

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K**

**FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 27, 2008

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

Commission file number 0-27078

 **HENRY SCHEIN, INC.**
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)
11-3136595
(I.R.S. Employer Identification No.)

135 Duryea Road
Melville, New York
(Address of principal executive offices)
11747
(Zip Code)

(631) 843-5500
(Registrant's telephone number, including area code)

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

Title of each class
Common Stock, par value \$.01 per share

Name of each exchange on which registered
The Nasdaq Stock 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: NO:

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
YES: NO:

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 (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES: 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.

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

Large accelerated filer: Accelerated filer: Non-accelerated filer: Smaller reporting company:
(Do not check if a 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:

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, computed by reference to the closing sales price as quoted on the NASDAQ National Market on June 28, 2008 was approximately \$4,614,702,000.

As of February 13, 2009, there were 89,358,599 shares of registrant's Common Stock, par value \$.01 per share, outstanding.

Documents Incorporated by Reference:

Portions of the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year (December 27, 2008) are incorporated by reference in Part III hereof.

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ITEM 1. Business

General

We believe we are the largest distributor of healthcare products and services to office-based healthcare practitioners in the combined North American and European markets. We serve more than 575,000 customers worldwide, including dental practitioners and laboratories, physician practices and animal health clinics, as well as government and other institutions. We believe that we have a strong brand identity due to our more than 76 years of distributing healthcare products.

We are headquartered in Melville, New York, employ more than 12,500 people (of which approximately 5,000 are based outside the United States) and have operations in the United States, Australia, Austria, Belgium, Canada, China, the Czech Republic, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Slovakia, Spain, Switzerland and the United Kingdom. We also have affiliates in Iceland, Israel, Saudi Arabia and the United Arab Emirates.

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

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

Industry

The healthcare products distribution industry, as it relates to office-based healthcare practitioners, is highly fragmented and diverse. This industry, which encompasses the dental, medical and animal health markets, was estimated to produce revenues of approximately \$27.5 billion in 2008 in the combined North American and European markets. The industry ranges from sole practitioners working out of relatively small offices to group practices or service organizations ranging in size from a few practitioners to a large number of practitioners who have combined or otherwise associated their practices.

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

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

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

In recent years, the healthcare industry has increasingly focused on cost containment. This trend has benefited distributors capable of providing a broad array of products and services at low prices.

Competition

The distribution and manufacture of healthcare supplies and equipment is highly competitive. Many of the healthcare distribution products we sell are available to our customers from a number of suppliers. In addition, our competitors could obtain exclusive rights from manufacturers to market particular products. Manufacturers also could seek to sell directly to end-users, and thereby eliminate or reduce our role and that of other distributors.

In North America, we compete with other distributors, as well as several manufacturers, of dental, medical and animal health products, primarily on the basis of price, breadth of product line, customer service and value-added products and services. In the sale of our dental products, our primary competitors are the Patterson Dental Division of Patterson Companies, Inc. and Benco Dental Supply Company. In addition, we compete against a number of other distributors that operate on a national, regional and local level. Our primary competitors in the sale of medical products are the General Medical division of McKesson Corp., PSS World Medical, Inc. and the Allegiance division of Cardinal Health, Inc., which are national distributors. In the animal health market, our primary competitors are Butler Animal Health Supply, LLC, MWI Veterinary Supply Inc. and the Webster Veterinary division of Patterson Companies, Inc. We also compete against a number of regional and local medical and animal health distributors, as well as a number of manufacturers that sell directly to physicians and veterinarians. With regard to our dental practice management software, we compete against numerous companies, including PracticeWorks, Inc. and Patterson. In the animal health practice management market, our primary competitor is IDEXX Laboratories, Inc. The medical practice management and electronic medical records market is very fragmented and therefore we compete with numerous companies such as NextGen Healthcare Information Systems, Inc., eClinicalWorks, Allscripts, LLC and athenahealth, Inc.

We also face significant competition internationally, where we compete on the basis of price and customer service against several large competitors, including the GACD Group, Pluradent AG & Co., Planmeca Oy, Omega Pharma NV, Billerica Dental Supply Co. Ltd., National Veterinary Services and Alcyon SA, as well as a large number of dental, medical and animal health product distributors and manufacturers in Australia, Austria, Belgium, China, the Czech Republic, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Slovakia, Spain, Switzerland and the United Kingdom.

Significant price reductions by our competitors could result in a similar reduction in our prices. Any of these competitive pressures may materially adversely affect our operating results.

Competitive Strengths

We have more than 76 years of experience in distributing products to healthcare practitioners resulting in strong awareness of the “Henry Schein” name. Our competitive strengths include:

Direct sales and marketing expertise. Our sales and marketing efforts are designed to establish and solidify customer relationships through personal visits by field sales representatives, frequent direct marketing and telesales contact, emphasizing our broad product lines, including exclusive distribution agreements, competitive prices and ease of order placement. The key elements of our direct sales and marketing efforts are:

- *Field sales consultants.* We have approximately 2,775 field sales consultants, including equipment sales specialists, covering major North American, European and other international markets. These consultants complement our direct marketing and telesales efforts and enable us to better market, service and support the sale of more sophisticated products and equipment.
- *Direct marketing.* During 2008, we distributed approximately 28.0 million pieces of direct marketing material, including catalogs, flyers, order stuffers and other promotional materials to existing and potential office-based healthcare customers.
- *Telesales.* We support our direct marketing effort with approximately 1,425 inbound and outbound telesales representatives, who facilitate order processing and generate new sales through direct and frequent contact with customers.

Broad product and service offerings at competitive prices. We offer a broad range of products and services to our customers, at competitive prices, in the following categories:

- *Consumable supplies and equipment.* We offer over 90,000 Stock Keeping Units, or SKUs, to our customers. Of the SKUs offered, approximately 46,000 are offered to our dental customers, approximately 32,000 to our medical customers and approximately 22,000 to our animal health customers. We offer over 100,000 additional SKUs to our customers in the form of special order items.
- *Technology and other value-added products and services.* We sell practice management software systems to our dental, medical and animal health customers. Our practice management software solutions provide practitioners with patient treatment history, billing, accounts receivable analyses and management, appointment calendars, electronic claims processing and word processing programs. As of December 27, 2008, we have an active user base of more than 60,000 practices, including Dentrix®, Easy Dental®, Oasis® and EXACT® for dental practices, MicroMD® for physician practices and AVImark® for animal health clinics.
- *Repair services.* We have 202 equipment sales and service centers worldwide that provide a variety of repair, installation and technical services for our healthcare customers. Our technicians provide installation and repair services for dental handpieces; dental, medical and animal health small equipment; table top sterilizers; and large dental equipment.
- *Financial services.* We offer our customers assistance in operating their practices by providing access to a number of financial services and products (including non-recourse financing for equipment, technology and software products; non-recourse patient financing; collection services and credit card processing) at rates that we believe are generally lower than what they would be able to secure independently.

Commitment to superior customer service. We maintain a strong commitment to providing superior customer service. We frequently monitor our customer service through customer surveys, focus groups and statistical reports. Our customer service policy primarily focuses on:

- *Exceptional order fulfillment.* Approximately 99% of items ordered in the United States and Canada are shipped without back ordering and are shipped on the same business day the order is received.
- *Streamlined ordering process.* Customers may place orders 24 hours a day, 7 days a week by mail, fax, telephone, e-mail, Internet and by using our computerized order entry systems.

Integrated management information systems. Our information systems generally allow for centralized management of key functions, including accounts receivable, inventory, accounts payable, payroll, purchasing, sales and order fulfillment. These systems allow us to manage our growth, deliver superior customer service, properly target customers, manage financial performance and monitor daily operational statistics.

Cost-effective purchasing. We believe that cost-effective purchasing is a key element to maintaining and enhancing our position as a competitive-pricing provider of healthcare products. We continuously evaluate our purchase requirements and suppliers' offerings and prices in order to obtain products at the lowest possible cost. In 2008, our top 10 healthcare distribution suppliers and our single largest supplier accounted for approximately 33% and 10%, respectively, of our aggregate purchases.

Efficient distribution. We distribute our products from our strategically located distribution centers. We strive to maintain optimal inventory levels in order to satisfy customer demand for prompt delivery and complete order fulfillment. These inventory levels are managed on a daily basis with the aid of our management information systems. Once an order is entered, it is electronically transmitted to the distribution center nearest the customer's location and a packing slip for the entire order is printed for order fulfillment.

Products

The following table sets forth the percentage of consolidated net sales by principal categories of products offered through our healthcare distribution and technology reportable segments:

	<u>2008</u>	<u>2007 (1)</u>	<u>2006 (1)</u>
Healthcare Distribution			
Dental:			
Consumable dental products, dental laboratory products and small equipment (2)	46.5%	46.2%	46.4%
Large dental equipment (3)	17.9	18.2	19.0
Total dental	<u>64.4</u>	<u>64.4</u>	<u>65.4</u>
Medical:			
Medical products (4)	22.8	26.9	28.5
Animal health products (5)	10.2	6.5	4.1
Total medical	<u>33.0</u>	<u>33.4</u>	<u>32.6</u>
Total Healthcare Distribution	<u>97.4</u>	<u>97.8</u>	<u>98.0</u>
Technology			
Software and related products and other value-added products (6)	2.6	2.2	2.0
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

(1) Adjusted to reflect the effects of discontinued operations.

(2) Includes X-ray products, infection-control products, handpieces, preventatives, impression materials, composites, anesthetics, teeth, dental implants, gypsum, acrylics, articulators and abrasives.

(3) Includes dental chairs, delivery units and lights, X-ray equipment, equipment repair and high-tech equipment.

(4) Includes branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products, X-ray products, equipment and vitamins.

(5) Includes branded and generic pharmaceuticals, surgical and consumable products and small equipment.

(6) Includes software and related products and other value-added products, including financial products and continuing education.

Business Strategy

Our objective is to continue to expand as a value-added distributor of healthcare products and services to office-based healthcare practitioners. To accomplish this, we will apply our competitive strengths in executing the following strategies:

- *Increase penetration of our existing customer base.* We have over 575,000 customers worldwide and we intend to increase sales to our existing customer base and enhance our position as their primary supplier.
- *Increase the number of customers we serve.* This strategy includes increasing the number and productivity of field sales consultants, as well as using our customer database to focus our marketing efforts.
- *Leverage our value-added products and services.* We continue to increase cross-selling efforts for key product lines. In the dental business, we have significant cross-selling opportunities between our dental practice management software users and our dental distribution customers. In the medical business, we have opportunities to expand our vaccine, injectables and other pharmaceuticals sales to medical distribution customers, as well as cross-selling core products and practice management software with these key products. In the animal health business, we have opportunities to cross-sell practice management software and other products.
- *Pursue strategic acquisitions and joint ventures.* Our acquisition strategy includes acquiring businesses complementary to ours that will provide, among other things, additional sales to be channeled through our existing distribution infrastructure, access to additional product lines and networks of field sales consultants and an opportunity to further expand into new geographic markets.

Markets Served

Demographic trends indicate that our markets are growing, as an aging U.S. population is increasingly using healthcare services. Between 2008 and 2018, the 45 and older population is expected to grow by approximately 16%. Between 2008 and 2028, this age group is expected to grow by approximately 29%. This compares with expected total U.S. population growth rates of approximately 9% between 2008 and 2018 and approximately 18% between 2008 and 2028.

In the dental industry, there is predicted to be a rise in oral healthcare expenditures as the 45 and older segment of the population increases. Cosmetic dentistry is another growing aspect of dental practices as new technologies allow dentists to offer cosmetic solutions that patients seek. At the same time, there is an increase in dental insurance coverage. Approximately 57% of the U.S. population now has some form of dental coverage, up from 49% in 1996.

We support our dental professionals through the many SKUs that we offer, as well as through important value-added services, including practice management software, electronic claims processing, financial services and continuing education, all designed to help maximize a practitioner's efficiency.

There continues to be a migration of procedures from acute-care settings (or hospitals) to physicians' offices, a trend that provides additional opportunities for us. There also is the continuing use of vaccines, injectables and other pharmaceuticals in alternate-care settings. We believe we have established a leading position as a vaccine supplier to the office-based physician practitioner.

We believe our international group is a leading European healthcare supplier servicing office-based dental, medical and animal health practices. We are in the process of implementing SAP software across continental Europe. Additionally, we are expanding our dental full-service model and our animal health presence in Europe, as well as our medical offerings in countries where opportunities exist. Through our "Schein Direct" program, we also have the capability to provide door-to-door air package delivery to practitioners in over 200 countries around the world.

For information on revenues and long-lived assets by geographic area, see Note 12 of “Notes to Consolidated Financial Statements,” which is incorporated herein by reference.

Seasonality and Other Factors Affecting Our Business and Quarterly Results

We experience fluctuations in quarterly earnings. As a result, we may fail to meet or exceed the expectations of securities analysts and investors, which could cause our stock price to decline.

Our business is subject to seasonal and other quarterly fluctuations. Net sales and operating profits generally have been higher in the third and fourth quarters due to the timing of sales of seasonal products (including influenza vaccine, equipment and software products), purchasing patterns of office-based healthcare practitioners and year-end promotions. Net sales and operating profits generally have been lower in the first quarter, primarily due to increased sales in the prior two quarters. Quarterly results also may be adversely affected by a variety of other factors, including:

- costs of developing new applications and services;
- costs related to acquisitions and/or integrations of technologies or businesses;
- timing and amount of sales and marketing expenditures;
- loss of sales representatives;
- general economic conditions, as well as those specific to the healthcare industry and related industries;
- timing of the release of upgrades and enhancements to our technology-related products and services;
- our success in establishing or maintaining business relationships;
- restructuring charges;
- changes in accounting principles;
- unexpected difficulties in developing and manufacturing products;
- product demand and availability or recalls by manufacturers;
- exposure to product liability and other claims in the event that the use of the products we sell results in injury; and
- increases in the cost of shipping or service issues with our third-party shippers.

Any change in one or more of these or other factors could cause our annual or quarterly operating results to fluctuate.

Governmental Regulations

Our business is subject to requirements under various local, state, federal and foreign governmental laws and regulations applicable to the distribution of pharmaceuticals and medical devices. Among the federal laws applicable to us are the Controlled Substances Act, the Federal Food, Drug, and Cosmetic Act, as amended, the Prescription Drug Marketing Act of 1987, and comparable foreign regulations.

The Federal Food, Drug, and Cosmetic Act generally regulates the introduction, manufacture, advertising, labeling, packaging, storage, handling, reporting, marketing and distribution of, and record keeping for, pharmaceuticals and medical devices shipped in interstate commerce.

The Prescription Drug Marketing Act of 1987, which amended the Federal Food, Drug, and Cosmetic Act, establishes certain requirements applicable to the wholesale distribution of prescription drugs, including the requirement that wholesale drug distributors be licensed by each state in which they conduct business, provide certain drug pedigree information on the distribution of prescription drugs and act in accordance with federally established guidelines on storage, handling and record maintenance.

Under the Controlled Substances Act, as a distributor of controlled substances, we are required to obtain a registration annually from the United States Drug Enforcement Administration and are subject to other regulatory requirements relating to the sale, marketing, handling and distribution of such drugs, in accordance with specified rules and regulations. We are subject to inspection by the United States Drug Enforcement Administration.

