 2014 were $4,063.7 million, an increase of 11.7%, from $3,637.2 million in fiscal 2013. The growth in sales includes an 11.3% contribution from acquisitions and a 0.4% unfavorable impact of changes in foreign currency translation rates.

Dental segment sales in fiscal 2014 rose 0.1% to $2,382.1 million from $2,380.0 million in fiscal 2013. The growth included a 0.1% contribution from acquisitions and a 0.5% unfavorable impact from changes in foreign currency translation rates. Consumable sales increased 1.3%. Dental equipment and software sales decreased 1.8% in fiscal 2014 to $828.9 million due to strong CEREC sales in fiscal 2013 following a successful trade-up program, as well as a decrease in revenues from digital radiography products although unit volumes increased. The average selling price per unit in the latter category declined in fiscal 2014 as the focus shifted from higher capacity product to more mid-line product in the extra oral categories. Other dental sales, consisting primarily of technical service parts and labor, software support services and artificial teeth, increased 0.3% in fiscal 2014.

Veterinary segment sales grew 59.3% to $1,203.0 million. Acquisitions added 55.8% to sales in fiscal 2014. Excluding the NVS Acquisition, consumables increased 2.5%, equipment and software sales increased 20.3% and other increased 15.5%.

Medical segment sales of $478.6 million decreased 4.7% from fiscal 2013, primarily as a result of reduced sales from the non-core product lines that were divested in fiscal 2014. Fiscal 2014 sales were also impacted by continuing challenges in our international business due to austerity measures implemented over healthcare costs by foreign governments. Foreign exchange rate changes had an unfavorable impact to fiscal 2014 sales growth of 0.2%.

Gross Margin. Consolidated gross margin decreased 320 basis points from fiscal 2013 to 29.5%. The NVS Acquisition accounts for 250 basis points of the decrease and the Medical Restructuring accounts for 10 basis points resulting in a comparable decrease of 60 basis points from fiscal 2013 s gross margin of 32.7%. Veterinary gross margin decreased 430 basis points mainly due to the acquisition of NVS.

Operating Expenses. The consolidated operating expense ratio of 21.0% decreased 200 basis points from fiscal 2013 s ratio of 23.0%. The NVS Acquisition accounts for 190 basis points of the decrease. The incremental

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expenses from information technology initiatives increased operating expense by 30 basis points and the Medical Restructuring increased operating expenses by 30 basis points resulting in a comparable decrease of 70 basis points from fiscal 2013 of 23.0%.

Operating Income. Fiscal 2014 operating income was $345.8 million, or 8.5% of net sales. In fiscal 2013, operating income was $354.5 million, or 9.7% of net sales. The decrease in the operating margin was due primarily to the NVS Acquisition, the Medical Restructuring and incremental expenses from the information technology initiatives, which combined reduced the operating margin by 140 basis points, resulting in a comparable operating margin rate of 9.9%.

Other (Expense) Income, Net. Net other expense was $32.8 million in fiscal 2014, a decrease of $0.5 million from fiscal 2013. Net other expense was comprised primarily of interest expense, partly offset by interest income. Foreign currency had a negative impact of $2.1 million compared to a negative impact of $1.5 million in fiscal 2013. Interest income of $5.0 million was up from $4.5 million in fiscal 2013.

Income Taxes. The effective income tax rate was 35.9% in fiscal 2014 as compared to 34.5% in fiscal 2013. The effective tax rate increased in fiscal 2014 as compared to fiscal 2013 due to certain one-time benefits that were included in the fiscal 2013 rate and the unfavorable impact of the Medical Restructuring in fiscal 2014.

Net Income and Earnings Per Share. Net income decreased 4.6% to $200.6 million, compared to $210.3 million in fiscal 2013. The decline was the result of the Medical Restructuring and the incremental expenses incurred in the information technology initiatives partially offset by the earnings contribution from NVS. Earnings per diluted share were $1.97 in fiscal 2014 compared to $2.03 in fiscal 2013. The impact on earnings per diluted share from the Medical Restructuring was $0.13 in fiscal 2014, and incremental information technology expenditures impacted diluted earnings per share by $0.07 in fiscal 2014. Weighted average diluted shares in fiscal 2014 were 101,643,000 compared to 103,807,000 in fiscal 2013. The decrease in the weighted average shares is primarily due to share repurchase activity. The fiscal 2014 cash dividend was $0.68 per common share compared to $0.58 in fiscal 2013.

Liquidity and Capital Resources

Patterson s operating cash flow has been our principal source of liquidity in the last three fiscal years. During fiscal 2015 and 2014, we used our revolving credit facility periodically as a source of liquidity in addition to operating cash flow. Operating activities generated cash of $262.7 million in fiscal 2015, compared to $195.8 million in fiscal 2014 and $299.2 million in fiscal 2013. Our operating activities are primarily driven by net income.

Capital expenditures were $62.9 million, $40.3 million and $22.0 million in fiscal years 2015, 2014 and 2013, respectively. Significant expenditures in these years included investments in our information technology initiatives. We expect capital expenditures to be approximately $54 million in fiscal 2016, with our main investment being in information technology initiatives.

Cash used for acquisitions and equity investments totaled $10.5 million in fiscal 2015, $145.8 million in fiscal 2014 and $14.6 million in fiscal 2013. The majority of the cash used for acquisitions in fiscal 2015 related to the acquisition of Holt Dental. In fiscal 2014, the majority of the cash used for acquisitions related to the acquisitions of NVS and Mercer Mastery. In fiscal 2013, the majority of the cash used for acquisitions related to the acquisitions of Iowa Dental Supply and Universal Vaporizer Support. See Subsequent Events in this Item 7 and Note 19 to the Consolidated Financial Statements for information regarding our acquisition of Animal Health International.

In fiscal 2015, we entered into a Note Purchase Agreement, under which we issued fixed rate Senior Notes in an aggregate principal amount of $250.0 million at an interest rate of 3.48% per annum, due March 24, 2025.

The proceeds were used to repay $250.0 million of Senior Notes that came due on March 25, 2015. In fiscal 2013, we retired $125.0 million of debt. See Note 7 to the Consolidated Financial Statements for further information.

In fiscal 2015, a cash payment of $29.0 million was made to settle an interest rate swap. We originally entered into this swap in January 2014 to hedge interest rate fluctuations in anticipation of refinancing the Senior Notes that came due on March 25, 2015.

In fiscal 2014, we invested in three time deposits with total principal of $110.0 million Canadian. Our time deposit securities are classified as held-to-maturity securities and are carried at cost, adjusted for accrued interest and amortization. At April 25, 2015, these securities are classified as short-term investments in the amount of $53.4 million.

Total dividends paid in fiscal years 2015, 2014 and 2013 were $81.8 million, $85.7 million and $43.7 million, respectively. We expect to continue to pay a quarterly cash dividend for the foreseeable future. In addition, during fiscal 2015, we repurchased approximately 1.2 million shares of common stock for approximately $47.5 million. In fiscal 2014, we repurchased approximately 2.4 million shares of common stock for approximately $96.5 million. In fiscal 2013, we repurchased approximately 5.2 million shares of common stock for approximately $179.5 million. Under a share repurchase plan authorized by the Board of Directors, as of March 19, 2013, Patterson may repurchase up to 25.0 million shares of its common stock. This authorization remains in effect through March 19, 2018. As of April 25, 2015, approximately 20.9 million shares remain available under the current repurchase authorization.

Management expects funds generated from operations and existing cash to be sufficient to meet our working capital needs for the next fiscal year. We have $347.3 million in cash and cash equivalents as of April 25, 2015, of which $212.9 million is in foreign bank accounts. None of our cash balances is subject to any withdrawal restrictions. See Note 12 to the Consolidated Financial Statements for further information regarding our intention to permanently reinvest these funds. In addition, we have a $300 million revolving credit facility, which expires in fiscal 2017. Patterson s existing debt facilities are believed to be adequate as a supplement to internally generated cash flows to fund anticipated expansion plans and strategic initiatives.

We expect to continue to obtain liquidity from the sale of equipment finance contracts. Patterson sells a significant portion of our finance contracts (see below) to a commercial paper funded conduit managed by a third party bank, and as a result, commercial paper is indirectly an important source of liquidity for Patterson. Patterson is allowed to participate in the conduit due to the quality of our finance contracts and our financial strength. Cash flows could be impaired if our financial strength diminishes to a level that precluded us from taking part in this facility or other similar facilities. Also, market conditions outside of our control could adversely affect the ability for us to sell the contracts.

Customer Financing Arrangements

Patterson is a party to two arrangements under which we have sold finance contracts received from our customers to outside financial institutions. These arrangements provide sources of liquidity for us that would have to be replaced should any of the current financial institutions be unable or unwilling to continue under them.

In December 2010, the Receivables Purchase Agreement was amended to make The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) the managing agent. As of April 25, 2015, the total capacity under this agreement is $500 million, which includes $300 million with BTMU and the remainder with Royal Bank of Canada (RBC). In August 2011, Fifth Third Bank (FTB) replaced U.S. Bank National Association as the agent under the Contract Purchase Agreement, which has a capacity of $100 million as of April 25, 2015. Our financing business is described in further detail in Note 6 Customer Financing of the Notes to the Consolidated

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Financial Statements in Item 8 of this Form 10-K. Note 6, discusses the nature and business purpose of the arrangements and the activity under each arrangement during fiscal 2015, including the amount of finance contracts sold and the deferred purchase price receivable owed to us.

Contractual Obligations

A summary of Patterson s contractual obligations as of April 25, 2015 follows (in thousands):

		Payments due by year			
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt	$ 725,000	$	$ 150,000	$ 60,000	$ 515,000
Interest on long-term debt	195,080	28,759	57,517	38,497	70,307
Operating leases	73,473	21,133	28,836	15,834	7,670
Total	$ 993,553	$ 49,892	$ 236,353	$ 114,331	$ 592,977

Patterson is unable to determine its contractual obligations by year related to the provisions of ASC Topic 740, Income Taxes , as the ultimate amount or timing of settlement of its reserves for income taxes cannot be reasonably estimated. The total liability for unrecognized tax benefits including interest and penalties at April 25, 2015 is $20.9 million.

For a more complete description of Patterson s contractual obligations, see Notes 7 and 11 to the Consolidated Financial Statements.

Outlook

For the past several years, we have grown revenue and earnings by: delivering value-added, full-service capabilities; enhancing customer service through technology; further improving operating efficiencies; and expanding both organically and through acquisitions. While we expect the recent slow economic growth to continue to affect our performance for the foreseeable future, Patterson s strategy will remain focused on the initiatives above, as well as our current efforts to broaden our view of our markets and focus on our core strengths in our Dental and Veterinary businesses. We believe this combination of strategies will further optimize our operational platform, expand our growth profile and position Patterson to capitalize on the growth opportunities before us. With strong operating cash flow and available credit capacity, we are confident that we will be able to financially support our future growth.

Asset Management

The following table summarizes Patterson s days sales outstanding (DSO) and inventory turnover the past three fiscal years:

	2015	2014	2013
DSO [(1)]	48	46	42
Inventory turnover	6.2	7.2	7.1

(1) Calculation includes approximately $12 million, $7 million and $9 million as of April 25, 2015, April 26, 2014 and April 27, 2013, respectively, of receivables from finance contracts received from customers related to certain financing promotions.

Foreign Operations

Foreign sales derive primarily from Patterson Dental and Patterson Medical operations in Canada, from Patterson Veterinary s operations in the U.K. and from Patterson Medical operations in the U.K., France, Australia and Thailand. Fluctuations in currency exchange rates have not significantly impacted earnings.

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However, changes in exchange rates adversely affected net sales by $40.2 million, $13.9 million, and $5.6 million in fiscal years 2015, 2014 and 2013, respectively. Changes in currency exchange rates are a risk accompanying foreign operations, but this risk is not considered material with respect to our consolidated operations.

Critical Accounting Policies and Estimates

Patterson has adopted various accounting policies to prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States. Management believes that our policies are conservative and our philosophy is to adopt accounting policies that minimize the risk of adverse events having a material impact on recorded assets and liabilities. However, the preparation of financial statements requires the use of estimates and judgments regarding the realization of assets and the settlement of liabilities based on the information available to management at the time. Changes subsequent to the preparation of the financial statements in economic, technological and competitive conditions may materially impact the recorded values of Patterson s assets and liabilities. Therefore, the users of the financial statements should read all the notes to the Consolidated Financial Statements and be aware that conditions currently unknown to management may develop in the future. This may require a material adjustment to a recorded asset or liability to consistently apply to our significant accounting principles and policies that are discussed in Note 1 to the Consolidated Financial Statements. The financial performance and condition of Patterson may also be materially impacted by transactions and events that we have not previously experienced and for which we have not been required to establish an accounting policy or adopt a generally accepted accounting principle.

Revenue Recognition Revenues are generated from the sale of consumable products, equipment, software products and services, technical service parts and labor, freight and delivery charges, and other sources. Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and there is reasonable assurance of collection of the sale. Estimates for returns, damaged goods, rebates, loyalty programs and other revenue allowances are made at the time the revenue is recognized based on the historical experience for such items. In addition to revenues generated from the distribution of consumable products under conventional arrangements (buy/sell agreements) where the full market value of the product is recorded as revenue, the veterinary segment may earn a small amount of commission income for services provided under agency agreements with certain pharmaceutical manufacturers. The services generally consist of detailing the product and taking the customer s order. The agency agreement contrasts to a buy/sell agreement in that the veterinary segment does not purchase and handle the product or bill and collect from the customer in an agency relationship with a vendor.