Certain of our businesses are required to register for permits and/or licenses with, and comply with operating and security standards of, the United States Drug Enforcement Administration, the United States Food and Drug Administration, the Department of Health and Human Services, and various state boards of pharmacy, state health departments and/or comparable state agencies as well as foreign agencies, and certain accrediting bodies depending on the type of operations and location of product distribution, manufacturing or sale. These businesses include those that distribute, manufacture and/or repackage prescription pharmaceuticals and/or medical devices, or own pharmacy operations. The United States Drug Enforcement Administration, the United States Food and Drug Administration and state regulatory authorities have broad enforcement powers, including the ability to suspend or limit the distribution of products by our distribution centers, seize or order the recall of products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations. Our customers are also subject to significant federal, state, local and foreign governmental regulation.

Certain of our businesses are subject to federal and state (and similar foreign) healthcare fraud and abuse, referral and reimbursement laws and regulations with respect to their operations. Such laws prohibit, among other things, persons from soliciting, offering, receiving or paying remuneration in order to induce the referral of a patient or ordering, purchasing, leasing or arranging for or recommending ordering, purchasing or leasing, of items or services that are paid for by government health care programs. The fraud and abuse laws and regulations are subject to frequent modification and varied interpretation. Certain of our businesses also maintain contracts with the governments and are subject to certain regulatory requirements relating to government contractors.

Certain of our businesses are subject to various additional federal, state, local and foreign laws and regulations, including with respect to the sale, transportation, handling and disposal of hazardous or potentially hazardous substances. In recent years, some states have passed or proposed laws and regulations that are intended to protect the integrity of the supply channel. For example, Florida and other states are implementing drug pedigree requirements that require that prescription drugs be distributed with records or information documenting the prior distribution of the drug, back to the manufacturers. California has enacted a law requiring the implementation of an electronic drug pedigree system that provides track and trace chain of custody technologies, such as radio frequency identification, or RFID, technologies, although the effective date has been postponed until January 1, 2015 for pharmaceutical manufacturers and July 1, 2016 for pharmaceutical wholesalers and repackagers. There have been increasing efforts by various levels of government to regulate the pharmaceutical distribution system in order to prevent the introduction of counterfeit, adulterated or misbranded pharmaceuticals into the distribution system. At the federal level, the United States Food and Drug Administration issued final regulations pursuant to the Prescription Drug Marketing Act that became effective in December 2006. The regulations impose drug pedigree and other chain of custody requirements that increase the costs and/or burden to us of selling our products and handling product returns. In early December 2006, the federal District Court for the Eastern District of New York issued a preliminary injunction, enjoining the implementation of some of the federal drug pedigree requirements, in response to a case initiated by secondary distributors. On February 1, 2007, the United States Department of Health and Human Services and the United States Food and Drug Administration appealed this decision to the federal Court of Appeals for the Second Circuit. This injunction was upheld by the Court of Appeals on July 10, 2008.

The United States Food and Drug Administration Amendments Act of 2007, which went into effect on September 27, 2007, requires the United States Food and Drug Administration to establish standards and identify and validate effective technologies for the purpose of securing the pharmaceutical supply chain against counterfeit drugs. These standards include any track and trace or authentication technologies, such as RFID and other technologies. The United States Food and Drug Administration must develop a standardized numerical identifier by April 1, 2010.

In addition, United States and international import and export laws and regulations require us to abide by certain standards relating to the importation and exportation of products. Certain of our businesses also may be subject to requirements relating to the protection and privacy of health or other personal information. We also are subject to certain laws and regulations concerning the conduct of our foreign operations, including the U.S. Foreign Corrupt Practices Act and anti-bribery laws and laws pertaining to the accuracy of our internal books and records.

While we believe that we are substantially compliant with the foregoing laws and regulations promulgated thereunder and possess all material permits and licenses required for the conduct of our business, there can be no assurance that regulations that impact our business or customers' practices will not have a material adverse impact on our business. As a result of political, economic and regulatory influences, the healthcare distribution industry in the United States is under intense scrutiny and subject to fundamental changes. We cannot predict what reform proposals, if any, will be adopted, when they may be adopted, or what impact they may have on us.

See "ITEM 1A. Risk Factors" for a discussion of additional regulatory developments that may affect our results of operations and financial condition.

Proprietary Rights

We hold trademarks relating to the "Henry Schein" name and logo, as well as certain other trademarks. Pursuant to agreements executed in connection with our reorganization in 1994, both Henry Schein, Inc. and Schein Pharmaceutical, Inc. (which was acquired by Watson Pharmaceuticals, Inc. in 2000), a company previously engaged in the manufacture and distribution of multi-source pharmaceutical products, are entitled to use the "Schein" name in connection with their respective businesses, but Schein Pharmaceutical, Inc. must always use "Schein" in combination with the word "Pharmaceuticals" and is not entitled to use the name "Henry Schein" or to use "Schein" alone or with any other word (other than "Pharmaceuticals"). We intend to protect our trademarks to the fullest extent practicable.

Employees

As of December 27, 2008, we employed more than 12,500 full-time employees, including approximately 1,425 telesales representatives, 2,775 field sales consultants, including equipment sales specialists, 2,325 warehouse employees, 500 computer programmers and technicians, 1,200 management employees and 4,325 office, clerical and administrative employees. Approximately 217 or 1.7% of our employees were subject to collective bargaining agreements. We believe that our relations with our employees are excellent.

Available Information

We make available free of charge through our Internet Web site, www.henryschein.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, statements of beneficial ownership of securities on Forms 3, 4 and 5 and amendments to these reports and statements filed or furnished pursuant to Section 13(a) and Section 16 of the Securities Exchange Act of 1934 as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the SEC.

The above information is also available at the SEC's Office of Investor Education and Advocacy at United States Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-0213 or obtainable by calling the SEC at (800) 732-0330. In addition, the SEC maintains an Internet Web site at www.sec.gov, where the above information can be viewed.

Our principal executive offices are located at 135 Duryea Road, Melville, New York 11747, and our telephone number is (631) 843-5500. Unless the context specifically requires otherwise, the terms the “Company,” “Henry Schein,” “we,” “us” and “our” mean Henry Schein, Inc., a Delaware corporation, and its consolidated subsidiaries.

Executive Officers of the Registrant

The following table sets forth certain information regarding our executive officers:

Name	Age	Position
Stanley M. Bergman	59	Chairman, Chief Executive Officer, Director
Gerald A. Benjamin	56	Executive Vice President, Chief Administrative Officer, Director
James P. Breslawski	55	President, Chief Operating Officer, Director
Leonard A. David	60	Senior Vice President, Chief Compliance Officer
James Harding	53	Senior Vice President, Chief Technology Officer
Stanley Komaroff	73	Senior Advisor
Mark E. Mlotek	53	Executive Vice President, Corporate Business Development, Director
Steven Paladino	51	Executive Vice President, Chief Financial Officer, Director
Michael Racioppi	54	Senior Vice President, Chief Merchandising Officer
Michael Zack	56	President, International Group

Stanley M. Bergman has been our Chairman and Chief Executive Officer since 1989 and a director since 1982. Mr. Bergman held the position of President from 1989 to 2005. Mr. Bergman held the position of Executive Vice President from 1985 to 1989 and Vice President of Finance and Administration from 1980 to 1985.

Gerald A. Benjamin has been our Executive Vice President and Chief Administrative Officer since 2000 and a director since 1994. Prior to holding his current position, Mr. Benjamin was Senior Vice President of Administration and Customer Satisfaction since 1993. Mr. Benjamin was Vice President of Distribution Operations from 1990 to 1992 and Director of Materials Management from 1988 to 1990. Before joining us in 1988, Mr. Benjamin was employed for 13 years in various management positions at Estée Lauder, Inc., where his last position was Director of Materials Planning and Control.

James P. Breslawski has been our President and Chief Operating Officer since 2005 and a director since 1992. Mr. Breslawski held the position of Executive Vice President and President of U.S. Dental from 1990 to 2005, with primary responsibility for the North American Dental Group. Between 1980 and 1990, Mr. Breslawski held various positions with us, including Chief Financial Officer, Vice President of Finance and Administration and Controller.

Leonard A. David has been our Senior Vice President and Chief Compliance Officer since 2006. Mr. David held the position of Vice President and Chief Compliance Officer from 2005 to 2006. Mr. David held the position of Vice President of Human Resources and Special Counsel from 1995 to 2005. Mr. David held the position of Vice President, General Counsel and Secretary from 1990 through 1994 and practiced corporate and business law for eight years prior to joining us.

James Harding has been our Chief Technology Officer since 2005 and Senior Vice President since 2001. Prior to holding his current position, Mr. Harding was Chief Information Officer since 2001, with primary responsibility for worldwide information technology.

Stanley Komaroff has been our Senior Advisor since 2003. Prior to joining us, Mr. Komaroff was a partner for 35 years in the law firm of Proskauer Rose LLP, counsel to us. He served as Chairman of that firm from 1991 to 1999.

Mark E. Mlotek has been Executive Vice President of our Corporate Business Development Group since 2004 and was Senior Vice President of Corporate Business Development from 2000 to 2004. Prior to that, Mr. Mlotek was Vice President, General Counsel and Secretary from 1994 to 1999 and became a director in 1995. Prior to joining us, Mr. Mlotek was a partner in the law firm of Proskauer Rose LLP, counsel to us, specializing in mergers and acquisitions, corporate reorganizations and tax law from 1989 to 1994.

Steven Paladino has been our Executive Vice President and Chief Financial Officer since 2000. Prior to holding his current position, Mr. Paladino was Senior Vice President and Chief Financial Officer from 1993 to 2000 and has been a director since 1992. From 1990 to 1992, Mr. Paladino served as Vice President and Treasurer and from 1987 to 1990 served as Corporate Controller. Before joining us, Mr. Paladino was employed in public accounting for seven years, most recently with the international accounting firm of BDO Seidman, LLP. Mr. Paladino is a certified public accountant.

Michael Racioppi has been our Senior Vice President, Chief Merchandising Officer since 2008. Prior to holding his current position, Mr. Racioppi was President of the Medical Division from 2000 to 2008 and Interim President from 1999 to 2000, and Corporate Vice President from 1994 to 2008. Mr. Racioppi served as Senior Director, Corporate Merchandising from 1992 to 1994. Before joining us in 1992, Mr. Racioppi was employed by Ketchum Distributors, Inc. as the Vice President of Purchasing and Marketing.

Michael Zack has been President of our International Group since 2006. Mr. Zack held the position of Senior Vice President of our International Group from 1989 to 2006. Mr. Zack was employed by Polymer Technology (a subsidiary of Bausch & Lomb) as Vice President of International Operations from 1984 to 1989 and by Gruenthal GmbH as Manager of International Subsidiaries from 1975 to 1984.

ITEM 1A. Risk Factors

Declining economic conditions could adversely affect our results of operations and financial condition.

Disruptions in the financial markets and other macro-economic challenges currently affecting the economy and the economic outlook of the United States and other parts of the world could adversely impact our customers and vendors, which could adversely affect us. Recessionary conditions and depressed levels of consumer and commercial spending have caused and may continue to cause customers to reduce, modify, delay or cancel plans to purchase our products and may cause vendors to reduce their output or change their terms of sales. We generally sell products to customers with payment terms. If customers' cash flow or operating and financial performance deteriorates, or if they are unable to make scheduled payments or obtain credit, they may not be able to pay, or may delay payment to us. Likewise, for similar reasons vendors may restrict credit or impose different payment terms. Any inability of current and/or potential customers to pay us for our products and/or services or any demands by vendors for different payment terms may adversely affect our results of operations and financial condition.

Disruptions in the financial market may adversely affect the availability and cost of credit to us.

Our ability to make scheduled payments or refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and financial, business and other factors beyond our control. Recent disruptions in the financial markets, including the bankruptcy or restructuring of a number of financial institutions, reduced lending activity, decreased liquidity and higher costs in the commercial paper market, may adversely affect the availability and cost of credit. There can be no assurances that recent government initiatives in response to the disruptions in the financial markets will stabilize the markets in general or increase liquidity and the availability of credit to us.

The healthcare products distribution industry is highly competitive, and we may not be able to compete successfully.

We compete with numerous companies, including several major manufacturers and distributors. Some of our competitors have greater financial and other resources than we do, which could allow them to compete more successfully. Most of our products are available from several sources and our customers tend to have relationships with several distributors. 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 healthcare products distributors, 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. In the future, we may be unable to compete successfully and competitive pressures may reduce our revenues.

The healthcare industry is experiencing changes that could adversely affect our business.

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 the reduction of spending budgets by government and private insurance programs, such as Medicare, Medicaid and corporate health insurance plans; pressures relating to potential healthcare reform; trends toward managed care; consolidation of healthcare distribution companies; consolidation of healthcare manufacturers; collective purchasing arrangements among office-based healthcare practitioners; and changes in reimbursements to customers. Both our own profit margins and the profit margins of our customers may be adversely affected by laws and regulations reducing reimbursement rates for pharmaceuticals and/or medical treatments or services or changing the methodology by which reimbursement levels are determined. If we are unable to react effectively to these and other changes in the healthcare industry, our operating results could be adversely affected. In addition, the enactment of any significant healthcare reforms could have a material adverse effect on our business.

Failure to comply with existing and future regulatory requirements could negatively affect our business.

Our business is subject to requirements under various local, state, federal and international laws and regulations applicable to the distribution of pharmaceuticals and medical devices. Among the federal laws with which we must comply are the Controlled Substances Act, the Federal Food, Drug, and Cosmetic Act, as amended and the Prescription Drug Marketing Act of 1987. Such laws:

- regulate the storage and distribution, labeling, packaging, handling, reporting, record keeping, introduction, manufacturing and marketing of drugs and medical devices;
- subject us to inspection by the United States Food and Drug Administration and the United States Drug Enforcement Administration;
- regulate the transportation of certain of our products that are considered hazardous materials;
- require registration with the United States Food and Drug Administration and the United States Drug Enforcement Administration and various state agencies;
- require record keeping and documentation of transactions involving drug products;
- require us to manage returns of products that have been recalled and subject us to inspection of our recall procedures and activities; and
- impose reporting requirements if a pharmaceutical or medical device causes serious illness, injury or death.

Applicable federal, state and local laws and regulations also may require us to meet various standards relating to, among other things, licensure or registration, sales and marketing practices, product integrity and supply tracking to the manufacturer of the product, personnel, privacy of health or other personal information and the importation and exportation of products. Our business also is subject to requirements of similar and other foreign governmental laws and regulations affecting our operations abroad.

The failure to comply with any of these regulations, or new interpretations of existing laws and regulations, or the imposition of any additional laws and regulations, could negatively affect our business. There can be no assurance that current government regulations will not adversely affect our business. The costs to us associated with complying with the various applicable statutes and regulations, as they now exist and as they may be modified, could be material. Allegations by a governmental body that we have not complied with these laws could have a material adverse impact on our businesses. If it is determined that we have not complied with these laws, we are potentially subject to penalties including warning letters, civil and criminal penalties, mandatory recall of product, seizure of product and injunction, and suspension or limitation of product sale and distribution. If we enter into settlement agreements to resolve allegations of non-compliance, we could be required to make settlement payments or be subject to civil and criminal penalties, including fines and the loss of licenses. Non-compliance with government requirements could adversely affect our ability to participate in government healthcare programs. Any of the foregoing could have a material adverse impact on our businesses. We believe that the healthcare services industry will continue to be subject to extensive domestic and foreign government regulation and that we have adequate compliance programs and controls in place to ensure substantial compliance with the laws and regulations.

If we fail to comply with laws and regulations in respect to healthcare fraud, we could suffer penalties or be required to make significant changes to our operations.

We are subject to extensive and frequently changing federal and state laws and regulations relating to healthcare fraud. The federal government continues to strengthen its position and scrutiny over practices involving healthcare fraud affecting government healthcare programs. Our relationships with pharmaceutical manufacturers and healthcare providers subject our business to laws and regulations on fraud and abuse which, among other things, (i) prohibit persons from soliciting, offering, receiving or paying any remuneration in order to induce the referral of a patient for treatment or to induce the ordering, purchasing, leasing or arranging for or recommending ordering, purchasing or leasing of items or services that are in any

way paid for by government-sponsored healthcare programs and (ii) impose a number of restrictions upon referring physicians and providers of designated health services under government healthcare programs. While we believe that we are substantially compliant with all applicable laws, many of the regulations applicable to us are vague or indefinite and have not been interpreted by the courts. They may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could require us to make changes in our operations. If we fail to comply with applicable laws and regulations, we could suffer civil and criminal penalties, including the loss of licenses or our ability to participate in federal and state healthcare programs.

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

International operations are subject to risks that may materially adversely affect our business, results of operations and financial condition. The risks that our international operations are subject to include, among other things:

- difficulties and costs relating to staffing and managing foreign operations;
- difficulties in establishing channels of distribution;
- fluctuations in the value of foreign currencies;
- longer payment cycles of foreign customers and difficulty of collecting receivables in foreign jurisdictions;
- repatriation of cash from our foreign operations to the United States;
- regulatory requirements;
- unexpected difficulties in importing or exporting our products;
- imposition of import/export duties, quotas, sanctions or penalties; and
- unexpected regulatory, economic and political changes in foreign markets.

We experience fluctuations in quarterly earnings. As a result, we may fail to meet or exceed the expectations of securities analysts and investors, which could cause our stock price to decline.

Our business is subject to seasonal and other quarterly fluctuations. Net sales and operating profits generally have been higher in the third and fourth quarters due to the timing of sales of seasonal products (including influenza vaccine, equipment and software products), purchasing patterns of office-based healthcare practitioners and year-end promotions. Net sales and operating profits generally have been lower in the first quarter, primarily due to increased sales in the prior two quarters. Quarterly results may also be adversely affected by a variety of other factors, including:

- costs of developing new applications and services;
- costs related to acquisitions and/or integrations of technologies or businesses;
- timing and amount of sales and marketing expenditures;
- loss of sales representatives;
- general economic conditions, as well as those specific to the healthcare industry and related industries;
- timing of the release of upgrades and enhancements to our technology-related products and services;
- our success in establishing or maintaining business relationships;
- restructuring charges;
- changes in accounting principles;
- unexpected difficulties in developing and manufacturing products;

- product demand and availability or recalls by manufacturers;
- exposure to product liability and other claims in the event that the use of the products we sell results in injury; and
- increases in the cost of shipping or service issues with our third-party shippers.

Any change in one or more of these or other factors could cause our annual or quarterly operating results to fluctuate. If our operating results do not meet market expectations, our stock price may decline.

Because substantially all of the products that we distribute are not manufactured by us, we are dependent upon third parties for the manufacture and supply of substantially all of our products.

We obtain substantially all of our products from third-party suppliers. Generally, we do not have long-term contracts with our suppliers committing them to supply products to us. Therefore, suppliers may not provide the products we need in the quantities we request. Because we do not control the actual production of the products we sell, we may be subject to delays caused by interruption in production based on conditions outside of our control. In the event that any of our third-party suppliers were to become unable or unwilling to continue to provide the products in required volumes, we would need to identify and obtain 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, including the supply of our influenza vaccine and any other high sales volume product, would have an adverse effect on our results of operations, which most likely would adversely affect the value of our common stock.

Our expansion through acquisitions and joint ventures involves risks.

We have expanded our domestic and international markets in part through acquisitions and joint ventures, and we expect to continue to make acquisitions and enter into joint ventures in the future. Such transactions involve numerous risks, including possible adverse effects on our operating results or the market price of our common stock. Some of our acquisitions and future acquisitions may also give rise to an obligation by us to make contingent payments or to satisfy certain repurchase obligations, which payments could have an adverse effect on our results of operations. In addition, integrating acquired businesses and joint ventures:

- may result in a loss of customers or product lines of the acquired businesses or joint ventures;
- requires significant management attention; and
- may place significant demands on our operations, information systems and financial resources.

There can be no assurance that our future acquisitions or joint ventures will be successful. Our ability to continue to successfully effect acquisitions and joint ventures will depend upon the following:

- the availability of suitable acquisition or joint venture candidates at acceptable prices;
- our ability to consummate such transactions, which could potentially be prohibited due to U.S. or foreign antitrust regulations;
- the availability of financing on acceptable terms, in the case of non-stock transactions; and
- the liquidity of our investments and our ability to raise capital could be affected by the financial credit markets.

Our acquisitions may not result in the benefits and revenue growth we expect.

We are in the process of integrating companies that we acquired and including the operations, services, products and personnel of each company within our management policies, procedures and strategies. We cannot be sure that we will achieve the benefits of revenue growth that we expect from these acquisitions or that we will not incur unforeseen additional costs or expenses in connection with these acquisitions. To effectively manage our expected future growth, we must continue to successfully manage our integration of

these companies and continue to improve our operational systems, internal procedures, working capital management, financial and operational controls. If we fail in any of these areas, our business could be adversely affected.

We face inherent risk of exposure to product liability and other claims in the event that the use of the products we sell results in injury.

Our business involves a risk of product liability and other claims in the ordinary course of business, and from time to time we are named as a defendant in cases as a result of our distribution of pharmaceutical products, medical devices, bone regeneration and other healthcare products. Additionally, we own a majority interest in companies that manufacture certain dental products. As a result, we are subject to the potential risk of product liability or other claims relating to the manufacture and distribution of products by those entities. One of the potential risks we face in the distribution of our products is liability resulting from counterfeit or tainted products infiltrating the supply chain. In addition, some of the products that we transport and sell are considered hazardous materials. The improper handling of such materials or accidents involving the transportation of such materials could subject us to liability. We have various insurance policies, including product liability insurance, covering risks and in amounts that we consider adequate. In many cases in which we have been sued in connection with products manufactured by others, the manufacturer of the product provides us with indemnification. There can be no assurance that the insurance coverage we maintain is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide us with adequate protection. 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.

Our technology segment depends upon continued software and e-services product development, technical support and successful marketing.

Competition among companies supplying practice management software and/or e-services is intense and increasing. Our future sales of practice management software and e-services will depend on, among other factors:

- the effectiveness of our sales and marketing programs;
- our ability to enhance our products and services; and
- our ability to provide ongoing technical support.

We cannot be sure that we will be successful in introducing and marketing new software, software enhancements or e-services, or that such software, software enhancements and e-services will be released on time or accepted by the market. Our software and applicable e-services products, like software products generally, may contain undetected errors or bugs when introduced or as new versions are released. We cannot be sure that future problems with post-release software errors or bugs will not occur. Any such defective software may result in increased expenses related to the software and could adversely affect our relationships with the customers using such software. We do not have any patents on our software or e-services, and rely upon copyright, trademark and trade secret laws, as well as contractual and common law protections. We cannot provide assurance that such legal protections will be available or enforceable to protect our software or e-services products.

Our revenues depend on our relationships with capable sales personnel as well as customers, suppliers and manufacturers of the products that we distribute.

Our future operating results depend on our ability to maintain satisfactory relationships with qualified sales personnel as well as customers, suppliers and manufacturers. If we fail to maintain our existing relationships with such persons or fail to acquire relationships with such key persons in the future, our business may be adversely affected.

Our future success is substantially dependent upon our senior management.

Our future success is substantially dependent upon the efforts and abilities of members of our existing senior management, particularly Stanley M. Bergman, Chairman and Chief Executive Officer, among others. The loss of the services of Mr. Bergman could have a material adverse effect on our business. We have an employment agreement with Mr. Bergman. We do not currently have “key man” life insurance policies on any of our employees. Competition for senior management is intense, and we may not be successful in attracting and retaining key personnel.

Increases in the cost of shipping or service issues with our third-party shippers could harm our business.

Shipping is a significant expense in the operation of our business. We ship almost all of our orders through third-party delivery services, and typically bear the cost of shipment. Accordingly, any significant increase in shipping rates could have an adverse effect on our operating results. Similarly, strikes or other service interruptions by those shippers could cause our operating expenses to rise and adversely affect our ability to deliver products on a timely basis.

We may not be able to respond to technological change effectively.

Traditional healthcare supply and distribution relationships are being challenged by electronic online commerce solutions. Our distribution business is characterized by rapid technological developments and intense competition. The continued advancement of online commerce will require us to cost-effectively adapt to changing technologies, to enhance existing services and to develop and introduce a variety of new services to address changing demands of consumers and our clients on a timely basis, particularly in response to competitive offerings. Our inability to anticipate and effectively respond to changes on a timely basis could have an adverse effect on our business.

We are exposed to the risk of an increase in interest rates.

In 2003, we entered into interest rate swap agreements to exchange our fixed-rate interest rates for variable interest rates payable on our \$230.0 million senior notes. Our fixed interest rates on the senior notes were 6.9% and 6.7% for the remaining \$130.0 million and the remaining \$40.0 million senior notes, respectively. The variable rate is comprised of LIBOR plus spreads and resets on the interest due dates for the senior notes. As a result of these interest rate swap agreements, as well as our existing variable rate credit lines and loan agreements, we are exposed to risk from fluctuations in interest rates.

The market price for our common stock may be highly volatile.

The market price for our common stock may be highly volatile. A variety of factors may have a significant impact on the market price of our common stock, including:

- the publication of earnings estimates or other research reports and speculation in the press or investment community;
- changes in our industry and competitors;
- our financial condition, results of operations and cash flows and prospects;
- stock repurchases;
- any future issuances of our common stock, which may include primary offerings for cash, stock splits, issuances in connection with business acquisitions, restricted stock/units and the grant or exercise of stock options from time to time;
- the dilutive impact of convertible debt on our earnings per share;
- general market and economic conditions; and
- any outbreak or escalation of hostilities in areas where we do business.

In addition, the Nasdaq Stock Market can experience extreme price and volume fluctuations that can be unrelated or disproportionate to the operating performance of the companies listed on Nasdaq. Broad market and industry factors may negatively affect the market price of our common stock, regardless of actual operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted against companies. This type of litigation, if instituted, could result in substantial costs and a diversion of management's attention and resources, which would have an adverse effect on our business.

Certain provisions in our governing documents and other documents to which we are a party may discourage third-party offers to acquire us that might otherwise result in our stockholders receiving a premium over the market price of their shares.

The provisions of our certificate of incorporation and by-laws may make it more difficult for a third party to acquire us, may discourage acquisition bids and may limit the price that certain investors might be willing to pay in the future for shares of our common stock. These provisions, among other things:

- require the affirmative vote of the holders of at least 60% of the shares of common stock entitled to vote to approve a merger, consolidation, or a sale, lease, transfer or exchange of all or substantially all of our assets; and
- require the affirmative vote of the holders of at least 66 2/3% of our common stock entitled to vote to:
 - remove a director; and
 - to amend or repeal our by-laws, with certain limited exceptions.

In addition, our 1994 Stock Incentive Plan, 1996 Non-Employee Director Stock Incentive Plan and 2001 Non-Employee Director Incentive Plan provide for accelerated vesting of stock options upon a change in control, and certain agreements between us and our executive officers provide for increased severance payments if those executive officers are terminated without cause by the Company or if they terminate for good reason in each case, within two years after a change in control or within ninety days prior to the effective date of the change in control or after the first public announcement of the pendency of the change in control.

Tax legislation initiatives could adversely affect our net earnings and tax liabilities.

We are subject to the tax laws and regulations of the United States federal, state and local governments, as well as foreign jurisdictions. From time to time, various legislative initiatives may be proposed that could adversely affect our tax positions. There can be no assurance that our effective tax rate will not be adversely affected by these initiatives. In addition, tax laws and regulations are extremely complex and subject to varying interpretations. Although we believe that our historical tax positions are sound and consistent with applicable laws, regulations and existing precedent, there can be no assurance that our tax positions will not be challenged by relevant tax authorities or that we would be successful in any such challenge.

Item 1B. Unresolved Staff Comments

We have no unresolved comments from the staff of the United States Securities and Exchange Commission that were issued 180 days or more preceding the end of our 2008 fiscal year.

ITEM 2. Properties

We own or lease the following properties:

Property	Location	Own or Lease	Approximate Square Footage	Lease Expiration Date
Corporate Headquarters	Melville, NY	Own	105,000	N/A
Corporate Headquarters	Melville, NY	Lease	185,000	July 2020
Office and Distribution Center	West Allis, WI	Lease	106,000	October 2011
Distribution Center	Denver, PA	Lease	613,000	February 2013
Distribution Center	Indianapolis, IN	Own	287,000	N/A
Distribution Center	Indianapolis, IN	Lease	144,000	June 2009
Distribution Center	Grapevine, TX	Lease	242,000	July 2013
Distribution Center	Gallin, Germany	Own	215,000	N/A
Distribution Center	Jacksonville, FL	Lease	212,000	June 2013
Distribution Center	Niagara on the Lake, Canada	Lease	94,000	September 2016
Distribution Center	Sparks, NV	Lease	337,984	March 2011
Distribution Center	Gillingham, United Kingdom	Lease	103,000	April 2010
Distribution Center	Tours, France	Own	133,000	N/A
Distribution Center	Lyssach, Switzerland	Lease	180,000	July 2016

The properties listed in the table above are our principal properties primarily used by our healthcare distribution segment. In addition, we lease numerous other distribution, office, showroom, manufacturing and sales space in locations including the United States, Australia, Austria, Belgium, Canada, China, the Czech Republic, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Slovakia, Spain, Switzerland and the United Kingdom.

We believe that our properties are in good condition, are well maintained and are suitable and adequate to carry on our business. We have additional operating capacity at certain distribution center facilities.

ITEM 3. Legal Proceedings

Our business involves a risk of product liability and other claims in the ordinary course of business, and from time to time we are named as a defendant in cases as a result of our distribution of pharmaceutical, medical devices and other healthcare products. As a business practice, we generally obtain product liability indemnification from our suppliers.

We have various insurance policies, including product liability insurance, covering risks in amounts that we consider adequate. In many cases in which we have been sued in connection with products manufactured by others, the manufacturer provides us with indemnification. There can be no assurance that the insurance coverage we maintain is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide us with adequate protection. In our opinion, all pending matters are covered by insurance or will not otherwise have a material adverse effect on our financial condition or results of operations.

As of December 27, 2008, we had 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 we were able to reasonably estimate a loss. This accrued amount, as well as related expenses, was not material to our financial position, results of operations or cash flows. Our method for determining estimated losses considers currently available facts, presently enacted laws and regulations and other external factors, including probable recoveries from third parties.

ITEM 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of our stockholders during the fourth quarter of fiscal 2008.