Consumable product sales are recorded upon delivery, except in those circumstances where terms of the sale are FOB shipping point. Commissions under agency agreements are recorded when the services are provided.

Equipment and software product revenues are recognized upon delivery and, if necessary, installation. In those circumstances where terms of the sale are FOB shipping point, revenues are recognized when products are transferred to the shipping carrier. Revenue derived from post contract customer support for software is deferred and recognized ratably over the period in which the support is provided. Patterson provides financing for select equipment and software sales. Revenue is recorded at the present value of the finance contract, with discount, if any, and interest income recognized over the life of the finance contract as other income . See Note 6 to the Consolidated Financial Statements for more information regarding customer financing.

Other revenue, including freight and delivery charges and technical service parts and labor, is recognized when the related product revenue is recognized or when the product or services are provided to the customer.

The receivables that result from the recognition of revenue are reported net of the related allowances discussed above. Patterson maintains a valuation allowance based upon the expected collectability of receivables held. Estimates are used to determine the valuation allowance and are based on several factors, including

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historical collection data, economic trends and credit worthiness of customers. Receivables are written off when we determine the amounts to be uncollectible, typically upon customer bankruptcy or non-response to continuous collection efforts. The portions of receivable amounts that are not expected to be collected during the next twelve months are classified as long-term.

Patterson has a relatively large, dispersed customer base and no single customer accounts for more than 1% of consolidated net sales. In addition, the equipment sold to customers under finance contracts generally serves as collateral for the contract and the customer provides a personal guarantee as well.

Patterson Advantage Loyalty Program Patterson Dental provides a point-based awards program to qualifying customers involving the issuance of Patterson Advantage dollars which can be used toward equipment and technology purchases. The program was initiated in January 2009 and runs on a calendar year schedule. Patterson Advantage dollars earned during a program year expire one year after the end of the program year. The cost and corresponding liability associated with the program is recognized as contra-revenue in accordance with ASC Topic 605-50, Revenue Recognition-Customer Payments and Incentives. As of April 25, 2015, we believe we have sufficient experience with the program to reasonably estimate the amount of Patterson Advantage dollars that will not be redeemed and thus have recorded a liability for 87% of the maximum potential amount that could be redeemed. We use the redemption recognition method, and we recognize the estimated value of unused Patterson Advantage dollars as redemptions occur. Breakage recognized was immaterial to all periods presented.

Inventory and Reserves Inventory consists primarily of merchandise held for sale and is stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for all inventories, except for foreign inventories and manufactured inventories, which are valued using the first-in, first-out (FIFO) method. We continually assess the valuation of inventories and reduce the carrying value of those inventories that are obsolete or in excess of forecasted usage to estimated realizable value. Estimates are made of the net realizable value of such inventories based on analyses and assumptions including, but not limited to, historical usage, future demand and market requirements.

Goodwill and Other Indefinite-Lived Intangible Assets Goodwill represents the excess of cost over the fair value of identifiable net assets of businesses acquired. We have three reporting units as of April 25, 2015, which are the same as our reportable segments. Other indefinite-lived intangible assets include copyrights, trade names and trademarks.

We evaluate goodwill at least annually using a qualitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. If we determine that the fair value of the reporting unit may be less than its carrying amount, we evaluate goodwill using a two-step impairment test. Otherwise, we conclude that no impairment is indicated and we do not perform the two-step impairment test. In fiscal 2015, we determined it was appropriate to perform a two-step impairment test.

The first step of the goodwill impairment test compares the book value of a reporting unit, including goodwill, with its fair value, as determined by its discounted cash flows. If the book value of a reporting unit exceeds its fair value, the second step of the impairment test is performed to determine the amount of goodwill impairment loss to be recorded. The determination of fair value involves uncertainties because it requires management to make assumptions and to apply judgment to estimate industry and economic factors and the profitability of future business strategies. Patterson conducts impairment testing based on current business strategy in light of present industry and economic conditions, as well as future expectations. Additionally, in assessing goodwill for impairment, the reasonableness of the implied control premium is considered based on market capitalizations and recent market transactions.

Other indefinite-lived intangible assets are assessed for impairment by comparing the carrying value of an asset with its fair value. If the carrying value exceeds fair value, an impairment loss is recognized in an amount equal to the excess. The determination of fair value involves assumptions, including projected revenues and gross profit levels, as well as consideration of any factors that may indicate potential impairment.

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In the fourth quarter of fiscal 2015, management completed its annual goodwill and other indefinite-lived intangible asset impairment tests and determined there was no impairment and that none of our reporting units are at risk of failing step 1. Although we believe estimates and assumptions used in estimating cash flows and determining fair value are reasonable, making material changes to such estimates and assumptions could materially affect such impairment analyses and financial results, including an impairment charge that could be material.

Long-Lived Assets Long-lived assets, including definite-lived intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows derived from such assets. Our definite-lived intangible assets primarily consist of an exclusive distribution agreement and customer lists. When impairment exists, the related assets are written down to fair value.

Income Taxes We are subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgments are required in determining the consolidated provision for income taxes.

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. As a result, we recognize tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognized when, despite our belief that our tax return position is supportable, we believe that certain positions may not be fully sustained upon review by tax authorities. We believe that our accruals for tax liabilities are adequate for all open audit years based on our assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made and could materially affect our financial results.

Valuation allowances are established for deferred tax assets if, after assessment of available positive and negative evidence, it is more likely than not that the deferred tax asset will not be fully realized. The valuation allowance reflected in the footnote disclosure relates to net operating loss carryforwards of certain foreign subsidiaries acquired in prior years.

Self-insurance Patterson is self-insured for certain losses related to general liability, product liability, automobile, workers compensation and medical claims. We estimate our liabilities based upon an analysis of historical data and actuarial estimates. While current estimates are believed reasonable based on information currently available, actual results could differ and affect financial results due to changes in the amount or frequency of claims, medical cost inflation or other factors. Historically, actual results related to these types of claims have not varied significantly from estimated amounts.

Stock-based Compensation We recognize stock-based compensation based on certain assumptions including inputs within the Black-Scholes Model and estimated forfeitures. These assumptions require subjective judgment and changes in the assumptions can materially affect fair value estimates. Management assesses the assumptions and methodologies used to estimate forfeitures and to calculate estimated fair value of stock-based compensation on a regular basis. Circumstances may change, and additional data may become available over time, which could result in changes to these assumptions and methodologies and thereby materially impact the fair value determination or estimates of forfeitures. If factors change and we employ different assumptions, the amount of compensation expense associated with stock-based compensation may differ significantly from what was recorded in the current period.

Subsequent Events

On June 16, 2015, we completed the previously announced acquisition of Animal Health International, Inc., a leading production animal health distribution company in the United States, for approximately $1.1 billion in cash. Animal Health International generated sales and earnings before interest, income taxes, depreciation and

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amortization of $1.5 billion and $68 million, respectively, during the 12 months ended March 2015. This acquisition will more than double the size of Patterson s veterinary business. The combined unit will offer a range of products and services to customers in the U.S., Canada and the U.K. See Note 19 to the Consolidated Financial Statements for further information.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

We are exposed to market risk consisting of foreign currency rate fluctuations and changes in interest rates.

Patterson is exposed to foreign currency exchange rate fluctuations in our operating statement due to transactions denominated primarily in Canadian Dollars, British Pounds, Euros, Australian Dollars, New Zealand Dollars and Thai Bahts. Although Patterson is not currently involved with foreign currency hedge contracts, we continually evaluate our foreign currency exchange rate risk and the different mechanisms for use in managing such risk. A hypothetical 10% change in the value of the U.S. dollar in relation to our most significant foreign currency exposures would have reduced fiscal 2015 net sales by approximately $91 million**.** This amount is not indicative of the hypothetical net earnings impact due to the partially offsetting impact of the currency exchange movements on cost of sales and operating expenses.

Patterson s earnings are also affected by fluctuations in short-term interest rates through the investment of cash balances and the practice of selling fixed rate equipment finance contracts under agreements with both a commercial paper conduit and a bank that provide for pricing based on variable interest rates.

When considering the exposure under the agreements whereby Patterson sells equipment finance contracts to both a commercial paper conduit and bank, Patterson has the ability to select pricing based on interest rates ranging from 30 day LIBOR up to twelve month LIBOR. In addition, the majority of the portfolio of installment contracts generally turns over in less than 48 months, and Patterson can adjust the rate we charge on new customer contracts at any time. Therefore, in times where the interest rate markets are not rapidly increasing or decreasing, the average interest rate in the portfolio generally moves with the interest rate markets and thus would parallel the underlying interest rate movement of the pricing built into the sale agreements. In calculating the gain on the contract sales, we use an interest rate curve that approximates the maturity period of the then-outstanding contracts. If increases in the interest rate markets occur, the average interest rate in our contract portfolio may not increase at the same rate, resulting in a reduction of gain on the contracts sales as compared to the gain that would be realized if the average interest rate in our portfolio were to increase at a more similar rate to the interest rate markets.

Patterson estimates that if interest rates changed by 10% during the year, the annual impact would have been less than $1 million to earnings before income taxes.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Patterson Companies, Inc.

We have audited Patterson Companies, Inc. s internal control over financial reporting as of April 25, 2015, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Patterson Companies, Inc. s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting appearing in Item 9A, Controls and Procedures, of this Annual report on Form 10-K. Our responsibility is to express an opinion on the company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Patterson Companies, Inc. maintained, in all material respects, effective internal control over financial reporting as of April 25, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Patterson Companies, Inc. as of April 25, 2015 and April 26, 2014, and the related consolidated statements of income and other comprehensive income, changes in stockholders equity, and cash flows for each of the three fiscal years in the period ended April 25, 2015, and our report dated June 24, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Minneapolis, Minnesota

June 24, 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Patterson Companies, Inc.

We have audited the accompanying consolidated balance sheets of Patterson Companies, Inc. as of April 25, 2015 and April 26, 2014, and the related consolidated statements of income and other comprehensive income, changes in stockholders equity, and cash flows for each of the three fiscal years in the period ended April 25, 2015. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Patterson Companies, Inc. at April 25, 2015 and April 26, 2014, and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended April 25, 2015, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Patterson Companies, Inc. s internal control over financial reporting as of April 25, 2015, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated June 24, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Minneapolis, Minnesota

June 24, 2015

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PATTERSON COMPANIES, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share amounts)

	April 25, 2015	April 26, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 347,260	$ 264,908
Short-term investments	53,372	40,775
Receivables, net of allowance for doubtful accounts of $8,419 and $9,873 at April 25, 2015 and April 26, 2014, respectively	644,139	607,580
Inventory	456,687	436,463
Prepaid expenses and other current assets	71,767	65,991
Total current assets	1,573,225	1,415,717
Property and equipment, net	226,805	204,939
Long-term receivables, net	71,686	90,535
Goodwill	837,099	844,433
Identifiable intangibles, net	199,829	223,150
Other	39,062	85,903
Total assets	$ 2,947,706	$ 2,864,677
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 349,635	$ 342,056
Accrued payroll expense	79,964	66,567
Other accrued liabilities	148,086	134,840
Total current liabilities	577,685	543,463
Long-term debt	725,000	725,000
Deferred income taxes	88,264	94,004
Other	42,634	30,546
Total liabilities	1,433,583	1,393,013
Stockholders equity:		
Common stock, $.01 par value: authorized shares 600,000; issued and outstanding shares 103,278 and 103,965 at April 25, 2015 and April 26, 2014, respectively	1,033	1,040
Additional paid-in capital	21,026	
Accumulated other comprehensive income (loss)	(60,346)	25,370
Retained earnings	1,630,148	1,531,198
Unearned ESOP shares	(77,738)	(85,944)
Total stockholders equity	1,514,123	1,471,664
Total liabilities and stockholders equity	$ 2,947,706	$ 2,864,677

See accompanying notes

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PATTERSON COMPANIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

AND OTHER COMPREHENSIVE INCOME

(In thousands, except per share amounts)

	Fiscal Year Ended April 25, 2015	April 26, 2014	April 27, 2013
Net sales	$ 4,375,020	$ 4,063,715	$ 3,637,212
Cost of sales	3,136,814	2,865,437	2,446,443
Gross profit	1,238,206	1,198,278	1,190,769
Operating expenses	864,779	852,522	836,314
Operating income	373,427	345,756	354,455
Other income and expense:			
Other income, net	2,937	2,869	3,059
Interest expense	(33,693)	(35,713)	(36,397)
Income before taxes	342,671	312,912	321,117
Income taxes	119,410	112,300	110,845
Net income	$ 223,261	$ 200,612	$ 210,272
Earnings per share:			
Basic	$ 2.26	$ 1.99	$ 2.04
Diluted	$ 2.24	$ 1.97	$ 2.03
Weighted average shares:			
Basic	98,989	100,727	103,030
Diluted	99,694	101,643	103,807
Dividends declared per common share	$ 0.82	$ 0.68	$ 0.58
Comprehensive income			
Net income	$ 223,261	$ 200,612	$ 210,272
Foreign currency translation (loss)/gain	(73,271)	6,059	(7,132)
Cash flow hedges, net of tax	(12,445)	(5,854)	(158)
Comprehensive income	$ 137,545	$ 200,817	$ 202,982