PART II**ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common stock is traded on the NASDAQ Global Select Market tier of the Nasdaq Stock Market, or NASDAQ, under the symbol HSIC. On October 2, 2007, our common stock became a component of the NASDAQ-100 stock market index. The following table sets forth, for the periods indicated, the high and low reported sales prices of our common stock as reported on NASDAQ for each quarterly period in fiscal 2008 and 2007:

	<u>High</u>	<u>Low</u>
Fiscal 2008:		
1st Quarter	\$ 63.62	\$ 55.25
2nd Quarter	59.43	50.74
3rd Quarter	60.42	48.93
4th Quarter	55.66	32.08
Fiscal 2007:		
1st Quarter	\$ 55.33	\$ 45.82
2nd Quarter	56.00	51.92
3rd Quarter	61.98	53.32
4th Quarter	63.45	55.49

On February 13, 2009, there were approximately 1,098 holders of record of our common stock and the last reported sales price was \$37.92.

Purchases of Equity Securities by the Issuer

Our current share repurchase program, announced on June 21, 2004, originally allowed us to repurchase up to \$100.0 million of shares of our common stock, which represented approximately 3.5% of the shares outstanding at the commencement of the program. On both October 31, 2005 and March 28, 2007, our Board of Directors authorized an additional \$100.0 million, for a total of \$300.0 million, of shares of our common stock to be repurchased under this program. As of December 27, 2008, we had repurchased \$242.3 million of common stock (5,633,952 shares) under this initiative, with \$57.7 million available for future common stock share repurchases.

The following table summarizes repurchases of our common stock under our stock repurchase program during the fiscal quarter ended December 27, 2008:

<u>Fiscal Month</u>	<u>Total Number of Shares Purchased (1)</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Our Publicly Announced Program</u>	<u>Maximum Number of Shares that May Yet Be Purchased Under Our Program (2)</u>
09/28/08 through 11/01/08	568,410	\$ 48.99	568,410	1,233,399
11/02/08 through 11/29/08	-	-	-	1,615,880
11/30/08 through 12/27/08	-	-	-	1,631,865
Total	<u>568,410</u>	<u>\$ 48.99</u>	<u>568,410</u>	

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

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

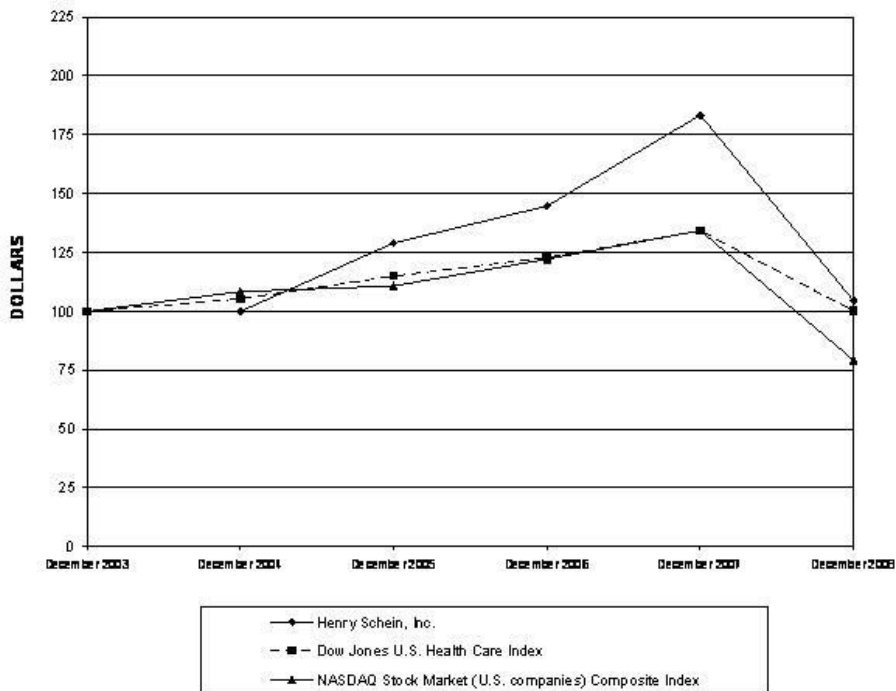
Dividend Policy

We have not declared any cash dividends on our common stock during fiscal years 2008 or 2007. We currently do not anticipate declaring any cash dividends on our common stock in the foreseeable future. We intend to retain earnings to finance the expansion of our business and for general corporate purposes, including our stock repurchase program. Any declaration of dividends will be at the discretion of our Board of Directors and will depend upon the earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends and other factors. The agreements governing our senior notes limit the distribution of dividends without the prior written consent of the lenders (limited to \$25.0 million, plus 80% of cumulative net income, plus net proceeds from the issuance of additional capital stock.) As of December 27, 2008, the amount of retained earnings free of restrictions was \$725.1 million.

Stock Performance Graph

The graph below compares the cumulative total stockholder return on \$100 invested, assuming the reinvestment of all dividends, on December 27, 2003, the last trading day before the beginning of our 2004 fiscal year, through the end of fiscal 2008 with the cumulative total return on \$100 invested for the same period in the Dow Jones U.S. Health Care Index and the NASDAQ Stock Market (U.S. companies) Composite Index.

COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN



**ASSUMES \$100 INVESTED ON DECEMBER 27, 2003
ASSUMES DIVIDENDS REINVESTED**

	December 27, 2003	December 25, 2004	December 31, 2005	December 30, 2006	December 29, 2007	December 27, 2008
Henry Schein, Inc.	\$ 100.00	\$ 99.96	\$ 128.98	\$ 144.76	\$ 183.39	\$ 104.57
Dow Jones U.S. Health Care Index	100.00	105.29	114.95	122.86	134.28	100.12
NASDAQ Stock Market (U.S. companies) Composite Index	100.00	108.41	110.79	122.16	134.29	79.25

ITEM 6. Selected Financial Data

The following selected financial data, with respect to our financial position and results of operations for each of the five fiscal years in the period ended December 27, 2008, set forth below, has been derived from, should be read in conjunction with and is qualified in its entirety by reference to, our consolidated financial statements and notes thereto. The selected financial data presented below should also be read in conjunction with ITEM 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and ITEM 8, "Financial Statements and Supplementary Data."

	Years ended				
	December 27, 2008	December 29, 2007 (1)	December 30, 2006 (1)	December 31, 2005	December 25, 2004
(in thousands, except per share data)					
Income Statement Data:					
Net sales	\$ 6,394,874	\$ 5,904,416	\$ 5,035,938	\$ 4,526,022	\$ 3,794,516
Gross profit	1,884,538	1,716,574	1,469,926	1,308,413	1,047,160
Selling, general and administrative expenses (2)	1,441,695	1,328,635	1,164,549	1,046,008	855,211
Restructuring costs (3)	23,240	-	-	-	-
Operating income	419,603	387,939	305,377	262,405	191,949
Other expense, net	(18,788)	(3,675)	(9,114)	(16,365)	(11,188)
Income from continuing operations					
before taxes, minority interest and equity in earnings (losses)					
of affiliates	400,815	384,264	296,263	246,040	180,761
Income taxes					
from continuing operations	(132,924)	(130,603)	(105,478)	(90,189)	(66,845)
Minority interest in net income					
of subsidiaries	(21,917)	(17,442)	(8,090)	(5,963)	(1,486)
Equity in earnings (losses)					
of affiliates	5,037	(73)	835	827	1,699
Income from continuing operations					
operations	251,011	236,146	183,530	150,715	114,129
Income (loss) from discontinued operations, net of tax (4)					
	(7,868)	(20,973)	(19,771)	(10,956)	2,710
Net income	\$ 243,143	\$ 215,173	\$ 163,759	\$ 139,759	\$ 116,839
Earnings from continuing operations					
per share:					
Basic	\$ 2.82	\$ 2.67	\$ 2.09	\$ 1.73	\$ 1.31
Diluted	2.75	2.59	2.04	1.70	1.29
Earnings (loss) from discontinued operations per share:					
Basic	\$ (0.09)	\$ (0.24)	\$ (0.23)	\$ (0.12)	\$ 0.03
Diluted	(0.08)	(0.23)	(0.22)	(0.12)	0.03
Earnings per share:					
Basic	\$ 2.73	\$ 2.43	\$ 1.86	\$ 1.61	\$ 1.34
Diluted	2.67	2.36	1.82	1.58	1.32
Weighted-average common shares outstanding:					
Basic	89,080	88,559	87,952	87,006	87,253
Diluted	91,221	91,163	89,820	88,489	88,646

	Years ended				
	December 27, 2008	December 29, 2007 (1)	December 30, 2006 (1)	December 31, 2005	December 25, 2004

(in thousands)

Net Sales by Market Data:

Healthcare distribution (5):

Dental (6)	\$ 2,581,525	\$ 2,462,373	\$ 2,136,830	\$ 1,896,643	\$ 1,602,457
Medical (7)	1,428,968	1,540,269	1,398,996	1,284,214	1,180,310
International (8)	2,221,092	1,769,881	1,401,889	1,256,910	928,207
Total healthcare distribution	6,231,585	5,772,523	4,937,715	4,437,767	3,710,974
Technology (9)	163,289	131,893	98,223	88,255	83,542
Total	\$ 6,394,874	\$ 5,904,416	\$ 5,035,938	\$ 4,526,022	\$ 3,794,516

	As of				
	December 27, 2008	December 29, 2007	December 30, 2006	December 31, 2005	December 25, 2004

(in thousands)

Balance Sheet data:

Total assets	\$ 3,599,634	\$ 3,313,984	\$ 2,881,146	\$ 2,583,120	\$ 2,433,670
Long-term debt	266,646	423,274	455,806	489,520	525,682
Minority interest	67,780	35,923	21,746	12,353	12,438
Stockholders' equity	1,932,185	1,779,982	1,470,963	1,249,154	1,117,706

- (1) Adjusted to reflect the effects of discontinued operations.
- (2) During 2004, we recorded a \$13.2 million pre-tax (\$8.4 million post-tax) charge related to our Fluvirin® contract with Chiron Corporation. This charge, which represented the write-off of a deferred expense associated with the 2005/2006 influenza season, occurred as a result of the significant uncertainty about whether Chiron would be able to provide Fluvirin® for the 2005/2006 influenza season. The effect that this charge had on earnings per share for the year ended December 25, 2004 was \$(0.10).
- (3) Restructuring costs consists primarily of employee severance costs, including severance pay and benefits of \$18.6 million, facility closing costs of \$3.8 million and other professional and consulting costs of \$0.8 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Plan of Restructuring" herein and the Consolidated Financial Statements and related notes contained in ITEM 8.
- (4) During the fourth quarter of 2008, we recorded an impairment charge of \$11.2 million (\$7.3 million, net of tax), or \$0.08 per diluted share, related to the exit from our wholesale ultrasound business.

During 2007, we sold substantially all of the assets of our oncology pharmaceutical and specialty pharmacy businesses, previously reported as part of our healthcare distribution reportable segment. The aggregate sales price was \$14.3 million, which was received during the third and fourth quarters of 2007. As a result of these sales, included in the operating results from discontinued operations for 2007 is a net gain, net of tax, of approximately \$0.7 million or \$0.01 per diluted share. We recorded an impairment charge to our long-lived assets of approximately \$20.6 million, net of tax, or \$(0.23) per diluted share in 2007.

On April 1, 2006, we sold substantially all of the assets of our Hospital Supply Business, previously reported as part of our healthcare distribution reportable segment. The sale price was \$36.5 million, which was received during the second quarter of 2006. As a result of this sale, included in the operating results from discontinued operations for 2007 is a \$0.3 million (\$0.2 million after tax) expense relating to contract contingencies. Included in operating results from discontinued operations for 2006 is a \$32.3 million (\$19.4 million after-tax) loss on the sale, including \$3.5 million (\$2.1 million after-tax) of transitional service obligations and selling costs. Also, because the decision to divest this business was reached in 2005, we recorded an impairment charge to our long-lived assets of approximately \$7.0 million, net of tax, or \$(0.08) per diluted share in 2005.

- (5) Consists of consumable products, small equipment, laboratory products, large dental and medical equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.
- (6) Consists of products sold in the United States and Canada.
- (7) Consists of products sold in the United States' medical and animal health markets.
- (8) Consists of products sold in the dental, medical and animal health markets, primarily in Europe.
- (9) Consists of practice management software and other value-added products and services, which are sold primarily to healthcare providers in the United States, Canada, the United Kingdom, Australia and New Zealand for the years 2008 and 2007 and the United States and Canada for the years 2004 through 2006.

ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Note Regarding Forward-Looking Statements

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

Risk factors and uncertainties that could cause actual results to differ materially from current and historical results include, but are not limited to: decreased customer demand and changes in vendor credit terms; disruptions in financial markets; general economic conditions; competitive factors; changes in the healthcare industry; changes in regulatory requirements that affect us; risks associated with our international operations; fluctuations in quarterly earnings; our dependence on third parties for the manufacture and supply of our products; transitional challenges associated with acquisitions, including the failure to achieve anticipated synergies; financial risks associated with acquisitions; regulatory and litigation risks; the dependence on our continued product development, technical support and successful marketing in the technology segment; our dependence upon sales personnel and key customers; our dependence on our senior management; possible increases in the cost of shipping our products or other service issues with our third-party shippers; risks from rapid technological change; risks from potential increases in variable interest rates; possible volatility of the market price of our common stock; certain provisions in our governing documents that may discourage third-party acquisitions of us; and changes in tax legislation that affect us. The order in which these factors appear should not be construed to indicate their relative importance or priority.

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

Executive Level Overview

We believe we are the largest distributor of healthcare products and services primarily to office-based healthcare practitioners in the combined North American and European markets. We serve more than 575,000 customers worldwide, including dental practitioners and laboratories, physician practices and animal health clinics, as well as government and other institutions. We believe that we have a strong brand identity due to our more than 76 years of experience distributing healthcare products.

We are headquartered in Melville, New York, employ more than 12,500 people (of which approximately 5,000 are based outside the United States) and have operations in the United States, Australia, Austria, Belgium, Canada, China, the Czech Republic, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Slovakia, Spain, Switzerland and the United Kingdom. We also have affiliates in Iceland, Israel, Saudi Arabia and the United Arab Emirates.

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

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

Our dental group serves office-based dental practitioners, schools and other institutions in the combined United States and Canadian dental market. Our medical group serves office-based medical practitioners, surgical centers, other alternate-care settings, animal health clinics and other institutions throughout the United States. Our international group serves 21 countries outside of North America and is what we believe to be a leading European healthcare supplier serving office-based practitioners.

Our technology group provides software, technology and other value-added services to healthcare practitioners, primarily in the United States, Canada, the United Kingdom, Australia and New Zealand. Our value-added practice solutions include practice management software systems for dental and medical practitioners and animal health clinics. Our technology group offerings also include financial services, e-services and continuing education services for practitioners.

Industry Overview

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

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

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

Industry Consolidation

The healthcare products distribution industry, as it relates to office-based healthcare practitioners, is highly fragmented and diverse. This industry, which encompasses the dental, medical and animal health markets, was estimated to produce revenues of approximately \$27.5 billion in 2008 in the combined North American and European markets. The industry ranges from sole practitioners working out of relatively small offices to group practices or service organizations ranging in size from a few practitioners to a large number of practitioners who have combined or otherwise associated their practices.

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

We believe that consolidation within the industry will continue to result in a number of distributors, particularly those with limited financial and marketing resources, seeking to combine with larger companies that can provide growth opportunities. This consolidation also may continue to result in distributors seeking

to acquire companies that can enhance their current product and service offerings or provide opportunities to serve a broader customer base.

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

As industry consolidation continues, we believe that we are positioned to capitalize on this trend, as we believe we have the ability to support increased sales through our existing infrastructure.

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

Aging Population and Other Market Influences

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

The January 2000 U.S. Bureau of the Census estimated that the elderly population in the United States will more than double by the year 2040. In 2000, four million Americans were aged 85 or older, the segment of the population most in need of long-term care and elder-care services. By the year 2040, that number is projected to more than triple to more than 14 million. The population aged 65 to 84 years is projected to more than double in the same time period.

As a result of these market dynamics, annual expenditures for healthcare services continue to increase in the United States. Given current operating, economic and industry conditions, we believe that demand for our products and services will grow at slower rates. The Centers for Medicare and Medicaid Services, or CMS, published "National Health Expenditure Projections 2007 – 2017" indicating that total national healthcare spending reached \$2.1 trillion in 2006, or 16.0% of the nation's gross domestic product, the benchmark measure for annual production of goods and services in the United States. Healthcare spending is projected to reach \$4.3 trillion in 2017, approximately 19.5% of the nation's gross domestic product.

Government Influences

The healthcare industry is subject to extensive government regulation, licensure and operating compliance procedures. National healthcare reform has been the subject of a number of legislative initiatives by Congress. Additionally, government and private insurance programs fund a large portion of the total cost of medical care. The Balanced Budget Act passed by Congress in 1997 significantly reduced reimbursement rates for nursing homes and home healthcare providers, affecting spending levels and the overall financial viability of these institutions.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 is the largest expansion of the Medicare program since its inception, and provides participants with voluntary outpatient prescription drug benefits. This Act also includes provisions relating to medication management programs, generic substitution and provider reimbursement.

There have been increasing efforts by various levels of government, including state departments of health, state boards of pharmacy and comparable agencies, to regulate the pharmaceutical distribution system in order to prevent the introduction of counterfeit, adulterated or mislabeled pharmaceuticals into the distribution system. An increasing number of states, including Florida, have already adopted laws and regulations, including drug pedigree tracking requirements, that are intended to protect the integrity of the pharmaceutical distribution system. Regulations adopted under the federal Prescription Drug Marketing Act, effective December, 2006, require the identification and documentation of transactions involving the receipt and distribution of prescription drugs, that is, drug pedigree information. Other states and government agencies are currently considering similar laws and regulations. We continue to work with our suppliers to help minimize the risks associated with counterfeit products in the supply chain and potential litigation.

E-Commerce

Traditional healthcare supply and distribution relationships are being challenged by electronic online commerce solutions. Our distribution business is characterized by rapid technological developments and intense competition. The advancement of online commerce will require us to cost-effectively adapt to changing technologies, to enhance existing services and to develop and introduce a variety of new services to address the changing demands of consumers and our customers on a timely basis, particularly in response to competitive offerings.

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

Results of Operations

The following table summarizes the significant components of our operating results and cash flows for each of the three years ended December 27, 2008, December 29, 2007 and December 30, 2006 (in thousands):

	Years ended		
	December 27, 2008	December 29, 2007 (1)	December 30, 2006 (1)
Operating Results:			
Net sales	\$ 6,394,874	\$ 5,904,416	\$ 5,035,938
Cost of sales	4,510,336	4,187,842	3,566,012
Gross profit	1,884,538	1,716,574	1,469,926
Operating expenses:			
Selling, general and administrative	1,441,695	1,328,635	1,164,549
Restructuring costs	23,240	-	-
Operating income	\$ 419,603	\$ 387,939	\$ 305,377
Other expense, net	\$ (18,788)	\$ (3,675)	\$ (9,114)
Income from continuing operations	251,011	236,146	183,530
Loss from discontinued operations, net of tax	(7,868)	(20,973)	(19,771)
Net income	243,143	215,173	163,759

(1) Adjusted to reflect the effects of discontinued operations.

	Years ended		
	December 27, 2008	December 29, 2007	December 30, 2006
Cash Flows:			
Net cash provided by operating activities	\$ 384,649	\$ 270,211	\$ 235,317
Net cash used in investing activities	(167,877)	(242,047)	(180,361)
Net cash used in financing activities	(87,970)	(31,120)	(21,274)

Plan of Restructuring

On November 5, 2008, we announced certain actions to reduce operating costs. These actions included the elimination of approximately 300 positions from our operations, or approximately 2.5% of our workforce at that time, and the closing of several smaller facilities.

For the year ended December 27, 2008, we incurred one-time restructuring costs of \$23.2 million (\$16.0 million after taxes), consisting of employee severance pay and benefits, facility closing costs, representing primarily lease termination and asset write-off costs, and outside professional and consulting fees directly related to the restructuring plan. The costs associated with the restructuring are included in a separate line item, "Restructuring costs", within our consolidated statements of income. We expect that the majority of these costs will be paid in 2009. We expect to record remaining costs of \$1.0 million to \$3.0 million during the first quarter of 2009.

Annual pretax cost savings from this initiative are expected to be approximately \$24.0 million to \$27.0 million.

2008 Compared to 2007

Net Sales

Net sales for 2008 and 2007 were as follows (in thousands):

	2008	% of Total	2007 (1)	% of Total	Increase / (Decrease)	
					\$	%
Healthcare distribution (2):						
Dental (3)	\$ 2,581,525	40.4%	\$ 2,462,373	41.7%	\$ 119,152	4.8 %
Medical (4)	1,428,968	22.3	1,540,269	26.1	(111,301)	(7.2)
International (5)	2,221,092	34.7	1,769,881	30.0	451,211	25.5
Total healthcare distribution	6,231,585	97.4	5,772,523	97.8	459,062	8.0
Technology (6)	163,289	2.6	131,893	2.2	31,396	23.8
Total	\$ 6,394,874	100.0%	\$ 5,904,416	100.0%	\$ 490,458	8.3

(1) Adjusted to reflect the effects of discontinued operations.

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

(3) Consists of products sold in the United States and Canada.

(4) Consists of products and equipment sold in the United States' medical and animal health markets.

(5) Consists of products sold in the dental, medical and animal health markets, primarily in Europe.

(6) Consists of practice management software and other value-added products and services, which are sold primarily to healthcare providers in the United States, Canada, the United Kingdom, Australia and New Zealand.

The \$490.5 million, or 8.3%, increase in net sales for the year ended December 27, 2008 includes increases of 7.5% local currency growth (1.3% internally generated and 6.2% from acquisitions) and 0.8% related to foreign currency exchange.

The \$119.2 million, or 4.8%, increase in dental net sales for the year ended December 27, 2008 is due to local currency growth (4.0% internally generated and 0.8% from acquisitions). The 4.8% local currency growth was due to dental consumable merchandise sales growth of 5.0% (4.2% internal growth and 0.8% from acquisitions) and dental equipment sales and service growth of 4.1% (3.5% internal growth and 0.6% from acquisitions). The growth in equipment sales was primarily due to gains in both traditional equipment and high-tech products.

The \$111.3 million, or 7.2%, decrease in medical net sales for the year ended December 27, 2008 includes a decline in internal growth of 7.8%, offset by acquisition growth of 0.6%. During 2008, we stopped selling certain low margin pharmaceutical products, which represented approximately \$153.0 million of net sales in 2007. Excluding sales of these lower-margin pharmaceutical products, internal medical net sales increased by 0.9%.

The \$451.2 million, or 25.5%, increase in international net sales for the year ended December 27, 2008 includes increases of 22.8% in local currencies (17.9% from acquisitions and 4.9% internally generated), and 2.7% related to foreign currency exchange.

The \$31.4 million, or 23.8%, increase in technology net sales for the year ended December 27, 2008 includes increases of 25.3% in local currency growth (8.7% internally generated and 16.6% from acquisitions), offset by a decline of 1.5% due to foreign currency exchange. The internal net sales growth was driven by growth in electronic services, financial services and support revenue.

Gross Profit

Gross profit and gross margins for 2008 and 2007 by segment and in total were as follows (in thousands):

	2008	Gross	2007 (1)	Gross	Increase / (Decrease)	
		Margin %		Margin %	\$	%
Healthcare distribution	\$ 1,763,898	28.3%	\$ 1,618,449	28.0%	\$ 145,449	9.0%
Technology	120,640	73.9	98,125	74.4	22,515	22.9
Total	<u>\$ 1,884,538</u>	29.5	<u>\$ 1,716,574</u>	29.1	<u>\$ 167,964</u>	9.8

(1) Adjusted to reflect the effects of discontinued operations.

Gross profit increased \$168.0 million, or 9.8%, for the year ended December 27, 2008 compared to the prior year period. As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies. Additionally, we realize substantially higher gross margin percentages in our technology segment than in our healthcare distribution segment. These higher gross margins result from being both the developer and seller of software products, as well as certain financial services. The software industry typically realizes higher gross margins to recover investments in research and development.

Healthcare distribution gross profit increased \$145.5 million, or 9.0%, for the year ended December 27, 2008 compared to the prior year period. Healthcare distribution gross profit margin increased to 28.3% for the year ended December 27, 2008 from 28.0% for the comparable prior year period.

Technology gross profit increased \$22.5 million, or 22.9%, for the year ended December 27, 2008 compared to the prior year period. Technology gross profit margin decreased to 73.9% for the year ended December 27, 2008 from 74.4% for the comparable prior year period, primarily due to changes in the product sales mix.

Selling, General and Administrative

Selling, general and administrative expenses by segment and in total for 2008 and 2007 were as follows (in thousands):

	2008	% of	2007 (1)	% of	Increase / (Decrease)	
		Respective Net Sales		Respective Net Sales	\$	%
Healthcare distribution	\$ 1,378,034	22.1%	\$ 1,277,512	22.1%	\$ 100,522	7.9%
Technology	63,661	39.0	51,123	38.8	12,538	24.5
Total	<u>\$ 1,441,695</u>	22.5	<u>\$ 1,328,635</u>	22.5	<u>\$ 113,060</u>	8.5

(1) Adjusted to reflect the effects of discontinued operations.

Selling, general and administrative expenses increased by \$113.1 million, or 8.5%, for the year ended December 27, 2008 compared to the prior year period. As a percentage of net sales, selling, general and administrative expenses remained constant at 22.5% compared with the comparable prior year period.

As a component of total selling, general and administrative expenses, selling expenses increased \$87.5 million, or 9.8%, for the year ended December 27, 2008 from the prior year period. This increase was primarily due to payroll, as well as other expenses related to recent acquisitions. As a percentage of net sales, selling expenses increased to 15.4% from 15.1% for the comparable prior year period.

As a component of total selling, general and administrative expenses, general and administrative expenses increased \$25.6 million, or 5.9%, for the year ended December 27, 2008 from the prior year period. As a percentage of net sales, general and administrative expenses decreased to 7.2% from 7.4% for the comparable prior year period.

Other Expense, Net

Other expense, net for the years ended 2008 and 2007 was as follows (in thousands):

	2008	2007 (1)	Increase / (Decrease)	
			\$	%
Interest income	\$ 16,355	\$ 16,531	\$ (176)	(1.1) %
Interest expense	(29,439)	(24,836)	(4,603)	(18.5)
Other, net	(5,704)	4,630	(10,334)	(223.2)
Other expense, net	<u>\$ (18,788)</u>	<u>\$ (3,675)</u>	<u>\$ (15,113)</u>	(411.2)

(1) Adjusted to reflect the effects of discontinued operations.

Other expense, net increased \$15.1 million to \$18.8 million for the year ended December 27, 2008 from the comparable prior year period. As a component of Other expense, net, Interest income was substantially unchanged from the prior year. Interest expense increased \$4.6 million primarily due to forward points related to foreign currency hedging transactions, partially offset by lower interest rates on our floating rate debt. The change in Other, net resulted from a reserve for losses of \$3.7 million for foreign exchange contracts for hedging intercompany loans with Lehman Brothers Special Financing, Inc., whose parent, Lehman Brothers Holdings, Inc. filed for Chapter 11 bankruptcy on September 15, 2008. An additional \$0.8 million was attributable to a reserve for losses in our investment in the Reserve Primary Fund, a money market fund that decreased its net asset value from \$1.00 to \$0.97 due to investments in Lehman Brothers debt. The impact of fluctuations in foreign exchange rates also contributed to the increase in Other, net. The prior period's Other, net included a gain from the divestiture of certain non-core businesses related to the acquisition of a dental supply company in 2007.

Income Taxes

For the year ended December 27, 2008, our effective tax rate from continuing operations was 33.2% compared to 34.0% for the prior year period. The difference was impacted by additional tax planning initiatives, settlements of tax audits, and higher income from lower taxing countries. The difference between our effective tax rate and the federal statutory tax rate for both periods related primarily to foreign and state income taxes. For 2009, we expect our effective tax rate to be in the range of 33.0% to 34.0%.

Loss from Discontinued Operations

During the years ended December 27, 2008 and December 29, 2007, respectively, we recognized aggregate losses of \$7.9 million and \$21.0 million, net of tax, related to discontinued operations (see Note 7 in the accompanying annual consolidated financial statements for further discussion).

Net Income

Net income increased \$28.0 million, or 13.0%, for the year ended December 27, 2008 compared to the prior year period. The increase in net income is primarily due to an increase in income from continuing operations. In 2007, net income included a gain on the sale of discontinued operations of \$0.7 million, net of taxes.

2007 Compared to 2006

Net Sales

Net sales for 2007 and 2006 were as follows (in thousands):

	2007 (1)	% of Total	2006 (1)	% of Total	Increase / (Decrease)	
					\$	%
Healthcare distribution (2):						
Dental (3)	\$ 2,462,373	41.7%	\$ 2,136,830	42.4%	\$ 325,543	15.2%
Medical (4)	1,540,269	26.1	1,398,996	27.8	141,273	10.1
International (5)	1,769,881	30.0	1,401,889	27.8	367,992	26.2
Total healthcare distribution	5,772,523	97.8	4,937,715	98.0	834,808	16.9
Technology (6)	131,893	2.2	98,223	2.0	33,670	34.3
Total	\$ 5,904,416	100.0%	\$ 5,035,938	100.0%	\$ 868,478	17.2

(1) Adjusted to reflect the effects of discontinued operations.

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

(3) Consists of products sold in the United States and Canada.

(4) Consists of products and equipment sold in the United States' medical and animal health markets.

(5) Consists of products sold in the dental, medical and animal health markets, primarily in Europe.

(6) Consists of practice management software and other value-added products and services, which are sold primarily to healthcare providers in the United States, Canada, the United Kingdom, Australia and New Zealand in 2007 and the United States and Canada in 2006.

The \$868.5 million, or 17.2%, increase in net sales for the year ended December 29, 2007 includes increases of 14.3% local currency growth (7.3% internally generated primarily due to volume growth and 7.0% from acquisitions) and 2.9% related to foreign currency exchange.