See accompanying notes

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PATTERSON COMPANIES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

(In thousands)

	Common Stock Number	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Unearned ESOP Shares	Total
Balance at April 28, 2012	109,924	$ 1,099	$	$ 32,455	$ 1,456,233	$ (114,585)	$ 1,375,202
Foreign currency translation				(7,132)			(7,132)
Cash flow hedges				(158)			(158)
Net income					210,272		210,272
Dividends declared					(57,384)		(57,384)
Common stock issued and related tax benefits	870	9	21,316				21,325
Repurchase of common stock	(5,224)	(52)	(35,941)		(145,763)		(181,756)
Stock based compensation			14,625				14,625
ESOP activity						19,461	19,461
Balance at April 27, 2013	105,570	1,056		25,165	1,463,358	(95,124)	1,394,455
Foreign currency translation				6,059			6,059
Cash flow hedges				(5,854)			(5,854)
Net income					200,612		200,612
Dividends declared					(72,413)		(72,413)
Common stock issued and related tax benefits	749	7	27,461				27,468
Repurchase of common stock	(2,354)	(23)	(36,104)		(60,359)		(96,486)
Stock based compensation			8,643				8,643
ESOP activity						9,180	9,180
Balance at April 26, 2014	103,965	1,040		25,370	1,531,198	(85,944)	1,471,664
Foreign currency translation				(73,271)			(73,271)
Cash flow hedges				(12,445)			(12,445)
Net income					223,261		223,261
Dividends declared					(82,531)		(82,531)
Common stock issued and related tax benefits	507	5	11,331				11,336
Repurchase of common stock	(1,194)	(12)	(5,747)		(41,780)		(47,539)
Stock based compensation			15,442				15,442
ESOP activity						8,206	8,206
Balance at April 25, 2015	103,278	$ 1,033	$ 21,026	$ (60,346)	$ 1,630,148	$ (77,738)	$ 1,514,123

See accompanying notes

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PATTERSON COMPANIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Fiscal Year Ended April 25, 2015	April 26, 2014	April 27, 2013
Operating activities:			
Net income	$ 223,261	$ 200,612	$ 210,272
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	26,895	27,113	25,720
Amortization	24,435	22,873	20,282
Bad debt expense	3,384	3,220	1,119
Non-cash employee compensation	26,485	20,018	35,202
Excess tax benefits from stock-based compensation	(255)	(1,290)	(2,487)
Non-cash charges related to medical divestitures		13,842	
Deferred income taxes	5,702	7,765	7,049
Change in assets and liabilities net of acquired:			
Receivables	(38,023)	(50,756)	17,226
Inventory	(22,654)	(36,019)	(39,096)
Accounts payable	6,769	12,345	41,347
Accrued liabilities	41,344	14,125	(21,767)
Long term receivables	814	(5,108)	27
Other changes from operating activities, net	(35,466)	(32,904)	4,301
Net cash provided by operating activities	262,691	195,836	299,195
Investing activities:			
Additions to property and equipment	(62,945)	(40,387)	(21,983)
Acquisitions and equity investments, net of cash assumed	(10,515)	(145,815)	(14,650)
Proceeds from sale	46,369	6,546	
Purchase of investment	(543)	(99,672)	
Other investing activities	18,035	(4,436)	6,595
Net cash used in investing activities	(9,599)	(283,764)	(30,038)
Financing activities:			
Dividends paid	(81,760)	(85,657)	(43,767)
Repurchases of common stock	(47,539)	(96,486)	(179,525)
ESOP activity	(188)	435	1,576
Common stock issued, net	7,300	20,217	13,131
Retirement of long term debt	(250,000)		(125,000)
Proceeds from issuance of long-term debt	250,000		
Settlement of swap	(29,003)		
Payment to revolver	(130,000)	(135,000)	
Draw on revolver	130,000	135,000	
Excess tax benefits from stock-based compensation	255	1,290	2,487
Net cash used in financing activities	(150,935)	(160,201)	(331,098)
Effect of exchange rate changes on cash	(19,805)	7,809	(6,612)
Net increase (decrease) in cash and cash equivalents	82,352	(240,320)	(68,553)
Cash and cash equivalents at beginning of period	264,908	505,228	573,781

Cash and cash equivalents at end of period	$ 347,260	$ 264,908	$ 505,228
Supplemental disclosures:			
Income taxes paid	$ 110,909	$ 108,374	$ 124,146
Interest paid	34,076	34,933	35,965
Repurchases of common stock with liability due to broker			2,707

See accompanying notes

PATTERSON COMPANIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

APRIL 25, 2015

(Dollars, except per share amounts, and shares in thousands)

1. Summary of Significant Accounting Policies

Description of Business

Patterson Companies, Inc. (referred to herein as Patterson or in the first person notations we, our, and us) is a value-added distributor serving th North American dental supply, U.S. and U.K. veterinarian supply and the worldwide rehabilitation and assistive products supply market. Patterson Companies has three reportable segments: dental supply, veterinary supply and rehabilitation supply.

Basis of Presentation

The consolidated financial statements include the accounts of our wholly owned subsidiaries. Intercompany transactions and balances have been eliminated in consolidation. The respective assets of PDC Funding Company, LLC and PDC Funding Company II, LLC would be available first and foremost to satisfy the claims of their respective creditors. There are no known creditors of PDC Funding Company, LLC or PDC Funding Company II, LLC.

Fiscal Year End

We operate with a 52-53 week accounting convention with our fiscal year ending on the last Saturday in April. Fiscal years 2013, 2014 and 2015 ending April 27, 2013, April 26, 2014 and April 25, 2015, respectively, included 52 weeks. Fiscal year 2016 will end on April 30, 2016 and consist of 53 weeks.

Use of Estimates in the Preparation of Financial Statements

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

Reclassifications

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

Cash and Cash Equivalents

Cash equivalents consist primarily of investments in money market funds and government securities. The maturity of these securities at the time of purchase is 90 days or less. All cash and cash equivalents are classified as available-for-sale and carried at fair value, which approximates cost.

Inventory

Inventory consists of merchandise held for sale and is stated at the lower of cost or market. Cost is determined using the last-in, first-out (LIFO) method for all inventories, except for foreign inventories and manufactured inventories, which are valued using the first-in, first-out (FIFO) method. Inventories valued at LIFO represent 76% and 75% of total inventories at April 25, 2015 and April 26, 2014, respectively.

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The accumulated LIFO reserve was $76,474 at April 25, 2015 and $74,607 at April 26, 2014. We believe that inventory replacement cost exceeds the inventory balance by an amount approximating the LIFO reserve.

Property and Equipment

Property and equipment are stated at cost. Depreciation is calculated on the straight-line method over estimated useful lives of up to 39 years for buildings or the expected remaining life of purchased buildings, the term of the lease for leasehold improvements, 3 years for laptops, 5 years for computer hardware and software, and 5 to 10 years for office furniture and equipment.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill represents the excess of cost over the fair value of identifiable net assets of businesses acquired. We have three reporting units as of April 25, 2015, which are the same as our reportable segments. Other indefinite-lived intangible assets include copyrights, trade names and trademarks.

We evaluate goodwill at least annually using a qualitative assessment to determine whether it is more likely than not that the fair value of any reporting unit is less than its carrying amount. If we determine that the fair value of the reporting unit may be less than its carrying amount, we evaluate goodwill using a two-step impairment test. Otherwise, we conclude that no impairment is indicated and we do not perform the two-step impairment test. In fiscal 2015, we determined it was appropriate to perform a two-step impairment test.

The first step of the goodwill impairment test compares the book value of a reporting unit, including goodwill, with its fair value, as determined primarily by its discounted cash flows. If the book value of a reporting unit exceeds its fair value, the second step of the impairment test is performed to determine the amount of goodwill impairment loss to be recorded. The determination of fair value involves uncertainties because it requires management to make assumptions and to apply judgment to estimate industry and economic factors and the profitability of future business strategies. Patterson conducts impairment testing based on current business strategy in light of present industry and economic conditions, as well as future expectations. Additionally, in assessing goodwill for impairment, the reasonableness of the implied control premium is considered based on market capitalizations and recent market transactions.

Other indefinite-lived intangible assets are assessed for impairment by comparing the carrying value of an asset with its fair value. If the carrying value exceeds fair value, an impairment loss is recognized in an amount equal to the excess. The determination of fair value involves assumptions, including projected revenues and gross profit levels, as well as consideration of any factors that may indicate potential impairment.

In the fourth quarter of fiscal 2015, management completed its annual goodwill and other indefinite-lived intangible asset impairment tests and determined there was no impairment and that none of our reporting units are at risk of failing step 1. Although we believe estimates and assumptions used in estimating cash flows and determining fair value are reasonable, making material changes to such estimates and assumptions could materially affect such impairment analyses and financial results, including an impairment charge that could be material.

Long-Lived Assets

Long-lived assets, including definite-lived intangible assets, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows derived from such assets. Our definite-lived intangible assets primarily consist of an exclusive distribution agreement and customer lists. When impairment exists, the related assets are written down to fair value. No impairment was recognized in the periods presented.

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Financial Instruments

We account for derivative financial instruments under the provisions of Accounting Standards Codification (ASC) Topic 815, Derivatives and Hedging. Our use of derivative financial instruments is generally limited to managing well-defined interest rate risks. Patterson does not use financial instruments or derivatives for any trading purposes.

Revenue Recognition

Revenues are generated from the sale of consumable products, equipment, software products and services, technical service parts and labor, freight and delivery charges, and other sources. Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and there is reasonable assurance of collection of the sale. Estimates for returns, damaged goods, rebates, loyalty programs and other revenue allowances are made at the time the revenue is recognized based on the historical experience for such items. In addition to revenues generated from the distribution of consumable products under conventional arrangements (buy/sell agreements) where the full market value of the product is recorded as revenue, the veterinary segment may earn a small amount of commission income for services provided under agency agreements with certain pharmaceutical manufacturers. The services generally consist of detailing the product and taking the customer s order. The agency agreement contrasts to a buy/sell agreement in that the veterinary segment does not purchase and handle the product or bill and collect from the customer in an agency relationship with a vendor.

Consumable product sales are recorded upon delivery, except in those circumstances where terms of the sale are FOB shipping point. Commissions under agency agreements are recorded when the services are provided.

Equipment and software product revenues are recognized upon delivery and, if necessary, installation. In those circumstances where terms of the sale are FOB shipping point, revenues are recognized when products are transferred to the shipping carrier. Revenue derived from post contract customer support for software is deferred and recognized ratably over the period in which the support is provided. Patterson provides financing for select equipment and software sales. Revenue is recorded at the present value of the finance contract, with discount, if any, and interest income recognized over the life of the finance contract as other income . See Note 6 for more information regarding customer financing.

Other revenue, including freight and delivery charges and technical service parts and labor, is recognized when the related product revenue is recognized or when the product or services are provided to the customer.

The receivables that result from the recognition of revenue are reported net of the related allowances discussed above. Patterson maintains a valuation allowance based upon the expected collectability of receivables held. Estimates are used to determine the valuation allowance and are based on several factors, including historical collection data, economic trends and credit worthiness of customers. Receivables are written off when we determine the amounts to be uncollectible, typically upon customer bankruptcy or non-response to continuous collection efforts. The portions of receivable amounts that are not expected to be collected during the next twelve months are classified as long-term.

Patterson has a relatively large, dispersed customer base and no single customer accounts for more than 1% of consolidated net sales. In addition, the equipment sold to customers under finance contracts generally serves as collateral for the contract and the customer provides a personal guarantee as well.

Net sales does not include sales tax as we are considered a pass-through conduit for collecting and remitting sales tax.

Patterson Advantage Loyalty Program

The Dental segment provides a point-based awards program to qualifying customers involving the issuance of Patterson Advantage dollars which can be used toward equipment and technology purchases. The program was initiated on January 1, 2009 and runs on a calendar year schedule. Patterson Advantage dollars earned during a program year expire one year after the end of the program year. The cost and corresponding liability associated with the program are recognized as contra-revenue in accordance with ASC Topic 605-50, Revenue Recognition-Customer Payments and Incentives. As of April 25, 2015, we believe we have sufficient experience with the program to reasonably estimate the amount of Patterson Advantage dollars that will not be redeemed and thus have recorded a liability for 87% of the maximum potential amount that could be redeemed. We use the redemption recognition method and we recognize the estimated value of unused Advantage dollars as a percentage of Patterson Advantage dollars earned. Breakage recognized was immaterial to all periods presented.

Freight and Delivery Charges

Freight and delivery charges are included in cost of sales in the consolidated statements of income.

Advertising

We expense all advertising and promotional costs as incurred, except for direct marketing expenses, which are expensed over the shorter of the life of the asset or one year. Total advertising and promotional expenses were $16,798, $18,263 and $19,721 for fiscal years 2015, 2014 and 2013, respectively. Deferred direct-marketing expenses included in prepaid and other current assets on the consolidated balance sheet as of April 25, 2015 and April 26, 2014 were $1,329 and $2,031, respectively.

Income Taxes

The liability method is used to account for income tax expense. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Valuation allowances are established for deferred tax assets if, after assessment of available positive and negative evidence, it is more likely than not that the deferred tax asset will not be fully realized.

Employee Stock Ownership Plan (ESOP)

Compensation expense related to our defined contribution ESOP is computed based on the shares allocated method.