The \$325.5 million, or 15.2%, increase in dental net sales for the year ended December 29, 2007 includes increases of 14.6% local currency growth (10.0% internally generated primarily due to increased volume and 4.6% from acquisitions) and 0.6% related to foreign currency exchange. The 14.6% local currency growth was due to dental consumable merchandise sales growth of 11.9% (5.9% internal growth and 6.0% from acquisitions) and dental equipment sales and service growth of 25.0% (21.9% internal growth and 3.1% from acquisitions). The growth in equipment sales was primarily due to gains in both traditional equipment and high-tech products.

The \$141.3 million, or 10.1%, increase in medical net sales for the year ended December 29, 2007 is due to local currency growth (5.5% internally generated and 4.6% from acquisitions).

The \$368.0 million, or 26.2%, increase in international net sales for the year ended December 29, 2007 includes increases of 16.6% in local currencies (12.3% from acquisitions and 4.3% internally generated), and 9.6% related to foreign currency exchange.

The \$33.7 million, or 34.3%, increase in technology net sales for the year ended December 29, 2007 includes increases of 34.0% in local currency growth (18.4% internally generated and 15.6% from acquisitions) and 0.3% due to foreign currency exchange. The increase in internal net sales growth was driven by growth in electronic service, financial services, and support revenue.

Gross Profit

Gross profit and gross margins for 2007 and 2006 by segment and in total were as follows (in thousands):

	2007 (1)	Gross	2006 (1)	Gross	Increase / (Decrease)	
		Margin %		Margin %	\$	%
Healthcare distribution	\$ 1,618,449	28.0%	\$ 1,394,423	28.2%	\$ 224,026	16.1%
Technology	98,125	74.4	75,503	76.9	22,622	30.0
Total	<u>\$ 1,716,574</u>	29.1	<u>\$ 1,469,926</u>	29.2	<u>\$ 246,648</u>	16.8

(1) Adjusted to reflect the effects of discontinued operations.

Gross profit increased \$246.6 million, or 16.8%, for the year ended December 29, 2007 compared to the prior year period.

Healthcare distribution gross profit increased \$224.0 million, or 16.1%, for the year ended December 29, 2007 compared to the prior year period. Healthcare distribution gross profit margin decreased slightly to 28.0% for the year ended December 29, 2007 from 28.2% for the comparable prior year period.

Technology gross profit increased \$22.6 million, or 30.0%, for the year ended December 29, 2007 compared to the prior year period. Technology gross profit margin decreased to 74.4% for the year ended December 29, 2007 from 76.9% for the comparable prior year period, primarily due to changes in the product sales mix.

Selling, General and Administrative

Selling, general and administrative expenses by segment and in total for 2007 and 2006 were as follows (in thousands):

	2007 (1)	% of	2006 (1)	% of	Increase / (Decrease)	
		Respective Net Sales		Respective Net Sales	\$	%
Healthcare distribution	\$ 1,277,512	22.1%	\$ 1,126,249	22.8%	\$ 151,263	13.4%
Technology	51,123	38.8	38,300	39.0	12,823	33.5
Total	<u>\$ 1,328,635</u>	22.5	<u>\$ 1,164,549</u>	23.1	<u>\$ 164,086</u>	14.1

(1) Adjusted to reflect the effects of discontinued operations.

Selling, general and administrative expenses increased by \$164.1 million, or 14.1%, for the year ended December 29, 2007 compared to the prior year period. As a percentage of net sales, selling, general and administrative expenses decreased to 22.5% from 23.1% for the comparable prior year period. This decrease was primarily due to our continued leveraging of higher sales volume across our infrastructure.

As a component of total selling, general and administrative expenses, selling expenses increased \$107.1 million, or 13.6%, for the year ended December 29, 2007 from the prior year period. This increase was primarily due to payroll, as well as other expenses related to recent acquisitions. As a percentage of net sales, selling expenses decreased to 15.1% from 15.6% for the comparable prior year period. This decrease was primarily due to our continued leveraging of higher sales volume across our infrastructure.

As a component of total selling, general and administrative expenses, general and administrative expenses increased \$57.0 million, or 15.1%, for the year ended December 29, 2007 from the prior year period. As a percentage of net sales, general and administrative expenses decreased to 7.4% from 7.5% for the comparable prior year period.

Other Expense, Net

Other expense, net for the years ended 2007 and 2006 was as follows (in thousands):

	2007 (1)	2006 (1)	Increase / (Decrease)	
			\$	%
Interest income	\$ 16,531	\$ 16,378	\$ 153	0.9%
Interest expense	(24,836)	(27,537)	2,701	9.8
Other, net	4,630	2,045	2,585	126.4
Other expense, net	\$ (3,675)	\$ (9,114)	\$ 5,439	59.7

(1) Adjusted to reflect the effects of discontinued operations.

Other expense, net decreased \$5.4 million to \$3.7 million for the year ended December 29, 2007 from the comparable prior year period. This decrease was primarily due to an increase in other income resulting from a gain on the divestiture of certain non-core businesses related to the acquisition of a dental supply company during 2007 and a reduction in interest expense resulting from principal repayments of debt made during 2007.

Income Taxes

For the year ended December 29, 2007, our effective tax rate from continuing operations was 34.0% compared to 35.6% for the prior year period. The difference resulted from a combination of additional tax planning initiatives, settlements of tax audits, revaluation of deferred income taxes, a non-recurring tax charge resulting from a European restructuring, and higher levels of income generated in lower taxing countries. The difference between our effective tax rate and the federal statutory tax rate for both periods related primarily to foreign and state income taxes.

As a result of tax legislation enacted in Germany, the United Kingdom and Italy for 2007, deferred income taxes were revalued resulting in a \$5.6 million reduction in deferred income tax accounts and a corresponding reduction of income tax expense. Additionally, in response to the legislation enacted in Germany, a restructuring was implemented in 2007 resulting in a non-recurring income tax charge of \$3.5 million.

Loss from Discontinued Operations

During the years ended December 29, 2007 and December 30, 2006, respectively, we recognized aggregate losses of \$21.0 million and \$19.8 million, net of tax, related to discontinued operations (see Note 7 in the accompanying annual consolidated financial statements for further discussion).

Net Income

Net income increased \$51.4 million, or 31.4%, for the year ended December 29, 2007 compared to the prior year period. The increase in net income is primarily due to an increase in income from continuing operations. In 2007, net income includes a net gain on the sale of discontinued operations of \$0.7 million, net of taxes. In 2006, net income includes a loss on the sale of discontinued operations of \$19.4 million, net of taxes.

Liquidity and Capital Resources

Our principal capital requirements include the funding of working capital needs, funding of acquisitions, purchases of securities and fixed assets, repayments of debt principal and repurchases of common stock. Working capital requirements generally result from increased sales, special inventory forward buy-in opportunities and payment terms for receivables and payables. Historically, sales have tended to be stronger during the third and fourth quarters and special inventory forward buy-in opportunities have been most prevalent just before the end of the year, causing our working capital requirements to have been higher from the end of the third quarter to the end of the first quarter of the following year. We expect that there will be no improvement to the current economic environment during 2009; however, we expect our historical seasonality of sales to continue in the foreseeable future.

We finance our business primarily through cash generated from our operations, revolving credit facilities and debt placements. Our ability to generate sufficient cash flows from operations is dependent on the continued demand of our customers for our products and services, and access to products and services from our suppliers. Given current operating, economic and industry conditions, we believe that demand for our products and services will grow at slower rates.

Net cash flow provided by operating activities was \$384.6 million for the year ended December 27, 2008 compared to \$270.2 million for the comparable prior year period. The net change of \$114.4 million was due to favorable changes in net working capital of \$88.1 million and an increase in cash generated by higher net income as compared to 2007. The cash flow was stronger than normal in the fourth quarter due to various timing variables for vendor payments made after December 27, 2008 that increased cash flow by approximately \$40.0 million to \$50.0 million.

Net cash used in investing activities was \$167.9 million for the year ended December 27, 2008 compared to \$242.0 million for the comparable prior year period. The net change of \$74.1 million was primarily due to a reduction in payments for business acquisitions and purchases of fixed assets, increased net proceeds from foreign exchange forward contract settlements and a decrease in purchases of available-for-sale securities, partially offset by decreases in proceeds from sales of available-for-sale securities and cash received from business divestitures in the prior year.

Net cash used in financing activities was \$88.0 million for the year ended December 27, 2008 compared to \$31.1 million for the comparable prior year period. The net change of \$56.9 million was primarily due to increased repurchases of common stock.

We expect to invest approximately \$40.0 million to \$50.0 million during 2009 in capital projects to modernize and expand our facilities and computer systems and to integrate certain operations into our core structure.

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

	<u>December 27,</u> <u>2008</u>	<u>December 29,</u> <u>2007</u>
Cash and cash equivalents	\$ 369,570	\$ 247,590
Available-for-sale securities - short-term	-	997
Available-for-sale securities - long-term	29,028	-
Working capital	882,607	908,160
Debt:		
Bank credit lines	\$ 4,936	\$ 8,977
Current maturities of long-term debt	156,405	24,319
Long-term debt	266,646	423,274
Total debt	<u>\$ 427,987</u>	<u>\$ 456,570</u>

Our cash and cash equivalents consist of bank balances and investments in money market funds representing overnight investments with a high degree of liquidity. At December 29, 2007, our available-for-sale securities consisted of an investment in stock of a single company, which was sold in 2008.

As of December 27, 2008, we have approximately \$29.0 million invested in auction-rate securities (“ARS”). ARS are publicly issued securities that represent long-term investments, typically 10-30 years, in which interest rates had reset periodically (typically every 7, 28 or 35 days) through a “dutch auction” process. Approximately \$21.8 million of our ARS are backed by student loans that are backed by the federal government and the remaining \$7.2 million are invested in closed-end municipal bond funds. Our ARS portfolio is comprised of investments that are rated AAA by major independent rating agencies. Since the middle of February 2008, these auctions have failed to settle due to an excess number of sellers compared to buyers. The failure of these auctions has resulted in our inability to liquidate our ARS in the near term. We are currently not aware of any defaults or financial conditions that would negatively affect the issuers’ ability to continue to pay interest and principal on our ARS. We continue to earn and receive interest at contractually agreed upon rates. We believe that the current lack of liquidity related to our ARS investments will have no impact on our ability to fund our ongoing operations and growth opportunities. As of December 27, 2008, we have classified ARS holdings as long-term, available-for-sale and they are included in the Investment and Other line within our consolidated balance sheet.

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

Our accounts receivable days sales outstanding from continuing operations increased to 41.3 days as of December 27, 2008 from 40.5 days as of December 29, 2007. During the years ended December 27, 2008 and December 29, 2007, we wrote off approximately \$6.5 million and \$9.8 million, respectively, of fully reserved accounts receivable against our trade receivable reserve. Our inventory turns from continuing operations decreased to 6.4 as of December 27, 2008 from 6.9 as of December 29, 2007. Our working capital accounts may be impacted by current and future economic conditions.

The following table summarizes our contractual obligations related to fixed and variable rate long-term debt, including interest (assuming an average long-term rate of interest of 4.4%), as well as operating and capital lease obligations, capital expenditure obligations and inventory purchase commitments as of December 27, 2008:

	Payments due by period (in thousands)				Total
	< 1 year	1 - 3 years	4 - 5 years	> 5 years	
Contractual obligations:					
Long-term debt, including interest	\$ 166,239	\$ 36,545	\$ 14,520	\$ 391,229	\$ 608,533
Inventory purchase commitments	108,135	183,620	110,663	168,057	570,475
Operating lease obligations	55,749	74,960	38,926	39,968	209,603
Capital lease obligations, including interest	2,760	3,255	1,319	681	8,015
Capital expenditure obligations	11,480	16	-	-	11,496
Interest rate swap agreements	1,422	188	-	-	1,610
Total	<u>\$ 345,785</u>	<u>\$ 298,584</u>	<u>\$ 165,428</u>	<u>\$ 599,935</u>	<u>\$ 1,409,732</u>

Inventory purchase commitments include obligations to purchase influenza vaccine from GlaxoSmithKline Biologicals through 2012, which require us to pay an amount per dose based on the prevailing market price or formula price in each respective year. The amounts included in the above table related to these purchase commitments were determined using current market conditions. Actual amounts may differ.

In 2004, we completed an issuance of \$240.0 million of convertible debt. These notes are senior unsecured obligations bearing a fixed annual interest rate of 3.0% and are due to mature on August 15, 2034. Interest on the notes is payable on February 15 and August 15 of each year. The notes are convertible into our common stock at a conversion ratio of 21.58 shares per one thousand dollars of principal amount of notes, which is equivalent to a conversion price of \$46.34 per share, under the following circumstances:

- if the price of our common stock is above 130% of the conversion price measured over a specified number of trading days;
- during the five-business-day period following any 10-consecutive-trading-day period in which the average of the trading prices for the notes for that 10-trading-day period was less than 98% of the average conversion value for the notes during that period;
- if the notes have been called for redemption; or
- upon the occurrence of a fundamental change or specified corporate transactions, as defined in the note agreement.

Upon conversion, we are required to satisfy our conversion obligation with respect to the principal amount of the notes to be converted, in cash, with any remaining amount to be satisfied in shares of our common stock. We currently have sufficient availability of funds through our \$400.0 million revolving credit facility (discussed below) along with cash on hand to fully satisfy our debt obligations, including the cash portion of our convertible debt. We also will pay contingent interest during any six-month-interest period beginning August 20, 2010, if the average trading price of the notes is above specified levels. We may redeem some or all of the notes on or after August 20, 2010. The note holders may require us to purchase all or a portion of the notes on August 15, 2010, 2014, 2019, 2024 and 2029 or, subject to specified exceptions, upon a change of control event.

Our \$170.0 million of senior notes include \$130.0 million of notes, which bear interest at a fixed rate of 6.9% per annum and mature on June 30, 2009, and \$40.0 million of notes which bear interest at a fixed rate of 6.7% per annum and mature at a rate of \$20.0 million per annum on September 25, 2009 and September 27, 2010, respectively. Interest on both notes is payable semi-annually.

In 2003, we entered into swap agreements relating to our \$230.0 million senior notes to exchange their fixed interest rates for variable interest rates. The value of debt exchanged to a variable rate of interest reduces according to the repayment schedule of the senior notes. As of December 27, 2008, there is \$170.0 million of principal remaining with a weighted-average interest rate of 6.84%. This weighted-average variable interest rate is comprised of LIBOR plus a spread and resets on the interest due dates for such senior notes.

On September 5, 2008, we entered into a new \$400.0 million revolving credit facility with a \$100.0 million expansion feature. The \$400.0 million credit line expires in September 2013. This credit line replaced our then existing \$300.0 million revolving credit line, which would have expired in May 2010. As of December 27, 2008, there were no borrowings outstanding under this revolving credit facility and there were \$13.0 million of letters of credit provided to third parties.

From June 21, 2004 through December 27, 2008, we repurchased \$242.3 million or 5,633,952 shares under our common stock repurchase programs, with \$57.7 million available for future common stock share repurchases, under repurchase programs approved by our Board of Directors.

Some minority shareholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value based on third-party valuations or at a price pursuant to a formula as defined in the agreements, which approximates fair value. Additionally, some prior owners of such acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain profitability targets are met. We accrue liabilities that may arise from these transactions when we

believe that the outcome of the contingency is determinable beyond a reasonable doubt. For 2009 and future acquisitions, we will accrue liabilities for additional purchase price adjustments at the time of the acquisition. Any adjustments to these accrual amounts will be recorded in our consolidated statement of income.