Self-insurance

Patterson is self-insured for certain losses related to general liability, product liability, automobile, workers compensation and medical claims. We estimate our liabilities based upon an analysis of historical data and actuarial estimates. While current estimates are believed reasonable based on information currently available, actual results could differ and affect financial results due to changes in the amount or frequency of claims, medical cost inflation or other factors. Historically, actual results related to these types of claims have not varied significantly from estimated amounts.

Stock-based Compensation

We recognize stock-based compensation expense based on the grant-date fair value of awards estimated in accordance with ASC Topic 718, Stock Compensation .

Comprehensive Income

Comprehensive income is computed as net income plus certain other items that are recorded directly to stockholders equity. Significant items included in comprehensive income are foreign currency translation adjustments and the effective portion of cash flow hedges, net of tax. Foreign currency translation adjustments do not include a provision for income tax because earnings from foreign operations are considered to be indefinitely reinvested outside the U.S. The income tax benefit related to cash flow hedge losses was $10,843, $0 and $35 for the fiscal years ended April 25, 2015, April 26, 2014 and April 27, 2013, respectively.

Earnings Per Share

The amount of basic earnings per share is computed by dividing net income by the weighted average number of outstanding common shares during the period. The amount of diluted earnings per share is computed by dividing net income by the weighted average number of outstanding common shares and common share equivalents, when dilutive, during the period.

The following table sets forth the denominator for the computation of basic and diluted earnings per share. There were no material adjustments to the numerator.

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Denominator			
Denominator for basic earnings per share weighted average shares	98,989	100,727	103,030
Effect of dilutive securities stock options, restricted stock and stock purchase plans	705	916	777
Denominator for diluted earnings per share adjusted weighted average shares	99,694	101,643	103,807

Potentially dilutive securities representing 147, 39 and 362 shares for fiscal years 2015, 2014 and 2013, respectively, were excluded from the calculation of diluted earnings per share because their effects were anti-dilutive.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (Subtopic 835-30). This ASU requires an entity to present such costs on the balance sheet as a direct deduction from the related debt liability rather than as an asset. Under the current pronouncement, we are required to adopt the new pronouncement in the first quarter of fiscal 2017. Early adoption is permitted. At this time, we do not anticipate a material impact to the financial statements once implemented.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 supersedes the revenue recognition requirements in Revenue Recognition (Topic 605), and requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and is to be applied retrospectively, with early application not permitted. In April 2015, the FASB proposed extending the effective date by one year. We are evaluating the new standard, but do not, at this time, anticipate a material impact to the financial statements once implemented.

2. Cash and Cash Equivalents

At April 25, 2015 and April 26, 2014, cash and cash equivalents consisted of the following:

	April 25, 2015	April 26, 2014
Cash on hand	$ 256,691	$ 213,397
Money market funds	90,569	51,511
Total	$ 347,260	$ 264,908

Cash on hand is generally in interest earning accounts.

3. Goodwill and Other Intangible Assets

The changes in the carrying value of goodwill for each of our reportable segments for the fiscal year ended April 25, 2015 are as follows:

	Balance at April 26, 2014	Acquisition Activity and Divestitures	Other Activity	Balance at April 25, 2015
Dental supply	$ 137,463	$ 3,097	$ (1,111)	$ 139,449
Rehabilitation supply	545,007		(7,832)	537,175
Veterinary supply	161,963	924	(2,412)	160,475
Total	$ 844,433	$ 4,021	$ (11,355)	$ 837,099

The increase in the acquisition activity column primarily reflects the purchase price allocation for the Dental segment acquisition of Holt Dental. The other activity column is comprised primarily of the impact from foreign currency translation.

Other intangible assets acquired in the acquisitions in fiscal 2015 had a fair value of approximately $6,245 and a weighted average useful life of 7.7 years.

Balances of other intangible assets excluding goodwill are as follows:

	April 25, 2015	April 26, 2014
Unamortized indefinite lived:		
Copyrights, trade names and trademarks	$ 76,464	$ 76,464
Amortized:		
Distribution agreement, customer lists and other	284,393	286,365
Less: Accumulated amortization	(161,028)	(139,679)
Net amortized intangible assets	123,365	146,686
Total identifiable intangible assets, net	$ 199,829	$ 223,150

In 2006, we extended our exclusive North American distribution agreement with Sirona Dental Systems GmbH (Sirona) for Sirona s CEREC dental restorative system. We paid a $100,000 distribution fee to extend the agreement for a 10-year period that began in October 2007, which is included in identifiable intangibles, net in the consolidated balance sheet. The amortization of the distribution agreement fee is recorded over the expected life, with amortization based on estimates of the pattern in which the economic benefits of the fee are expected to be realized, consisting primarily of revenues generated from the sale of CEREC dental restorative systems. Amortization expense in any year may differ significantly from other years. In fiscal 2013, we expanded

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our exclusive distribution relationship with Sirona to add Sirona imaging products to our exclusive offerings, as well as add mechanisms to adjust the exclusivity term depending on performance. No additional monies were exchanged as part of this expanded relationship. This is not a take-or-pay contract.

With respect to the amortized intangible assets, future amortization expense is expected to approximate $24,186, $23,498, $22,363, $20,624 and $8,590 for fiscal years 2016, 2017, 2018, 2019 and 2020, respectively. Actual amounts of amortization expense may differ from estimated amounts due to additional intangible asset acquisitions, actual revenues generated from the sale of CEREC dental restorative systems, changes in foreign currency exchange rates, impairment of intangible assets, accelerated amortization of intangible assets and other events.

4. Acquisitions and Equity Investments

We completed acquisitions during fiscal years 2015, 2014 and 2013. The operating results of each of these acquisitions are included in our consolidated statements of income from the date of each acquisition. Pro forma results of operations and details of the purchase price allocations have not been presented for the fiscal year 2015 acquisitions, as the effects of these business acquisitions were not material either individually or in the aggregate.

In August 2013, we completed the acquisition of all the outstanding stock of National Veterinary Services Limited (NVS) from Dechra Pharmaceuticals, PLC. NVS is the largest veterinary products distributor in the U.K. Total cash consideration paid for NVS was approximately $142,693. Operating results for this acquisition are included in the Veterinary reporting segment. The acquisition contributed net sales of $419,340 to the segment during fiscal year 2014.

A listing of acquisitions completed during the periods covered by these financial statements is presented below. We acquired 100% of all companies listed below:

Entity	Segment
Fiscal 2015:	
Holt Dental Supply	Dental supply
C.A.P.L. Limited and Abbey Veterinary Services	Veterinary supply
Fiscal 2014:	
Mercer Mastery	Dental supply
National Veterinary Supply	Veterinary supply
Fiscal 2013:	
Iowa Dental Supply	Dental supply
Universal Vaporizer Support	Veterinary supply

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5. Property and Equipment

Property and equipment consisted of the following items:

	April 25, 2015	April 26, 2014
Land	$ 12,988	$ 14,925
Buildings	125,384	129,360
Leasehold improvements	19,458	18,295
Furniture and equipment	147,205	152,899
Computer hardware and software	122,439	109,580
Construction-in-progress (1)	51,851	18,110
	479,325	443,169
Accumulated depreciation	(252,520)	(238,230)
Property and equipment, net	$ 226,805	$ 204,939

(1) Includes $43,601 and $12,959 of capitalized software as of April 25, 2015 and April 26, 2014, respectively.

6. Customer Financing

As a convenience to our customers, we offer several different financing alternatives including both our company-sponsored program and a third party program. For the third party program, we act as a facilitator between the customer and the third party financing entity with no on-going involvement in the financing transaction. Under our sponsored program, equipment purchased by customers with strong credit may be financed up to a maximum of $500 for any one customer. We generally sell the customers financing contracts to outside financial institutions in the normal course of our business. Patterson currently has two arrangements under which we sell these contracts.

Patterson operates under an agreement to sell a portion of our equipment finance contracts to commercial paper conduits with The Bank of Tokyo-Mitsubishi UFJ, Ltd. serving as the agent. We utilize a special purpose entity (SPE), PDC Funding, a consolidated, wholly owned subsidiary to fulfill a requirement of participating in the commercial paper conduit. We receive the proceeds of the contracts upon sale. At least 12% of the proceeds are held by the conduit as security against eventual performance of the portfolio. The capacity under the agreement at April 25, 2015 was $500,000.

Patterson also maintains an agreement with Fifth Third Bank whereby the bank purchases customers financing contracts. Patterson has established another special purpose entity, PDC Funding II, as a consolidated, wholly owned subsidiary, which sells financing contracts to the bank. We receive the proceeds of the contracts upon sale. At least 15% of the proceeds are held by the conduit as security against eventual performance of the portfolio. The capacity under the agreement at April 25, 2015 was $100,000.

The portion of the purchase price for the receivables held by the conduits is a deferred purchase price receivable, which is paid to the SPE as payments on the receivables are collected from customers. The deferred purchase price receivable represents a beneficial interest in the transferred financial assets and is recognized at fair value as part of the sale transaction. The Company values the deferred purchase price receivable based on a discounted cash flow analysis using unobservable inputs (i.e. level 3 inputs), which include a forward yield curve, the estimated timing of payments and the credit quality of the underlying creditor. Significant increases in any of the significant unobservable inputs in isolation would not result in a materially lower fair value estimate. The interrelationship between these inputs is insignificant.

These financing arrangements are accounted for as a sale of assets under the provisions of ASC Topic No. 860, *Transfers and Servicing*. During fiscal 2015, 2014 and 2013, we sold approximately $312,303, $282,698 and $283,175, respectively, of contracts under these arrangements. Patterson retains servicing responsibilities under both agreements, for which we are paid a servicing fee. The servicing fees received by

Patterson are considered adequate compensation for services rendered. Accordingly, no servicing asset or liability has been recorded. The agreements require us to maintain a minimum current ratio and maximum leverage ratio. Patterson was in compliance with the covenants at April 25, 2015.

Included in cash and cash equivalents in the consolidated balance sheets are $29,863 and $28,152 as of April 25, 2015 and April 26, 2014, respectively, which represents cash collected from previously sold customer financing arrangements that have not yet been settled with the third party. Included in current receivables in the consolidated balance sheets are $88,470, net of unearned income of $4,197, and $63,236, net of unearned income of $5,894, as of April 25, 2015 and April 26, 2014, respectively, of finance contracts not yet sold by Patterson. A total of $535,595 of finance contracts receivable sold under the agreements was outstanding at April 25, 2015. The deferred purchase price under the arrangements was $66,715 and $84,750 as of April 25, 2015 and April 26, 2014, respectively. Since the internal financing program began in 1994, bad debt write-offs have amounted to less than one-percent of the loans originated.

7. Long-Term Debt

Expected future minimum principal payments under our debt obligations are as follows: $150,000 in fiscal 2018, $60,000 in fiscal 2019 and $515,000 in years thereafter.

In March 2008, Patterson issued fixed-rate senior notes with an aggregate principal amount of $450,000, consisting of (i) $50,000 4.63% senior notes, paid in fiscal 2013; (ii) $250,000 5.17% senior notes, paid in fiscal 2015; and (iii) $150,000 5.75% senior notes, due fiscal 2018.

In December 2011, we issued fixed-rate senior notes with an aggregate principal amount of $325,000, consisting of (i) $60,000 2.95% senior notes, due fiscal 2019; (ii) $165,000 3.59% senior notes, due fiscal 2022; and (iii) $100,000 3.74% senior notes, due fiscal 2024.

A portion of the proceeds from the issuance of debt in December 2011 was used to repurchase shares of our common stock and to repay borrowings under our revolving line of credit. The remaining proceeds are intended to be used for general corporate purposes. Debt issuance costs associated with the issuance of debt in March 2008 of $1,800 and in December 2011 of $1,800 are being amortized to interest expense over the life of the related debt.

In addition, in March 2008 we entered into two forward starting interest rate swap agreements, each with notional amounts of $100,000 and accounted for as cash flow hedges, to hedge interest rate fluctuations in anticipation of the issuance of the 5.17% senior notes due fiscal 2015 and the 5.75% senior notes due fiscal 2018, respectively. Upon issuance of the hedged debt, Patterson settled the forward starting interest rate swap agreements and recorded a $1,000 increase, net of income taxes, to other comprehensive income, which is being amortized against interest expense over the life of the related debt. The pre-tax amount reclassified into earnings during fiscal years 2015, 2014 and 2013 was $185, $200 and $200, respectively. The pre-tax amount expected to be reclassified into earnings during fiscal 2016 is $91.

In January 2014 we entered into a forward interest rate swap agreement with a notional amount of $250,000 and accounted for as cash flow hedge, to hedge interest rate fluctuations in anticipation of refinancing the 5.17% senior notes due March 25, 2015 with a loan for $250,000 and a term of ten years. This note was repaid on March 25, 2015 and replaced with new $250,000 3.48% senior notes due March 24, 2025. A cash payment of $29,003 was made in March 2015 to settle the interest rate swap. This amount is recorded in other comprehensive income (loss), net of tax, and will be recognized as interest expense over the ten-year life of the new notes. The pre-tax amount reclassified into earnings during fiscal year 2015 was $242. The pre-tax amount expected to be reclassified into earnings during fiscal 2016 is $2,900.