As more fully disclosed in Note 10 of "Notes to Consolidated Financial Statements," we adopted Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109," effective December 31, 2006. We cannot reasonably estimate the timing of future cash flows related to the unrecognized tax benefits of \$12.9 million as of December 27, 2008.

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

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

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. We base our estimates on historical data, when available, experience, industry and market trends, and on various other assumptions that are believed to be reasonable under the circumstances, the combined results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. However, by their nature, estimates are subject to various assumptions and uncertainties. Reported results are therefore sensitive to any changes in our assumptions, judgments and estimates, including the possibility of obtaining materially different results if different assumptions were to be applied.

We believe that the following critical accounting policies, which have been discussed with our audit committee, affect the significant estimates and judgments used in the preparation of our financial statements:

Revenue Recognition

We generate revenue from the sale of dental, medical and animal health consumable products, as well as equipment, software products and services and other sources. Provisions for discounts, rebates to customers, customer returns and other contra-revenue adjustments are recorded based upon historical data and estimates and are provided for in the period in which the related sales are recognized.

Revenue derived from the sale of consumable products is recognized when products are shipped to customers. Such sales typically entail high-volume, low-dollar orders shipped using third-party common carriers. We believe that the shipment date is the most appropriate point in time indicating the completion of the earnings process because we have no post-shipment obligations, the product price is fixed and determinable, collection of the resulting receivable is probable and product returns are reasonably estimable.

Revenue derived from the sale of equipment is recognized when products are delivered to customers. Such sales typically entail scheduled deliveries of large equipment primarily by equipment service technicians. Some equipment sales require minimal installation, which is completed at the time of delivery.

Revenue derived from the sale of software products is recognized when products are shipped to customers. Such software is generally installed by customers and does not require extensive training due to the nature of its design. Revenue derived from post-contract customer support for software, including annual support and/or training, is recognized over the period in which the services are provided.

Revenue derived from the sale of products consisting of multiple elements (i.e., hardware, software, installation, training and technical support) is allocated to the various elements based upon vendor-specific objective evidence of fair value.

Revenue derived from other sources including freight charges, equipment repairs and financial services, is recognized when the related product revenue is recognized or when the services are provided.

Accounts Receivable and Reserves

The carrying amount of accounts receivable reflects a reserve representing our best estimate of the amounts that will not be collected. In addition to reviewing delinquent accounts receivable, we consider many factors in estimating our reserve, including historical data, experience, customer types, credit worthiness and economic trends. From time to time, we may adjust our assumptions for anticipated changes in any of these or other factors expected to affect collectibility. Although we believe our judgments, estimates and/or assumptions related to accounts receivable and reserves are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect our financial results.

Inventories and Reserves

Inventories consist primarily of finished goods and are valued at the lower of cost or market. Cost is determined primarily by the first-in, first-out method for merchandise or actual cost for large equipment. In performing our lower of cost or market valuation, we consider many factors including the condition and salability of the inventory, historical sales, forecasted sales and market and economic trends.

From time to time, we may adjust our assumptions for anticipated changes in any of these or other factors expected to affect salability. Although we believe our judgments, estimates and/or assumptions related to inventory and reserves are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect our financial results.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill and other indefinite-lived intangible assets are not amortized, but are subject to at least an annual impairment analysis. Such impairment analyses for goodwill require the comparison of the fair value to the carrying value of reporting units. Measuring fair value of a reporting unit is generally based on valuation techniques using multiples of sales or earnings, unless supportable information is available for using a present value technique, such as estimates of future cash flows. Although we believe our judgments, estimates and/or assumptions used in determining fair value are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect such impairment analyses and our financial results.

We regard our reporting units to be our operating segments (dental, medical (including animal health), international and technology). Goodwill was allocated to such reporting units, for the purposes of preparing our impairment analyses, based on a specific identification basis. We assess the potential impairment of goodwill and other indefinite-lived intangible assets annually and on an interim basis whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Some factors we consider important, which could trigger an interim impairment review, include:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of our use of acquired assets or the strategy for our overall business (e.g. decision to divest a business); or
- significant negative industry or economic trends.

If we determine through the impairment review process that goodwill or other indefinite-lived intangible assets are impaired, we will record an impairment charge in our consolidated statement of income.

Supplier Rebates

Supplier rebates are included as a reduction to cost of sales and are recognized as they are earned. The factors we consider in estimating supplier rebate accruals include forecasted inventory purchases and sales, in conjunction with supplier rebate contract terms, which generally provide for increasing rebates based on either increased purchase or sales volume. Although we believe our judgments, estimates and/or assumptions related to supplier rebates are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect our financial results.

Long-lived assets include indefinite and definite-lived intangible assets. 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. Definite-lived intangible assets primarily consist of non-compete agreements, trademarks, trade names, customer lists, customer relationships and intellectual property. Indefinite-lived intangible assets primarily consist of trademarks. When an impairment exists, the related assets are written down to fair value. Although we believe our judgments, estimates and/or assumptions used in estimating cash flows and determining fair value are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect such impairment analyses and our financial results.

Stock-Based Compensation

Effective January 1, 2006, we adopted the provisions of Statement of Financial Accounting Standards (FAS) No. 123(R), "Share-Based Payment." We previously applied Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations and provided the required pro forma disclosures of FAS 123, "Accounting for Stock-Based Compensation," in our consolidated financial statements. We elected to adopt the modified retrospective application method provided by FAS 123(R).

We measure stock-based compensation at the grant date, based on the estimated fair value of the award. Awards under our equity incentive plans principally include a combination of at-the-money stock options and restricted stock (including restricted stock units).

We estimate the fair value of stock options using the Black-Scholes valuation model which requires us to make assumptions about the expected life of options, stock price volatility, risk-free interest rates and dividend yields.

We issue restricted stock that vests based on the recipient's continued service over time (four-year cliff vesting) and restricted stock that vests based on our achieving specified performance measurements (three-year cliff vesting).

With respect to time-based restricted stock, we estimate the fair value on the date of grant based on our closing stock price. With respect to performance-based restricted stock, the number of shares that ultimately vest and are received by the recipient is based upon our earnings per share performance measured against specified targets over a three-year period. We estimate the fair value of performance-based restricted stock based on our closing stock price assuming that performance targets will be achieved. Over the performance period, the number of shares of common stock that will ultimately vest and be issued is adjusted upward or downward based upon our estimation of achieving such performance targets. The ultimate number of shares delivered to recipients and the related compensation cost recognized as expense will be based on a comparison of the final performance metrics to the specified targets.

Although we believe our judgments, estimates and/or assumptions related to stock-based compensation are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect our financial results.

Recently Issued Accounting Standards

In December 2007, the FASB issued Statement No. 141 (revised 2007), "Business Combinations" ("FAS 141") and Statement No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("FAS 160"). FAS No. 141 (revised 2007) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. This standard also requires the fair value measurement of certain other assets and liabilities related to the acquisition such as contingencies. FAS 141 (revised 2007) applies prospectively to business combinations and is effective for fiscal years beginning on or after December 15, 2008.

FAS 160 requires that a noncontrolling interest in a subsidiary be reported as equity in the consolidated financial statements. Consolidated net income should include the net income for both the parent and the noncontrolling interest with disclosure of both amounts on the consolidated statement of income. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. The presentation provisions of FAS 160 are to be applied retrospectively, and FAS 160 is effective for fiscal years beginning on or after December 15, 2008. We are currently evaluating the impact that FAS 160 will have on our consolidated financial statements.

In February 2008, the FASB issued FSP 157-2, "Partial Deferral of the Effective Date of Statement 157" ("FSP 157-2"). FSP 157-2 delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. We are currently evaluating the impact of FSP 157-2 on nonfinancial assets and nonfinancial liabilities, but do not expect the adoption to have a material impact on our consolidated financial statements.

In March 2008, the FASB issued FAS 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("FAS 161"). FAS 161 requires disclosures of the fair values of derivative instruments and their gains and losses in a tabular format. FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the impact of FAS 161, but do not expect the adoption to have a material impact on our consolidated financial statements.

In May 2008, the FASB issued FASB Staff Position ("FSP") APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)." The FSP will require us to allocate the liability and equity components of the convertible debt and reflect our non-convertible debt borrowing rate for the interest component of the convertible debt. The FSP will be effective for financial statements issued for fiscal years beginning after December 15, 2008, and will be applied retrospectively to all periods presented. Upon the retrospective implementation of this FSP, we will record an unamortized debt discount of approximately \$32.6 million, which will be amortized over a period of six years from the date our convertible debt was issued. This will result in recording additional annual interest expense of approximately \$5.3 million pre-tax (or approximately \$3.4 million after-tax, which approximates \$0.04 per share).

In June 2008, the FASB ratified EITF Issue No. 07-5, "Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock" ("EITF 07-5"). EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and the instruments settlement provisions. EITF 07-5 clarifies the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The implementation of EITF 07-5 will not have a material impact on our consolidated financial statements.

In October 2008, the FASB issued FASB Staff Position No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active." This FSP applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with SFAS 157. This FSP clarifies the application of SFAS 157 in determining the fair values of assets or liabilities in a market that is not active. This FSP is effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of this FSP did not have a material impact on our consolidated financial statements.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Swap Agreements

We have fixed rate senior notes of \$130.0 million at 6.9% and \$40.0 million at 6.7%. During 2003, we entered into interest rate swap agreements to exchange these fixed interest rates for variable interest rates. The variable rates are comprised of LIBOR plus spreads and reset on the interest due dates for the senior notes. As a result of these interest rate swap agreements, as well as our existing variable rate credit lines and loan agreements, we are exposed to risk from changes in interest rates. A hypothetical 100 basis point increase in interest rates would increase our annual interest expense by approximately \$1.7 million.

As of December 27, 2008, the fair value of our interest rate swap agreements recorded in other current and non-current assets in our consolidated balance sheet was \$2.5 million, which represented the amount that would be received upon unwinding the interest rate swap agreements based on market conditions at that time. Changes in the fair value of these interest rate swap agreements are reflected as an adjustment to current and non-current assets or liabilities with an offsetting adjustment to the carrying value of the \$170.0 million notes as such hedges are deemed fully effective.

Foreign Currency Agreements

The value of certain foreign currencies as compared to the U.S. dollar may affect our financial results. Fluctuations in exchange rates may positively or negatively affect our revenues, gross margins, operating expenses, and retained earnings, all of which are expressed in U.S. dollars. Where we deem it prudent, we engage in hedging programs using primarily foreign currency forward and swap contracts aimed at limiting the impact of foreign currency exchange rate fluctuations on earnings. We purchase short-term (i.e., 12 months or less) foreign currency forward and swap contracts to protect against currency exchange risks associated with long-term intercompany loans due from our international subsidiaries and the payment of merchandise purchases to foreign suppliers. We do not hedge the translation of foreign currency profits into U.S. dollars, as we regard this as an accounting exposure, not an economic exposure.

As of December 27, 2008, we had net outstanding foreign currency forward and swap contracts that hedge against currency fluctuations relative to local functional currencies, with notional amounts of \$50.2 million, which were related to intercompany debt and the purchase of merchandise from foreign suppliers. The U.S. Dollar based contracts of \$93.8 million hedge currency fluctuations against the Euros \$69.7 million, British Pounds \$19.6 million, Australian Dollars \$4.3 million, Canadian Dollars \$1.1 million, Swiss Francs \$(0.8) million and Japanese Yen \$(0.1) million, which are offset by our international business whose notional amount of such contracts was \$(43.6) million. A hypothetical 5% change of the value of the U.S. Dollar would change the fair value of our foreign currency exchange agreements by \$7.0 million.

As of December 27, 2008, the fair value of our foreign currency exchange agreements, which expire through December 15, 2009, recorded in other current liabilities was \$6.6 million, as determined by quoted market prices. For the year ended December 27, 2008, we had realized net losses of \$2.4 million and unrealized gains of \$0.6 million relating to such agreements.

Short-term Investments

We limit our credit risk with respect to our cash equivalents, available-for-sale securities, short-term investments and derivative instruments, by monitoring the credit worthiness of the financial institutions who are the counter-parties to such financial instruments. As a risk management policy, we limit the amount of credit exposure by diversifying and utilizing numerous investment grade counter-parties.

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HENRY SCHEIN, INC.

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All other schedules are omitted because the required information is either inapplicable or is included in the consolidated financial statements or the notes thereto.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Henry Schein, Inc.
Melville, New York

We have audited the accompanying consolidated balance sheets of Henry Schein, Inc. as of December 27, 2008 and December 29, 2007 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 27, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Henry Schein, Inc. at December 27, 2008 and December 29, 2007, and the results of its operations and its cash flows for each of the three years in the period ended December 27, 2008, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Henry Schein, Inc.'s internal control over financial reporting as of December 27, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 23, 2009 expressed an unqualified opinion thereon.

/s/ BDO SEIDMAN, LLP

New York, New York
February 23, 2009

HENRY SCHEIN, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 27, 2008	December 29, 2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 369,570	\$ 247,590
Available-for-sale securities	-	997
Accounts receivable, net of reserves of \$42,855 and \$41,315	734,027	708,307
Inventories, net	731,654	666,786
Deferred income taxes	36,974	32,827
Prepaid expenses and other	194,047	192,292
Total current assets	<u>2,066,272</u>	<u>1,848,799</u>
Property and equipment, net	247,835	247,671
Goodwill	922,952	917,194
Other intangibles, net	214,093	192,420
Investments and other	148,482	107,900
Total assets	<u>\$ 3,599,634</u>	<u>\$ 3,313,984</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 554,773	\$ 474,009
Bank credit lines	4,936	8,977
Current maturities of long-term debt	156,405	24,319
Accrued expenses:		
Payroll and related	135,523	136,291
Taxes	69,792	73,278
Other	262,236	223,765
Total current liabilities	<u>1,183,665</u>	<u>940,639</u>
Long-term debt	266,646	423,274
Deferred income taxes	91,249	80,260
Other liabilities	58,109	53,906
Minority interest	67,780	35,923
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 par value, 1,000,000 shares authorized, none outstanding	-	-
Common stock, \$.01 par value, 240,000,000 shares authorized, 89,351,849 outstanding on December 27, 2008 and 89,603,660 outstanding on December 29, 2007	894	896
Additional paid-in capital	705,799	673,763
Retained earnings	1,195,771	1,005,055
Accumulated other comprehensive income	29,721	100,268
Total stockholders' equity	<u>1,932,185</u>	<u>1,779,982</u>
Total liabilities and stockholders' equity	<u>\$ 3,599,634</u>	<u>\$ 3,313,984</u>

See accompanying notes.