Patterson has available a $300,000 revolving credit facility through December 2016. Interest on borrowings is based on LIBOR plus a spread which can range from 1.125% to 1.875%. This spread as well as a commitment fee on the unused portion of the facility are based on our leverage ratio, as defined in the agreement. There were no outstanding borrowings under the facility at April 25, 2015 or April 26, 2014.

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The debt agreements contain various financial covenants including certain leverage and interest coverage ratios as defined in the agreements. Patterson met the financial and nonfinancial covenants under the debt agreements as of April 25, 2015.

Patterson s debt consists of the following:

	April 25, 2015	April 26, 2014
5.17% senior notes due fiscal 2015	$	$ 250,000
5.75% senior notes due fiscal 2018	150,000	150,000
2.95% senior notes due fiscal 2019	60,000	60,000
3.59% senior notes due fiscal 2022	165,000	165,000
3.74% senior notes due fiscal 2024	100,000	100,000
3.48% senior notes due fiscal 2025	250,000	
Total debt	725,000	725,000
Less: current debt obligations		
Long-term debt	$ 725,000	$ 725,000

8. Derivative Financial Instruments

Patterson is a party to certain offsetting and identical interest rate cap agreements. These cap agreements are not designated for hedge accounting treatment and were entered into to fulfill certain covenants of a sale agreement between a commercial paper conduit managed by The Bank of Tokyo-Mitsubishi UFJ, Ltd. and PDC Funding. On November 25, 2014, this agreement was amended on terms consistent with the expiring agreement. The cap agreements provide a credit enhancement feature for the financing contracts sold by PDC Funding to the commercial paper conduit.

The cap agreements are cancelled and new agreements entered into periodically to maintain consistency with the dollar maximum of the sale agreements and the maturity of the underlying financing contracts. As of April 25, 2015, PDC Funding had purchased an interest rate cap from a bank with a notional amount of $500,000 and a maturity date of November 2022. Patterson sold an identical interest rate cap to the same bank.

Similar to the above agreements, PDC Funding II and Patterson entered into offsetting and identical interest rate cap agreements with a notional amount of $100,000 in fiscal 2014. In August 2014, these agreements were terminated and replaced with offsetting and identical interest rate cap agreements. The notional amount remained at $100,000 and the new maturity date is October 2022.

In addition to the purchased and sold identical interest rate cap agreements described above, in May 2012 we entered into an interest rate swap agreement with a bank to economically hedge the interest rate risk associated with a portion of the finance contracts we had sold through the special purpose entities.

These interest rate contracts do not qualify for hedge accounting treatment and, accordingly, we record the fair value of the agreements as an asset or liability and the change as income or expense during the period in which the change occurs.

In January 2014 we entered into a forward interest rate swap agreement with a notional amount of $250,000 and accounted for as cash flow hedge, to hedge interest rate fluctuations in anticipation of refinancing the 5.17% senior notes due March 25, 2015 with a loan for $250,000 and a term of ten years. This note was repaid on March 25, 2015 and replaced with new $250,000 3.48% senior notes due March 24, 2025. A cash payment of $29,003 was made in March 2015 to settle the interest rate swap. This amount will be recognized as interest expense over the ten-year life of the new notes.

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The following presents the fair value of interest rate contracts included in the consolidated balance sheets:

Derivative type	Classification	April 25, 2015	April 26, 2014
Assets:			
Interest rate contracts	Other noncurrent assets	$ 1,255	$ 1,716
Liabilities:			
Interest rate contracts	Other noncurrent liabilities	1,255	1,720
Interest rate swap	Other current liabilities		5,660

The following presents the effect of interest rate contracts and interest rate swaps on the consolidated statements of income and other comprehensive income:

		Fiscal Year Ended		
Derivative type	Location of gain/(loss) recognized on derivative	April 25, 2015	April 26, 2014	April 27, 2013
Interest rate contracts	Other income, net	$	$ 4	$ 78
Interest rate swap	Other comprehensive income	(12,445)	(5,660)	

We recorded $56 as interest expense in fiscal 2015 related to interest rate swaps. We recorded no ineffectiveness during fiscal 2015, 2014 or 2013.

9. Fair Value Measurements

Fair value is the price at which an asset could be exchanged in a current transaction between knowledgeable, willing parties. The fair value hierarchy of measurements is categorized into one of three levels based on the lowest level of significant input used:

Level 1	Quoted prices in active markets for identical assets and liabilities at the measurement date.
Level 2	Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
Level 3	Unobservable inputs for which there is little or no market data available. These inputs reflect management s assumptions of what market participants would use in pricing the asset or liability.

Our hierarchy for assets and liabilities measured at fair value on a recurring basis as of April 25, 2015 is as follows:

	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 90,569	$ 90,569	$	$
Derivative instruments	1,255		1,255	
Total assets	$ 91,824	$ 90,569	$ 1,255	$
Liabilities:				

Derivative instruments	$ 1,255	$	$ 1,255	$

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Our hierarchy for assets and liabilities measured at fair value on a recurring basis as of April 26, 2014 is as follows:

	Total	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents	$ 51,511	$ 51,511	$	$
Derivative instruments	1,716		1,716	
Total assets	$ 53,227	$ 51,511	$ 1,716	$
Liabilities:				
Derivative instruments	$ 7,380	$	$ 7,380	$

Cash equivalents We value cash equivalents at their current market rates. The carrying value of cash equivalents approximates fair value and maturities are less than three months.

Derivative instruments Patterson s derivative instruments consist of interest rate contracts and interest rate swaps. These instruments are valued using inputs such as interest rates and credit spreads.

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments under certain circumstances, such as when there is evidence of impairment. There were no fair value adjustments to such assets in fiscal years 2015, 2014 or 2013.

Patterson s long-term debt is not measured at fair value in the consolidated balance sheets. The estimated fair value of our debt as of April 25, 2015 and April 26, 2014 was $746,685 and $742,619, respectively, as compared to a carrying value of $725,000 at both April 25, 2015 and April 26, 2014. The fair value of debt was measured using a discounted cash flow analysis based on expected market based yields. These are considered to be Level 2 inputs under the fair value measurements and disclosure guidance.

The carrying amounts of receivables, net of allowances, accounts payable, and certain accrued and other current liabilities approximated fair value at April 25, 2015 and April 26, 2014.

10. Securities

On October 25, 2013, we invested in three time deposits with total principal of $110,000 Canadian. Our time deposit securities are classified as held-to-maturity securities as we have both the intent and ability to hold until maturity. They are carried at cost, adjusted for accrued interest and amortization. The current value is not materially different than fair value. The fair value was determined based on a discounted cash flow analysis using unobservable inputs (i.e. level 3 inputs), which include a forward yield curve, the estimated timing of payments and the credit quality of the underlying creditor. Significant changes in any of the significant unobservable inputs in isolation would not result in a materially lower fair value estimate. The interrelationship between these inputs is insignificant.

On October 24, 2014, time deposits with a principal value of $45,000 Canadian matured with a value of $45,436 Canadian. The remaining time deposits with a principal value of $65,000 Canadian were classified as current assets at April 25, 2015 with a U.S. dollar equivalent value of $53,372.

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11. Lease Commitments

Patterson leases facilities for its branch office locations, a few small distribution facilities, and certain equipment. These leases are accounted for as operating leases. Future minimum rental payments under non-cancelable operating leases are as follows at April 25, 2015:

2016	$ 21,133
2017	16,052
2018	12,784
2019	8,953
2020	6,881
Thereafter	7,670
Total	$ 73,473

Rent expense was $21,112, $21,290 and $22,016 for the years ended April 25, 2015, April 26, 2014 and April 27, 2013, respectively.

12. Income Taxes

Significant components of the provision for income taxes are as follows:

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Current:			
Federal	$ 91,264	$ 84,353	$ 80,290
Foreign	11,802	9,667	13,471
State	10,642	10,515	10,035
Total current	113,708	104,535	103,796
Deferred:			
Federal	2,148	7,501	6,667
Foreign	3,542	(240)	(963)
State	12	504	1,345
Total deferred	5,702	7,765	7,049
Provision for income taxes	$ 119,410	$ 112,300	$ 110,845

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Deferred tax assets and liabilities are included in prepaid expenses and other current assets and in other non-current liabilities on the consolidated balance sheets. Significant components of Patterson s deferred tax assets (liabilities) as of April 25, 2015 and April 26, 2014 are as follows:

	April 25, 2015	April 26, 2014
Deferred current income tax asset (liability):		
Capital accumulation plan	$ 5,812	$ 5,893
Inventory related items	5,974	5,512
Bad debt allowance	1,548	1,518
LIFO reserve	(18,179)	(16,279)
Other	13,987	13,447
Deferred net current income tax asset	9,142	10,091
Deferred long-term income tax (liability) asset:		
Amortizable intangibles	(25,374)	(26,590)
Goodwill	(76,300)	(69,613)
Property, plant, equipment	(4,696)	(4,744)
Stock based compensation expense	9,129	8,130
Net operating loss carryforwards	5,661	6,848
Interest rate swap	10,843	
Other	(3,087)	(4,276)
	(83,824)	(90,245)
Valuation allowance	(4,440)	(3,759)
Deferred net long-term income tax liability	(88,264)	(94,004)
Net deferred income tax liability	$ (79,122)	$ (83,913)

At April 25, 2015, we had foreign net operating loss carryforwards (NOLs) of $25,825, the majority of which are attributable to companies outside the U.S. that were acquired in prior years. A valuation allowance has been recorded for a portion of the $5,661 of deferred tax asset resulting from these NOLs because we believe that it is more likely than not that the losses will not be fully utilized due to uncertainties relating to future taxable income from the acquired companies.

No provision has been made for U.S. federal income taxes on certain undistributed earnings of foreign subsidiaries that we intend to permanently invest or that may be remitted substantially tax-free. The total undistributed earnings that would be subject to federal income tax if remitted under existing law are approximately $269,299 as of April 25, 2015. Determination of the unrecognized deferred tax liability related to these earnings is not practicable because of the complexities with its hypothetical calculation. If a future distribution of these earnings is made, we will be subject to U.S. taxes and withholding taxes payable to various foreign governments. A credit for foreign taxes already paid would be available to reduce the U.S. tax liability.

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Income tax expense varies from the amount computed using the U.S. statutory rate. The reasons for this difference and the related tax effects are shown below:

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Tax at U.S. statutory rate	$ 119,935	$ 109,519	$ 112,391
State tax provision, net of federal benefit	7,758	7,768	8,322
Effect of foreign taxes	(1,506)	461	(4,603)
Permanent differences	(5,549)	(4,843)	(3,439)
Other	(1,228)	(605)	(1,826)
	$ 119,410	$ 112,300	$ 110,845

We have accounted for the uncertainty in income taxes recognized in the financial statements in accordance with ASC Topic 740, Income Taxes . This standard clarifies the separate identification and reporting of estimated amounts that could be assessed upon audit. The potential assessments are considered unrecognized tax benefits, because, if it is ultimately determined they are unnecessary, the reversal of these previously recorded amounts will result in a beneficial impact to our financial statements.

As of April 25, 2015 and April 26, 2014, Patterson s gross unrecognized tax benefits were $18,987 and $19,687, respectively. If determined to be unnecessary, these amounts (net of deferred tax assets of $4,731 and $5,003, respectively, related to the tax deductibility of the gross liabilities) would decrease our effective tax rate. The gross unrecognized tax benefits are included in other long-term liabilities on the consolidated balance sheet.

A summary of the changes in the gross amounts of unrecognized tax benefits for the years ended April 25, 2015 and April 26, 2014 are shown below:

	April 25, 2015	April 26, 2014
Balance at beginning of period	$ 19,687	$ 19,155
Additions for tax positions related to the current year	2,995	2,801
Additions for tax positions of prior years	57	1,372
Reductions for tax positions of prior years	(551)	(893)
Statute expirations	(3,201)	(2,655)
Settlements		(93)
Balance at end of period	$ 18,987	$ 19,687

We also recognize both interest and penalties with respect to unrecognized tax benefits as a component of income tax expense. As of April 25, 2015 and April 26, 2014, we had recorded $1,925 and $2,124, respectively, for interest and penalties. These amounts are also included in other long-term liabilities on the consolidated balance sheet. These amounts, net of related deferred tax assets, if determined to be unnecessary, would decrease our effective tax rate. During the year ended April 25, 2015, we recorded as part of tax expense $448 related to an increase in our estimated liability for interest and penalties.

Patterson files income tax returns, including returns for our subsidiaries, with federal, state, local and foreign jurisdictions. The Internal Revenue Service (IRS) is currently auditing our fiscal 2013 tax return and has either examined or waived examination for all periods up to and including our fiscal year ended April 30, 2011. Periodically, state, local and foreign income tax returns are examined by various taxing authorities. We do not believe that the outcome of these various examinations would have a material adverse impact on our financial statements.

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13. Segment and Geographic Data

Patterson is comprised of three reportable segments: dental supply, veterinary supply, and rehabilitation supply. Our reportable business segments are strategic business units that offer similar products and services to different customer bases. The dental supply segment provides a virtually complete range of consumable dental products, clinical and laboratory equipment and value-added services to dentists, dental laboratories, institutions and other dental healthcare providers throughout North America. The veterinary supply segment is a leading distributor of veterinary supplies, primarily to companion-pet (dogs, cats and other common household pets) and equine veterinary clinics. They also provide products and services used for the diagnosis, treatment and/or prevention of diseases in companion animals and equine throughout the U.S. and U.K. The worldwide rehabilitation supply segment provides a comprehensive range of distributed and self-manufactured rehabilitation medical supplies and assistive products to acute care hospitals, long-term care facilities, rehabilitation clinics, dealers and schools.

We evaluate segment performance based on operating income. The corporate office general and administrative expenses are included in the dental supply segment and consist of home office support costs in areas such as information technology, finance, human resources and facilities. If these corporate expenses were allocated to the segments, the results would not be materially different as the dental segment would absorb a significant portion of these expenses. The cost to operate the distribution centers are allocated to the operating units based on the through-put of the unit.

The following table presents information about Patterson s reportable segments:

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Net sales			
Dental supply	$ 2,454,295	$ 2,382,096	$ 2,379,970
Rehabilitation supply	464,155	478,574	501,997
Veterinary supply	1,456,570	1,203,045	755,245
Consolidated net sales	$ 4,375,020	$ 4,063,715	$ 3,637,212
Operating income			
Dental supply	$ 249,575	$ 249,138	$ 247,747
Rehabilitation supply	67,182	46,763	65,027
Veterinary supply	56,670	49,855	41,681
Consolidated operating income	$ 373,427	$ 345,756	$ 354,455
Depreciation and amortization			
Dental supply	$ 35,662	$ 35,209	$ 34,953
Rehabilitation supply	6,807	7,540	7,683
Veterinary supply	8,861	7,237	3,366
Consolidated depreciation and amortization	$ 51,330	$ 49,986	$ 46,002

	April 25, 2015	April 26, 2014
Total assets		
Dental supply	$ 1,500,736	$ 1,342,333
Rehabilitation supply	815,526	876,211
Veterinary supply	631,444	646,133
Consolidated total assets	$ 2,947,706	$ 2,864,677

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The following table presents sales information by product for Patterson and its reportable segments:

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Consolidated			
Consumable and printed products [1]	$ 3,083,113	$ 2,810,491	$ 2,377,635
Equipment and software [1]	958,067	940,088	959,539
Other	333,840	313,136	300,038
Total	$ 4,375,020	$ 4,063,715	$ 3,637,212
Dental supply			
Consumable and printed products [1]	$ 1,355,982	$ 1,323,378	$ 1,307,450
Equipment and software [1]	818,342	795,132	809,652
Other	279,971	263,586	262,868
Total	$ 2,454,295	$ 2,382,096	$ 2,379,970
Rehabilitation supply			
Consumable and printed products	$ 346,704	$ 352,181	$ 361,164
Equipment and software	93,054	100,936	114,818
Other	24,397	25,457	26,015
Total	$ 464,155	$ 478,574	$ 501,997
Veterinary supply			
Consumable and printed products	$ 1,380,427	$ 1,134,932	$ 709,021
Equipment and software	46,671	44,020	35,069
Other	29,472	24,093	11,155
Total	$ 1,456,570	$ 1,203,045	$ 755,245

1 Certain products were reclassified from equipment to consumables in the current and prior periods.

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The following table presents information about Patterson by geographic area. No individual country, except for the U.S. and the U.K., generated sales greater than 10% of consolidated net sales. There were no material sales between geographic areas.

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Net sales			
United States	$ 3,368,828	$ 3,265,939	$ 3,211,979
United Kingdom	727,741	512,040	100,150
International	278,451	285,736	325,083
Total	$ 4,375,020	$ 4,063,715	$ 3,637,212
Income before tax			
United States	$ 294,530	$ 289,037	$ 273,037
International	48,141	23,875	48,080
Total	$ 342,671	$ 312,912	$ 321,117

	April 25, 2015	April 26, 2014
Property and equipment, net		
United States	$ 197,484	$ 164,960
United Kingdom	15,412	20,434
International	13,909	19,545
Total	$ 226,805	$ 204,939

14. Stockholders Equity

Dividends

The following table presents our declared and paid cash dividends per share on our common stock for the past three years. The dividend declared in the fourth quarter of fiscal 2013 was paid early in the subsequent quarter; all other dividends were declared and paid in the same period. Patterson expects to continue paying a quarterly cash dividend into the foreseeable future.

	Quarter			
Fiscal year	1	2	3	4
2015	$ 0.20	$ 0.20	$ 0.20	$ 0.22
2014	0.16	0.16	0.16	0.20
2013	0.14	0.14	0.14	0.16

Share Repurchases

During fiscal 2015, we repurchased and retired 1,194 shares of our common stock for $47,539, or an average of $39.81 per share. During fiscal 2014, we repurchased and retired 2,354 shares of our common stock for $96,486, or an average of $40.99 per share. During fiscal 2013, we repurchased and retired 5,224 shares of our common stock for $181,756, or an average of $34.79 per share.

In December 2007, Patterson s Board of Directors expanded a share repurchase program to allow for the purchase of up to 25,000 shares of common stock in open market transactions. As of March 2011, approximately 20,500 shares had been repurchased under this authorization. At that time, the Board of Directors cancelled and replaced the existing share repurchase program with a new authorization to repurchase an additional 25,000 share of common stock. This program was due to expire on March 15, 2016. On March 19, 2013, Patterson s Board of

Directors approved a new share repurchase plan that replaced the existing plan. Under the current plan, up to

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25,000 shares may be repurchased in open market transactions through March 19, 2018. As of April 25, 2015, 20,852 shares remain available under the current repurchase authorization.

Employee Stock Ownership Plan (ESOP)

During 1990, Patterson s Board of Directors adopted a leveraged ESOP. In fiscal 1991, under the provisions of the plan and related financing arrangements, Patterson loaned the ESOP $22,000 (the 1990 note) for the purpose of acquiring its then outstanding preferred stock, which was subsequently converted to common stock. The Board of Directors determines the contribution from the Company to the ESOP annually. The contribution is used to retire a portion of the debt, which triggers a release of shares that are then allocated to the employee participants. Shares of stock acquired by the plan are allocated to each participant who has completed 1,000 hours of service during the plan year. In fiscal 2011, the final payment on the 1990 note was made and all remaining shares were released for allocation to participants.

In fiscal 2002, Patterson s ESOP and an ESOP sponsored by the Thompson Dental Company (Thompson) were used to facilitate the acquisition and merger of Thompson into Patterson. The net result of this transaction was an additional loan of $12,612 being made to the ESOP and the ESOP acquiring 666 shares of common stock. These shares are accounted for under ASC 718-40 and accordingly these shares are not considered outstanding for the computation of earnings per share until the shares are committed for release to the participants. When the shares are committed for release and allocated to the participants, the expense to Patterson is determined based on current fair value. The loan bears interest at current rates but principal did not begin to amortize until fiscal 2012. Beginning in fiscal 2012 and through fiscal 2020, an annual payment of $200 plus interest is due and in fiscal 2020, a final payment of any outstanding principal and interest balance is due. Prepayments of principal can be made at any time without penalty. Of the 666 shares issued in the transaction, 98 were previously allocated to Thompson employees. The remaining 568 shares began to be allocated in fiscal 2004 as interest was paid on the loan. During fiscal 2015, 2014 and 2013, shares secured by the Thompson note with an aggregate fair value of $393, $373 and $363, respectively, were committed for release and allocated to ESOP participants.

On September 11, 2006, we entered into a third loan agreement with the ESOP and loaned $105,000 (the 2006 note) for the sole purpose of enabling the ESOP to purchase shares of our common stock. The ESOP purchased 3,160 shares with the proceeds from the 2006 note. These shares are also accounted for under ASC 718-40. Interest on the unpaid principal balance accrues at a rate equal to six-month LIBOR, with the rate resetting semi-annually. Interest payments were not required during the period from and including September 11, 2006 through April 30, 2010. On April 30, 2010, accrued and unpaid interest was added to the outstanding principal balance under the note, with interest thereafter accruing on the increased principal amount. Unpaid interest accruing after April 30, 2010 is due and payable on each successive April 30 occurring through September 10, 2026. No principal payments are due until September 10, 2026; however, prepayments can be made without penalty. During fiscal 2015, 2014 and 2013, shares secured by the 2006 note with aggregate fair values of $10,650, $10,959 and $20,214, respectively, were committed for release and allocated to ESOP participants. In fiscal 2012, Patterson contributed $23,639 to the ESOP, which then purchased 844 shares for allocation to the participants. No shares secured by the 2006 note were released prior to fiscal 2011.

At April 25, 2015, a total of 12,798 shares of common stock that have been allocated to participants remained in the ESOP and had a fair market value of $616,760. Related to the shares from the Thompson transaction, committed-to-be-released shares were 9 and suspense shares were 445. Finally, with respect to the 2006 note, committed-to-be-released shares were 241 and suspense shares were 2,042.

We anticipate the allocation of the remaining suspense, or unearned, shares to occur over a period of approximately 5 to 10 years. As of April 25, 2015, the fair value of all unearned shares held by the ESOP was approximately $119,848. We will recognize an income tax deduction as the unearned ESOP shares are released. Such deductions will be limited to the ESOP s original cost to acquire the shares.

Dividends on allocated shares are passed through to the ESOP participants. Dividends on unallocated shares are used by the ESOP to make debt service payments on the notes due to Patterson.

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15. Stock-based Compensation

The consolidated statements of income for fiscal years 2015, 2014 and 2013 include pre-tax (after-tax) stock-based compensation expense of $15,442 ($10,167), $8,686 ($5,896) and $14,625 ($9,452), respectively, recorded in accordance with the provisions of ASC Topic 718, Stock Compensation . All pre-tax expense is included in operating expenses within the consolidated statements of income. The consolidated statement of cash flows presents the pre-tax stock-based compensation expense as an adjustment to reconcile net income to net cash provided by operating activities. In addition, benefits associated with tax deductions in excess of recognized compensation expense are presented as a cash inflow from financing activities. For fiscal years 2015, 2014 and 2013, these excess benefits totaled $255, $1,290 and $2,487, respectively.

As of April 25, 2015, the total compensation cost, before income taxes, related to non-vested awards yet to be recognized was $30,008, and it is expected to be recognized over a weighted average period of approximately 2.0 years.

Description of General Methods and Assumptions Used to Estimate Fair Value

The following describes certain methods and assumptions used to estimate the fair value of stock-based compensation awards. Further information is presented below within this Note that may be unique to a particular award or group of awards.

Expected dividend yield Patterson s initial quarterly dividend occurred in the fourth quarter of fiscal 2010. Accordingly, the expected dividend yield used had been 0% for awards issued prior to that time. For awards issued since, Patterson has included an expected dividend yield based on estimates as of the grant date of awards.

Expected stock price volatility We have considered historical volatility trends, implied future volatility based on certain traded options and other factors.

Risk-free interest rate We base the risk-free interest rate on the U.S. Treasury yield curve in effect at the grant date with similar terms to the expected term of the award.

Expected term of stock options and restricted stock We estimate the expected term, or life, of awards based on several factors, including grantee types, vesting schedules, contractual terms and various factors surrounding exercise behavior of different groups.

Director and Employee Stock Option Plan

In September 2002, our shareholders voted to approve the 2002 Stock Option Plan. A total of 6,000 shares of common stock were reserved for issuance under the plan. In September 2004, our shareholders voted to approve a restatement of such plan and renamed it the Patterson Companies, Inc. Equity Incentive Plan (Equity Incentive Plan). Although this restatement did not change the number of shares reserved for issuance, it expanded the types of awards issuable thereunder. In particular, the Equity Incentive Plan authorizes various award types to be issued under the plan, including stock options, restricted stock and restricted stock units, stock bonuses, cash bonuses, stock appreciation rights, performance awards and dividend equivalents. Awards may have a term no longer than ten years and vesting terms are determined by the compensation committee of the Board of Directors. The minimum restriction period for restricted stock and restricted stock units is three years, or one year in the case of performance-based awards.

In September 2007, our shareholders approved a plan amendment that caused non-employee directors to become a class of persons eligible to receive awards under the Equity Incentive Plan. In September 2009, our shareholders approved a plan amendment that removed the 2,000 shares limit on the number of shares that may be issued under the Equity Incentive Plan pursuant to awards of restricted stock, restricted stock units or stock bonuses. In September 2012, our shareholders approved a plan amendment that extended the duration of the Equity Incentive Plan to June 12, 2022. At April 25, 2015, there were 2,882 shares available for awards under the Equity Incentive Plan.

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Prior to fiscal 2006, only stock option awards had been granted under the Equity Incentive Plan. During fiscal years 2015, 2014 and 2013, expense recognized related to stock options was $451, $768 and $1,175, respectively.

The fair value of stock options granted was estimated as of the grant date using a Black-Scholes option-pricing model with the following assumptions:

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Expected dividend yield	2.0%	1.8%	1.6%
Expected stock price volatility	26.3%	30.0%	30.6%
Risk-free interest rate	2.1%	1.5%	1.4%
Expected life of options (years)	7.0	7.1	7.5

The following is a summary of all stock options:

	Number of Options	Weighted-Average Exercise Price	Intrinsic Value
Balance as of April 28, 2012	986	$ 31.45	
Granted	56	34.10	
Exercised	(290)	22.49	
Canceled	(31)	33.79	
Balance as of April 27, 2013	721	35.03	
Granted	57	39.33	
Exercised	(345)	35.73	
Canceled	(44)	33.11	
Balance as of April 26, 2014	389	35.29	
Granted	74	39.64	
Exercised	(49)	34.73	
Canceled	(76)	35.81	
Balance as of April 25, 2015	338	$ 36.22	$ 4,081
Vested or expected to vest as of April 25, 2015	292	$ 36.36	$ 3,491
Exercisable as of April 25, 2015	108	$ 38.02	$ 1,131

The weighted average fair values per share of options granted during fiscal years 2015, 2014 and 2013 were $9.78, $11.02 and $10.15, respectively. The weighted average remaining contractual lives of options outstanding and options exercisable as of April 25, 2015 were 5.4 and 2.5 years, respectively. We settle stock option exercises with newly issued common shares.

Related to stock options exercised, the intrinsic value, cash received and tax benefits realized were $290, $1,710 and $286, respectively, in fiscal 2015; $1,722, $12,309 and $1,273, respectively, in fiscal 2014; and $3,397, $6,518 and $641, respectively, in fiscal 2013.

Restricted Stock and Performance Unit Awards

In fiscal 2006, we began to issue restricted stock and performance unit awards under the Equity Incentive Plan. The grant date fair value is based on the closing stock price on the day of the grant. Restricted stock awards to employees generally vest over a five, seven or nine-year period and are subject to forfeiture provisions.

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Certain restricted stock awards, which are held by management, are subject to accelerated vesting provisions beginning three years after the grant date, based on certain operating goals. Restricted stock awards are also granted to non-employee directors on the date of each annual meeting of shareholders. These awards vest over three years. The performance unit awards, issued primarily to executive management, are earned at the end of a three-year period if certain operating goals are met, and are settled in an equivalent number of common shares or in cash as determined by the compensation committee of the Board of Directors. The satisfaction of operating goals is not finally determined until the end of a three-year period. Accordingly, Patterson recognizes expense related to performance unit awards over the requisite service period using the straight-line method based on the outcome that is probable. During fiscal years 2015, 2014 and 2013, expense recognized related to restricted stock and performance unit awards was $11,204, $4,793 and $10,255, respectively. The total fair value of restricted stock awards that vested in fiscal 2015, 2014 and 2013 was $8,474, $6,831 and $6,923, respectively. Patterson granted performance units in fiscal 2015 and 2014 that can be earned at the end of fiscal 2017 and 2016, respectively, subject to the achievement of certain financial objectives.

The following is a summary of all non-vested restricted stock awards and performance unit awards:

	Restricted Stock Awards	
	Shares	Weighted-Average Grant Date Fair Value
Outstanding at April 28, 2012	1,162	$ 30.92
Granted	314	34.10
Vested	(192)	35.62
Forfeitures	(127)	30.98
Outstanding at April 27, 2013	1,157	31.82
Granted	283	38.02
Vested	(174)	38.76
Forfeitures	(43)	31.91
Outstanding at April 26, 2014	1,223	33.02
Granted	271	39.87
Vested	(207)	34.52
Forfeitures	(119)	32.83
Outstanding at April 25, 2015	1,168	$ 34.39

	Performance Unit Awards	
	Shares	Weighted-Average Grant Date Fair Value
Outstanding at April 28, 2012	96	$ 35.41
Granted	130	34.09
Forfeitures and cancellations	(21)	34.09
Outstanding at April 27, 2013	205	34.09
Granted	124	38.05
Forfeitures and cancellations	(2)	34.75
Outstanding at April 26, 2014	327	35.59
Granted	133	39.72
Vested	(9)	35.22
Forfeitures and cancellations	(124)	35.72

Outstanding at April 25, 2015	327	$ 37.57

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Employee Stock Purchase Plan

In June 1992, we adopted an Employee Stock Purchase Plan (the Stock Purchase Plan). A total of 4,750 shares of common stock were reserved for issuance under the Stock Purchase Plan. In June 2012, our Board of Directors approved to increase the number of shares available to 6,750. The Stock Purchase Plan, which is intended to qualify under Section 423 of the Internal Revenue Code, is administered by the Board of Directors or by a committee appointed by the Board of Directors and follows a calendar plan year. Employees are eligible to participate after six months of employment, if they are employed for at least 20 hours per week and more than five months per year. The Stock Purchase Plan permits eligible employees to purchase common stock through payroll deductions, which may not exceed 10 percent of an employee s compensation, at 85% of the lower of the fair market value of the common stock on the offering date or at the end of each three-month period following the offering date during the applicable offering period. Employees may end their participation in the offering at any time during the offering period, and participation ends automatically on termination of employment. At April 25, 2015, there were 1,500 shares available for purchase under the Stock Purchase Plan.

The Stock Purchase Plan includes a look-back option, and, accordingly, there are several option elements for which the fair value is estimated on the grant date using the Black-Scholes option-pricing model. Total expense recognized related to the employee stock purchase plan was $2,048, $1,838 and $1,816 during fiscal years 2015, 2014 and 2013, respectively.

The following table summarizes the weighted-average assumptions relating to the Stock Purchase Plan:

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Expected dividend yield	1.6%	1.6%	1.6%
Expected stock price volatility	31.0%	31.0%	31.0%
Risk-free interest rate	0.1%	0.1%	0.2%
Expected life of options (years)	0.5	0.5	0.5

Capital Accumulation Plan (CAP)

In 1996, we adopted an employee CAP. A total of 6,000 shares of common stock are reserved for issuance under the CAP. Key employees of Patterson or its subsidiaries are eligible to participate by purchasing common stock through payroll deductions, which must be between 5% and 25% of an employee compensation, at 75% of the price of the common stock at the beginning of or the end of the calendar year, whichever is lower. The shares issued are restricted stock and are held in the custody of Patterson until the restrictions lapse. The restriction period is three years from the beginning of the plan year, but restricted shares are subject to forfeiture provisions. At April 25, 2015, 2,053 shares were available for purchase under the CAP.

Based on the provisions of the CAP, there are option elements for which the fair value is estimated on the grant date using the Black-Scholes option-pricing model. Total expense recognized related to the CAP was $1,739, $1,287 and $1,379 during fiscal years 2015, 2014 and 2013, respectively.

The following table summarizes the weighted-average assumptions relating to the CAP:

	Fiscal Year Ended		
	April 25, 2015	April 26, 2014	April 27, 2013
Expected dividend yield	1.6%	1.6%	1.6%
Expected stock price volatility	31.0%	31.0%	31.0%
Risk-free interest rate	0.3%	0.3%	0.3%
Expected life of options (years)	1.0	1.0	1.0

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16. Litigation

From time to time, we may become a party to ordinary routine litigation incidental to our business, including, without limitation, product liability claims, intellectual property claims, employment claims, commercial disputes, governmental inquiries and investigations, and other matters arising out of the ordinary course of our business. We have accrued our best estimate of potential losses relating to product liability and other claims that were probable to result in a liability and for which it was possible to reasonably estimate a loss. While the results of legal proceedings cannot be predicted with certainty, based upon our historical experience, the resolution of these proceedings is not expected to have a material effect on our consolidated financial position, results of operations, or cash flows. We also disclose the nature of and range of loss for claims against us when losses are reasonably possible and material.

17. Quarterly Results (unaudited)

Quarterly results are determined in accordance with the accounting policies used for annual data and include certain items based upon estimates for the entire year. All fiscal quarters include results for 13 weeks.

		Quarter Ended			
		Apr. 25, 2015(1)	Jan. 24, 2015	Oct. 25, 2014	Jul. 26, 2014
Net sales		$ 1,148,854	$ 1,063,312	$ 1,103,325	$ 1,059,529
Gross profit		333,600	302,559	305,822	296,225
Operating income		106,696	90,756	91,221	84,754
Net income		64,518	54,676	53,778	50,289
Earnings per share	basic	0.65	0.55	0.54	0.51
Earnings per share	diluted	0.65	0.55	0.54	0.50

		Quarter Ended			
		Apr. 26, 2014(2)	Jan. 25, 2014(2)	Oct. 26, 2014(2)	Jul. 27, 2013
Net sales		$ 1,102,077	$ 1,082,679	$ 998,834	$ 880,125
Gross profit		315,868	311,461	289,431	281,518
Operating income		92,601	96,651	75,223	81,281
Net income		55,671	57,021	42,028	45,892
Earnings per share	basic	0.56	0.56	0.42	0.45
Earnings per share	diluted	0.55	0.56	0.41	0.45

(1) During the fourth quarter of fiscal 2015, we incurred $4,645 of pre-tax transaction costs, or $0.03 per diluted share, related to the June 16, 2015 acquisition of Animal Health International and the potential sale of Patterson Medical.

(2) During the fourth, third and second quarters of fiscal 2014, we incurred $7,404, $1,255 and $6,779 of pre-tax restructuring costs, respectively, or $0.06, $0.01 and $0.07 per diluted share, respectively, related to our Medical segment.

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18. Accumulated Other Comprehensive Income (Loss)

The following table summarizes accumulated other comprehensive income (loss) at April 25, 2015 and at April 24, 2014 and the activity for fiscal 2015:

	Cash Flow Hedges	Currency Translation Adjustment	Total
Accumulated other comprehensive income (loss) at April 26, 2014	$ (6,223)	$ 31,593	$ 25,370
Other comprehensive income (loss) before reclassifications	(12,410)	(73,271)	(85,681)
Amounts reclassified from accumulated other comprehensive income (loss)	(35)		(35)
Accumulated other comprehensive income (loss) at April 25, 2015	$ (18,668)	$ (41,678)	$ (60,346)

The amounts reclassified from accumulated other comprehensive income (loss) during fiscal 2015 represent gains and losses on cash flow hedges, net of taxes of $91. The net impact to the consolidated statements of income was an increase to interest expense of $56.

19. Subsequent Events

On June 16, 2015, we completed the previously announced acquisition of Animal Health International, Inc., a leading production animal health distribution company in the U.S. This acquisition will more than double the size of Patterson s veterinary business. The combined unit will offer a range of products and services to customers in the U.S., Canada and the U.K. Under terms of the definitive agreement, Patterson has acquired all of Animal Health International s stock for $1,100,000 in cash. Animal Health International generated sales and earnings before interest, income taxes, depreciation and amortization of $1,500,000 and $68,000, respectively, during the 12 months ended March 2015.

We financed the acquisition through a combination of a $1,000,000 unsecured term loan and a $500,000 unsecured cash flow revolving line of credit. The initial interest rate under the credit agreement is LIBOR plus 200 basis points. In the event of certain significant asset dispositions, we have agreed to use the proceeds from such dispositions to effect prepayment of outstanding loan balances under the unsecured term loan and unsecured cash flow revolving line of credit.

The allocation of the purchase price for assets acquired and liabilities assumed is subject to completion of a formal valuation process and review by management, which has not yet been completed. We will finalize the purchase price allocation as soon as practicable within the measurement period, but in no event later than one year following the acquisition date. The results of operations of Animal Health International will be included in Patterson s consolidated results of operations beginning June 17, 2015.

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Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES

Management s Annual Report on Internal Control Over Financial Reporting

The management of Patterson Companies, Inc. (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Patterson s internal control over financial reporting includes those policies and procedures that:

Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Patterson;

Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Patterson are being made only in accordance with authorizations of management and directors; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those internal control systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial and accounting officer, we assessed the effectiveness of our internal control over financial reporting as of April 25, 2015, using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework* (2013). Based on its assessment, management has concluded that our internal control over financial reporting was effective as of April 25, 2015. During its assessment, management did not identify any material weaknesses in our internal control over financial reporting. Ernst & Young LLP, the independent registered public accounting firm that audited our consolidated financial statements included in Item 8, *Financial Statements and Supplementary Data,* of this Annual Report on Form 10-K, has issued an unqualified report on our internal control over financial reporting.

/s/ Scott P. Anderson
President and Chief Executive Officer

/s/ Ann B. Gugino
Executive Vice President, Chief Financial

Officer and Treasurer
The report of our independent registered public accounting firm on internal control over financial reporting is included in Item 8 of this Annual Report on Form 10-K.

Evaluation of Disclosure Controls and Procedures

As of April 25, 2015, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities and Exchange Act of 1934 (the Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective. Disclosure controls and procedures are defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act as controls and other procedures that are designed to ensure that information required to be disclosed by Patterson in reports filed with the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or person performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the fourth quarter of fiscal year 2015, there were no significant changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

9B. OTHER INFORMATION

None.

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PART III

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding the directors of Patterson is incorporated herein by reference to the descriptions set forth under the caption Proposal No. 1 Election of Directors in Patterson s Proxy Statement for its Annual Meeting of Shareholders to be held on September 21, 2015 (the 2015 Proxy Statement). Information regarding executive officers of Patterson is incorporated herein by reference to Item 1 of Part I of this Form 10-K under the caption Executive Officers of the Registrant. Information regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 is incorporated herein by reference to the information set forth under the caption Section 16(a) Beneficial Ownership Reporting Compliance in the 2015 Proxy Statement. The information called for by Item 10, as to the audit committee and the audit committee financial expert, is set forth under the captions Proposal No. 1 Election of Directors and Our Board of Directors and Committees in the 2015 Proxy Statement and such information is incorporated by reference herein.

Code of Ethics

We have adopted Principles of Business Conduct and Code of Ethics for our Chief Executive Officer, Chief Financial Officer, Directors and all employees. Our Code of Ethics is available on our website (www.pattersoncompanies.com) under the section Investor Relations Corporate Governance. We intend to satisfy the disclosure requirement of Form 8-K regarding an amendment to, or waiver from, a provision of our Code of Ethics by posting such information on our website at the address and location specified above.

Item 11. EXECUTIVE COMPENSATION

Information regarding executive compensation and director compensation is incorporated herein by reference to the information set forth under the captions Non-Employee Director Compensation, Executive Compensation and Our Board of Directors and Committees Committee Responsibility Our Compensation Committee and Its Report in the 2015 Proxy Statement.

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding the security ownership of certain beneficial owners and management is incorporated herein by reference to the information set forth under the captions Security Ownership of Certain Beneficial Owners and Management and Equity Compensation Plan Information in the 2015 Proxy Statement.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information called for by Item 13 is incorporated herein by reference to the information set forth under the captions Certain Relationships and Related Transactions and Our Board of Directors and Committees in the 2015 Proxy Statement.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information relating to principal accounting fees and services and pre-approval policies and procedures is set forth under the caption Proposal No. 4 Ratification of Selection of Independent Registered Public Accounting Firm Principal Accountant Fees and Services in the 2015 Proxy Statement and such information is incorporated by reference herein.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) 1. Financial Statements.
The following Consolidated Financial Statements and supplementary data of Patterson and its subsidiaries are included in Part II, Item 8:

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of April 25, 2015 and April 26, 2014

Consolidated Statements of Income and Other Comprehensive Income for the Years Ended April 25, 2015, April 26, 2014 and April 27, 2013

Consolidated Statement of Changes in Stockholders Equity for the Years Ended April 25, 2015, April 26, 2014 and April 27, 2013

Consolidated Statements of Cash Flows for the Years Ended April 25, 2015, April 26, 2014 and April 27, 2013

Notes to Consolidated Financial Statements

2. Financial Statement Schedules.

The following financial statement schedule is filed herewith: Schedule II Valuation and Qualifying Accounts for the Years Ended April 25, 2015, April 26, 2014 and April 27, 2013.

Schedules other than that listed above have been omitted because they are not applicable or the required information is included in the financial statements or notes thereto.

3. Exhibits.

Exhibit No.	Document Description
3.1	Restated Articles of Incorporation (incorporated by reference to our Quarterly Report on Form 10-Q, filed September 9, 2004 (File No. 000-20572)).
3.2	Amended and Restated Bylaws (incorporated by reference to our Current Report on Form 8-K, filed December 13, 2013 (File No. 000-20572)).
4.1	Specimen form of Common Stock Certificate (incorporated by reference to our Quarterly Report on Form 10-Q, filed September 9, 2004 (File No. 000-20572)).
10.1	Patterson Companies, Inc. Fiscal 2015 Incentive Plan *(filed herewith)*.
10.2	Capital Accumulation Plan (incorporated by reference to our Definitive Proxy Statement, filed on August 7, 1996 (File No. 000-20572)).
10.3	2001 Non-Employee Director Stock Option Plan (incorporated by reference to our Annual Report on Form 10-K, filed on July 25, 2002 (File No. 000-20572)).
10.4	Patterson Companies, Inc. Amended and Restated Employee Stock Purchase Plan (incorporated by reference to our Definitive Proxy Statement, filed on August 7, 2012 (File No. 000-20572)).
10.5	Patterson Dental Company Amended and Restated Employee Stock Ownership Plan, effective May 1, 2001 (incorporated by reference to our Annual Report on Form 10-K, filed on July 25, 2002 (File No. 000-20572)).

10.6	Stock Option Plan for Canadian Employees, effective June 13, 2000 (incorporated by reference to our Quarterly Report on Form 10-Q, filed on March 11, 2003 (File No. 000-20572)).

Exhibit No.	Document Description
10.7	Deferred Profit Sharing Plan for the Employees of Patterson Dental Canada Inc. (incorporated by reference to our Definitive Proxy Statement, filed on July 28, 2008 (File No. 000-20572)).
10.8	Patterson Companies, Inc. Amended and Restated Equity Incentive Plan (incorporated by reference to our Definitive Proxy Statement, filed on August 7, 2012 (File No. 000-20572)).
10.9	Patterson Companies, Inc. 2014 Sharesave Plan (incorporated by reference to our Definitive Proxy Statement, filed on August 5, 2014 (File No. 000-20572)).
10.10	ESOP Loan Agreement dated April 1, 2002 (incorporated by reference to our Annual Report on Form 10-K, filed on July 24, 2003 (File No. 000-20572)).
10.11	Promissory Note dated April 1, 2002 between GreatBanc Trust Company, an Illinois corporation, not in its individual or corporate capacity, but solely as trustee of the Thompson Dental Company Employee Stock Ownership Plan and Trust and Thompson Dental Company (incorporated by reference to our Annual Report on Form 10-K, filed on July 24, 2003 (File No. 000-20572)).
10.12	ESOP Loan Agreement dated September 11, 2006 (incorporated by reference to our Current Report on Form 8-K, filed on September 12, 2006 (File No. 000-20572)).
10.13	ESOP Note dated September 11, 2006 (incorporated by reference to our Current Report on Form 8-K, filed on September 12, 2006 (File No. 000-20572)).
10.14	Note Purchase Agreement dated March 19, 2008 among Patterson Companies, Inc., Patterson Medical Holdings, Inc., Patterson Medical Supply, Inc., Patterson Dental Holdings, Inc., Patterson Dental Supply, Inc., Webster Veterinary Supply, Inc. and Webster Management, LP (incorporated by reference to our Current Report on Form 8-K, filed March 24, 2008 (File No. 000-20572)).
10.15	Credit Agreement, dated December 1, 2011, among Patterson Companies, Inc., and JPMorgan Chase Bank, N.A., The Bank of Tokyo-Mitsubishi UFJ, Ltd., and U.S. Bank NA, Wells Fargo Bank, NA, and Bank of America, N.A. (incorporated by reference to our Current Report on Form 8-K, filed December 6, 2011 (File No. 000-20572)).
10.16	Note Purchase Agreement, dated December 8, 2011, by and among Patterson Companies, Inc., Patterson Medical Holdings, Inc., Patterson Medical Supply, Inc., Patterson Dental Holdings, Inc., Patterson Dental Supply, Inc., Webster Veterinary Supply, Inc., Webster Management, LP (incorporated by reference to our Current Report on Form 8-K, filed December 12, 2011 (File No. 000-20572)).
10.17	Note Purchase Agreement, dated March 23, 2015, by and among Patterson Companies, Inc., Patterson Medical Holdings, Inc., Patterson Medical Supply, Inc., Patterson Dental Holdings, Inc., Patterson Dental Supply, Inc., Patterson Veterinary Supply, Inc., and Patterson Management, LP (incorporated by reference to our Current Report on Form 8-K, filed March 25, 2015 (File No. 000-20572)).
10.18	Commitment Letter, dated May 2, 2015, by and between Merrill Lynch, Pierce, Fenner & Smith Incorporated, Bank Of America, N.A., The Bank Of Tokyo-Mitsubishi UFJ, Ltd. and Patterson Companies, Inc. (incorporated by reference to our Current Report on Form 8-K, filed May 4, 2015 (File No. 000-20572)).
10.19	Credit Agreement dated as of June 16, 2015 by and among Patterson Companies, Inc., the lenders from time to time parties thereto, Bank of Tokyo-Mitsubishi UFJ, Ltd., as administrative agent, and Bank of America, N.A., as syndication agent (incorporated by reference to our Current Report on Form 8-K, filed June 17, 2015 (File No. 000-20572)).
10.20	Amended and Restated Contract Purchase Agreement dated August 12, 2011 among PDC Funding Company II, LLC, Patterson Companies, Inc., and Fifth Third Bank (incorporated by reference to our Current Report on Form 8-K, filed August 16, 2011 (File No. 000-20572)).

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Exhibit No.	Document Description
10.21	Receivables Sale Agreement, dated as May 10, 2002, by and among Patterson Dental Supply, Inc., Webster Veterinary Supply, Inc., and PDC Funding Company, LLC (incorporated by reference to our Annual Report on Form 10-K, filed on July 25, 2002 (File No. 000-20572)).
10.22	Amended and Restated Receivables Sales Agreement dated August 12, 2011 by and among Patterson Dental Supply, Inc., Webster Veterinary Supply, Inc. and PDC Funding Company II, LLC *(filed herewith).*
10.23	Third Amended and Restated Receivables Purchase Agreement dated December 3, 2010 between PDC Funding Company, LLC, Patterson Companies, Inc., The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch (the Bank) and a commercial paper conduit managed by the Bank (incorporated by reference to our Current Report on Form 8-K, filed December 8, 2010 (File No. 000-20572)).
10.24	Assignment and Assumption and Amendment No. 1 to Third Amended and Restated Receivables Purchase Agreement dated December 20, 2010, by and among The Bank of Tokyo-Mitsubishi UFJ, Ltd., Victory Receivables Corporation, PDC Funding Company, LLC, Patterson Companies, Inc., Royal Bank of Canada and Thunder Bay Funding, LLC (incorporated by reference to our Current Report on Form 8-K, filed December 23, 2010 (File No. 000-20572)).
10.25	Agreement and Plan of Merger, dated May 2, 2015, by and among Patterson Companies, Inc., Rams Merger Sub, Inc., Animal Health International, Inc. and Leonard Green & Partners, L.P. (incorporated by reference to our Current Report on Form 8-K, filed May 4, 2015 (File No. 000-20572)).
21	Subsidiaries *(filed herewith).*
23	Consent of Independent Registered Public Accounting Firm *(filed herewith).*
31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-4(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *(filed herewith).*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-4(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *(filed herewith).*
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*filed herewith*).
32.2	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *(filed herewith).*
101	(Filed Electronically) The following financial information from our Annual Report on Form 10-K for fiscal 2015, filed with the SEC on June 24, 2015, formatted in Extensible Business Reporting Language (XBRL): (i) the consolidated balance sheets at April 25, 2015 and April 26, 2014, (ii) the consolidated statements of income for the years ended April 25, 2015, April 26, 2014 and April 27, 2013, (iii) the consolidated statements of cash flows for the years ended April 25, 2015, April 26, 2014 and April 27, 2013, (iv) the consolidated statements of changes in stockholders equity for the years ended April 25, 2015, April 26, 2014 and April 27, 2013 and (v) the notes to the consolidated financial statements.(*)

(*) The XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

(b) See Schedule II.

(c) See Index to Exhibits.

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SIGNATURES

Pursuant to the requirements of section 13 or 15(d) 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.

PATTERSON COMPANIES, INC.

Dated: June 24, 2015

By /s/ Scott P. Anderson
Scott P. Anderson,
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

		Date
/s/ Scott P. Anderson	President and Chief Executive Officer	June 24, 2015
Scott P. Anderson	(Principal Executive Officer & Chairman of the Board of Directors)	
/s/ Ann B. Gugino	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	June 24, 2015
Ann B. Gugino		
/s/ John D. Buck	Director	June 24, 2015
John D. Buck		
/s/ Jody H. Feragen	Director	June 24, 2015
Jody H. Feragen		
/s/ Sarena S. Lin	Director	June 24, 2015
Sarena S. Lin		
/s/ Ellen A. Rudnick	Director	June 24, 2015
Ellen A. Rudnick		
/s/ Neil A. Schrimsher	Director	June 24, 2015
Neil A. Schrimsher		
/s/ Harold C. Slavkin	Director	June 24, 2015
Harold C. Slavkin		
/s/ Les C. Vinney	Director	June 24, 2015

Les C. Vinney

/s/ James W. Wiltz	Director	June 24, 2015

James W. Wiltz

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SCHEDULE II

VALUATION AND QUALIFYING ACCOUNTS

PATTERSON COMPANIES, INC.

(In thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
Year ended April 25, 2015					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 9,873	$ 3,384	$	$ 4,838	$ 8,419
LIFO inventory adjustment	$ 74,607	$ 1,867	$	$	$ 76,474
Inventory obsolence reserve	8,663	15,600		16,827	7,436
Total inventory reserve	$ 83,270	$ 17,467	$	$ 16,827	$ 83,910
Year ended April 26, 2014					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 5,808	$ 3,220	$ 3,552	$ 2,707	$ 9,873
LIFO inventory adjustment	$ 70,415	$ 4,192	$	$	$ 74,607
Inventory obsolence reserve	6,333	14,846	391	12,907	8,663
Total inventory reserve	$ 76,748	$ 19,038	$ 391	$ 12,907	$ 83,270
Year ended April 27, 2013					
Deducted from asset accounts:					
Allowance for doubtful accounts	$ 7,831	$ 1,119	$	$ 3,142	$ 5,808
LIFO inventory adjustment	$ 66,808	$ 3,607	$	$	$ 70,415
Inventory obsolence reserve	5,456	10,863		9,986	6,333
Total inventory reserve	$ 72,264	$ 14,470	$	$ 9,986	$ 76,748

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INDEX TO EXHIBITS

Exhibit 10.1	Patterson Companies, Inc. Fiscal 2015 Incentive Plan
Exhibit 10.22	Amended and Restated Receivables Sales Agreement dated August 12, 2011 by and among Patterson Dental Supply, Inc., Webster Veterinary Supply, Inc. and PDC Funding Company II, LLC.
Exhibit 21	Subsidiaries
Exhibit 23	Consent of Independent Registered Public Accounting Firm
Exhibit 31.1	Certification of the Chief Executive Officer pursuant to Rules 13a-4(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of the Chief Financial Officer pursuant to Rules 13a-4(a) and 15d-14(a), under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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(*) The XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.