HENRY SCHEIN, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share data)

	Years ended		
	December 27, 2008	December 29, 2007	December 30, 2006
		(Adjusted - Note 7)	(Adjusted - Note 7)
Net sales	\$ 6,394,874	\$ 5,904,416	\$ 5,035,938
Cost of sales	4,510,336	4,187,842	3,566,012
Gross profit	1,884,538	1,716,574	1,469,926
Operating expenses:			
Selling, general and administrative	1,441,695	1,328,635	1,164,549
Restructuring costs	23,240	-	-
Operating income	419,603	387,939	305,377
Other income (expense):			
Interest income	16,355	16,531	16,378
Interest expense	(29,439)	(24,836)	(27,537)
Other, net	(5,704)	4,630	2,045
Income from continuing operations before taxes, minority interest and equity in earnings (losses) of affiliates	400,815	384,264	296,263
Income taxes	(132,924)	(130,603)	(105,478)
Minority interest in net income of subsidiaries	(21,917)	(17,442)	(8,090)
Equity in earnings (losses) of affiliates	5,037	(73)	835
Income from continuing operations	251,011	236,146	183,530
Discontinued operations:			
Loss from operations of discontinued components, including gains and losses on disposals	(12,146)	(33,441)	(32,940)
Income tax benefit	4,278	12,468	13,169
Loss from discontinued operations	(7,868)	(20,973)	(19,771)
Net income	\$ 243,143	\$ 215,173	\$ 163,759
Earnings from continuing operations per share:			
Basic	\$ 2.82	\$ 2.67	\$ 2.09
Diluted	\$ 2.75	\$ 2.59	\$ 2.04
Loss from discontinued operations per share:			
Basic	\$ (0.09)	\$ (0.24)	\$ (0.23)
Diluted	\$ (0.08)	\$ (0.23)	\$ (0.22)
Earnings per share:			
Basic	\$ 2.73	\$ 2.43	\$ 1.86
Diluted	\$ 2.67	\$ 2.36	\$ 1.82
Weighted-average common shares outstanding:			
Basic	89,080	88,559	87,952
Diluted	91,221	91,163	89,820

See accompanying notes.

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

	Common Stock \$.01 Par Value		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
Balance, December 31, 2005	87,092,238	\$ 871	\$ 559,266	\$ 667,958	\$ 21,059	\$ 1,249,154
Net income	—	—	—	163,759	—	163,759
Foreign currency translation gain	—	—	—	—	26,444	26,444
Unrealized gain from foreign currency hedging activities, net of tax of \$519	—	—	—	—	1,478	1,478
Pension adjustment loss, net of tax of \$1,181	—	—	—	—	(1,618)	(1,618)
Total comprehensive income	—	—	—	—	—	190,063
Stock issued to 401(k) plan	72,576	1	3,564	—	—	3,565
Repurchase and retirement of common stock	(855,032)	(9)	(16,701)	(23,553)	—	(40,263)
Stock issued upon exercise of stock options, including tax benefit of \$13,358	1,878,395	19	48,961	—	—	48,980
Stock-based compensation expense	311,144	3	19,461	—	—	19,464
Balance, December 30, 2006	88,499,321	885	614,551	808,164	47,363	1,470,963
Net income	—	—	—	215,173	—	215,173
Foreign currency translation gain	—	—	—	—	48,039	48,039
Unrealized gain from foreign currency hedging activities, net of tax of \$603	—	—	—	—	1,071	1,071
Pension adjustment gain, net of tax of \$2,493	—	—	—	—	3,795	3,795
Total comprehensive income	—	—	—	—	—	268,078
Stock issued to 401(k) plan	70,525	1	4,103	—	—	4,104
Cumulative adjustment for FIN 48	—	—	—	(280)	—	(280)
Repurchase and retirement of common stock	(639,100)	(6)	(12,681)	(18,002)	—	(30,689)
Stock issued upon exercise of stock options, including tax benefit of \$9,977	1,487,238	14	45,422	—	—	45,436
Stock-based compensation expense	185,676	2	22,368	—	—	22,370
Balance, December 29, 2007	89,603,660	896	673,763	1,005,055	100,268	1,779,982
Net income	—	—	—	243,143	—	243,143
Foreign currency translation loss	—	—	—	—	(69,420)	(69,420)
Unrealized gain from foreign currency hedging activities, net of tax of \$530	—	—	—	—	86	86
Unrealized investment loss, net of tax of \$ 821	—	—	—	—	(1,201)	(1,201)
Pension adjustment loss, net of tax of \$438	—	—	—	—	(12)	(12)
Total comprehensive income	—	—	—	—	—	172,596
Stock issued to 401(k) plan	79,723	1	4,661	—	—	4,662
Repurchase and retirement of common stock	(1,621,710)	(16)	(30,345)	(52,427)	—	(82,788)
Stock issued upon exercise of stock options, including tax benefit of \$6,977	991,259	10	32,616	—	—	32,626
Stock-based compensation expense	298,917	3	25,104	—	—	25,107
Balance, December 27, 2008	89,351,849	\$ 894	\$ 705,799	\$ 1,195,771	\$ 29,721	\$ 1,932,185

See accompanying notes.

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

	Years ended		
	December 27, 2008	December 29, 2007	December 30, 2006
Cash flows from operating activities:			
Net income	\$ 243,143	\$ 215,173	\$ 163,759
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss (gain) on sale of discontinued operation, net of tax	-	(673)	19,363
Impairment from write-down of long-lived assets of discontinued operations	8,484	32,667	-
Depreciation and amortization	78,127	73,936	64,930
Stock-based compensation expense	25,429	22,553	19,464
Provision for losses on trade and other accounts receivable	6,255	1,384	2,872
Provision for (benefit from) deferred income taxes	(4,083)	(7,404)	1,297
Stock issued to 401(k) plan	4,662	4,104	3,565
Undistributed (earnings) losses of affiliates	(5,037)	73	(835)
Minority interest in net income of subsidiaries	21,917	17,442	8,090
Other	150	(6,512)	(2,066)
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(26,834)	(21,964)	(9,705)
Inventories	(68,360)	(15,946)	(41,958)
Other current assets	11,216	(58,194)	18,424
Accounts payable and accrued expenses	89,580	13,572	(11,883)
Net cash provided by operating activities	<u>384,649</u>	<u>270,211</u>	<u>235,317</u>
Cash flows from investing activities:			
Purchases of fixed assets	(50,870)	(56,821)	(67,000)
Payments for equity investment and business acquisitions, net of cash acquired	(128,470)	(206,182)	(199,880)
Cash received from business divestitures	-	15,827	36,527
Purchases of available-for-sale securities	(35,925)	(115,066)	(222,036)
Proceeds from sales of available-for-sale securities	5,722	163,065	294,767
Proceeds from maturities of available-for-sale securities	-	-	3,280
Net proceeds from (payments for) foreign exchange forward contract settlements	41,336	(32,241)	(22,528)
Other	330	(10,629)	(3,491)
Net cash used in investing activities	<u>(167,877)</u>	<u>(242,047)</u>	<u>(180,361)</u>
Cash flows from financing activities:			
Proceeds from (repayments of) bank borrowings	(7,197)	1,212	184
Proceeds from issuance of long-term debt	-	483	1,201
Principal payments for long-term debt	(33,721)	(47,903)	(34,537)
Proceeds from issuance of stock upon exercise of stock options	25,649	35,459	35,622
Payments for repurchases of common stock	(82,788)	(30,689)	(40,263)
Excess tax benefits related to stock-based compensation	11,041	12,668	14,850
Other	(954)	(2,350)	1,669
Net cash used in financing activities	<u>(87,970)</u>	<u>(31,120)</u>	<u>(21,274)</u>
Net change in cash and cash equivalents	128,802	(2,956)	33,682
Effect of exchange rate changes on cash and cash equivalents	(6,822)	1,899	4,282
Cash and cash equivalents, beginning of year	247,590	248,647	210,683
Cash and cash equivalents, end of year	<u>\$ 369,570</u>	<u>\$ 247,590</u>	<u>\$ 248,647</u>

See accompanying notes.

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

Note 1 – Significant Accounting Policies

Nature of Operations

We distribute healthcare products and services primarily to office-based healthcare practitioners in the combined North American and European markets, with operations in the United States, Australia, Austria, Belgium, Canada, China, the Czech Republic, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Slovakia, Spain, Switzerland and the United Kingdom. We also have affiliates in Iceland, Israel, Saudi Arabia and the United Arab Emirates.

Principles of Consolidation

Our consolidated financial statements include the accounts of Henry Schein, Inc. and all of our controlled subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated affiliates, which are greater than or equal to 20% and less than or equal to 50% owned, are accounted for under the equity method. Certain prior period amounts have been reclassified to conform to the current period presentation.

Use of Estimates

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

Fiscal Year

We report our results of operations and cash flows on a 52-53 week basis ending on the last Saturday of December. The years ended December 27, 2008, December 29, 2007 and December 30, 2006 consisted of 52 weeks.

Revenue Recognition

We generate revenue from the sale of dental, medical and animal health consumable products, as well as equipment, software products and services and other sources. Provisions for discounts, rebates to customers, customer returns and other contra-revenue adjustments are recorded based upon historical data and estimates and are provided for in the period in which the related sales are recognized.

Revenue derived from the sale of consumable products is recognized when products are shipped to customers. Such sales typically entail high-volume, low-dollar orders shipped using third-party common carriers. We believe that the shipment date is the most appropriate point in time indicating the completion of the earnings process because we have no post-shipment obligations, the product price is fixed and determinable, collection of the resulting receivable is probable and product returns are reasonably estimable.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 1 – Significant Accounting Policies – (Continued)

Revenue derived from the sale of equipment is recognized when products are delivered to customers. Such sales typically entail scheduled deliveries of large equipment primarily by equipment service technicians. Some equipment sales require minimal installation, which is completed at the time of delivery.

Revenue derived from the sale of software products is recognized when products are shipped to customers. Such software is generally installed by customers and does not require extensive training due to the nature of its design. Revenue derived from post-contract customer support for software, including annual support and/or training, is recognized over the period in which the services are provided.

Revenue derived from the sale of products consisting of multiple elements (i.e., hardware, software, installation, training and technical support) is allocated to the various elements based upon vendor-specific objective evidence of fair value.

Revenue derived from other sources including freight charges, equipment repairs and financial services, is recognized when the related product revenue is recognized or when the services are provided.

Cash and Cash Equivalents

We consider all highly liquid debt instruments and other short-term investments with an original maturity of three months or less to be cash equivalents. Outstanding checks in excess of funds on deposit of \$55.1 million and \$44.6 million, primarily related to payments for inventory, were classified as accounts payable as of December 27, 2008 and December 29, 2007.

Available-for-sale Securities

At December 29, 2007, our available-for-sale securities consisted of an investment in stock of a single company, which was sold in 2008.

As of December 27, 2008, we have approximately \$29.0 million invested in auction-rate securities (“ARS”). ARS are publicly issued securities that represent long-term investments, typically 10-30 years, in which interest rates had reset periodically (typically every 7, 28 or 35 days) through a “dutch auction” process. Approximately \$21.8 million of our ARS are backed by student loans that are backed by the federal government and the remaining \$7.2 million are invested in closed-end municipal bond funds.

We determine cost of investments in available-for-sale securities on a specific identification basis. As of December 27, 2008, unrealized losses on our available-for-sale securities totaled \$2.0 million. Gross realized gains and losses were immaterial in all periods presented.

Accounts Receivable and Reserves

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects our best estimate of the amounts that will not be collected. The reserve for accounts receivable is comprised of allowance for doubtful accounts and sales returns. In addition to reviewing delinquent accounts receivable, we consider many factors in estimating our reserve, including historical data, experience, customer types, credit worthiness and economic trends. From time to time, we adjust our assumptions for anticipated changes in any of these or other factors expected to affect collectibility.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 1 – Significant Accounting Policies – (Continued)

Inventories and Reserves

Inventories consist primarily of finished goods and are valued at the lower of cost or market. Cost is determined primarily by the first-in, first-out method for merchandise or actual cost for large equipment. In performing our lower of cost or market valuation, we consider many factors including the condition and salability of the inventory, historical sales, forecasted sales and market and economic trends. From time to time, we adjust our assumptions for anticipated changes in any of these or other factors expected to affect the value of inventory.

Direct Shipping and Handling Costs

Freight and other direct shipping costs are included in cost of sales. Direct handling costs, which represent primarily direct compensation costs of employees who pick, pack and otherwise prepare, if necessary, merchandise for shipment to our customers are reflected in selling, general and administrative expenses. These costs from continuing operations were \$49.5 million, \$48.7 million and \$43.0 million for the years ended December 27, 2008, December 29, 2007 and December 30, 2006.

Advertising and Promotional Costs

We generally expense advertising and promotional costs as incurred. Total advertising and promotional expenses from continuing operations were \$18.8 million, \$19.5 million and \$18.9 million for the years ended December 27, 2008, December 29, 2007 and December 30, 2006. Additionally, advertising and promotional costs incurred in connection with direct marketing, including product catalogs and printed material, are deferred and amortized on a straight-line basis over the period which is benefited, generally not exceeding one year. As of December 27, 2008 and December 29, 2007, we had \$3.5 million and \$4.8 million of deferred direct marketing expenses included in other current assets.

Supplier Rebates

Supplier rebates are included as a reduction to cost of sales and are recognized as they are earned. The factors we consider in estimating supplier rebate accruals include forecasted inventory purchases and sales, in conjunction with supplier rebate contract terms, which generally provide for increasing rebates based on either increased purchase or sales volume.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation or amortization. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the useful life of the assets or the lease term. Depreciation is computed primarily under the straight-line method over the following estimated useful lives:

	Years
Buildings and permanent improvements	40
Machinery and warehouse equipment	5-10
Furniture, fixtures and other	3-10
Computer equipment and software	3-10

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 1 – Significant Accounting Policies – (Continued)

Capitalized software costs consist of costs to purchase and develop software. Costs incurred during the application development stage for software bought and further customized by outside suppliers for our use and software developed by a supplier for our proprietary use are capitalized. Costs incurred for our own personnel who are directly associated with software development may also be capitalized.

Income Taxes

We account for income taxes under an asset and liability approach that requires the recognition of deferred income tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences, we generally consider all expected future events other than enactments of changes in tax laws or rates. The effect on deferred income tax assets and liabilities of a change in tax rates will be recognized as income or expense in the period that includes the enactment date. We file a consolidated U.S. federal income tax return with our 80% or greater owned U.S. subsidiaries.

Foreign Currency Translation and Transactions

The financial position and results of operations of our foreign subsidiaries are determined using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in accumulated other comprehensive income in stockholders' equity. Gains and losses resulting from foreign currency transactions are included in earnings.

Risk Management and Derivative Financial Instruments

We use derivative instruments to minimize our exposure to fluctuations in interest rates and foreign currency exchange rates. Our objective is to manage the impact that interest rate and foreign currency exchange rate fluctuations could have on recognized asset and liability fair values, earnings and cash flows. Our risk management policy requires that derivative contracts used as hedges be effective at reducing the risks associated with the exposure being hedged and be designated as a hedge at the inception of the contract. We do not enter into derivative instruments for speculative purposes. Our derivative instruments include interest rate swap agreements related to our long-term fixed rate debt and foreign currency forward and swap agreements related to certain intercompany loans and certain forecasted inventory purchase commitments with foreign suppliers.

Our interest rate swap agreements are designated as fair value hedges. The terms of our interest rate swap agreements are identical to the senior notes and consequently qualify for an assumption of no ineffectiveness under the provisions of Statement of Financial Accounting Standards ("FAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." Both the interest rate swap agreements and the underlying senior notes are marked-to-market through earnings at the end of each period; however, since our interest rate swap agreements are deemed fully effective, these mark-to-market adjustments have no net impact on earnings.

Our foreign currency forward and swap agreements related to certain intercompany loans are designated as fair value hedges (loans expected to be repaid within the foreseeable future) and our foreign currency forward and swap agreements related to intercompany loan interest payments are designated as cash flow hedges. Our foreign currency forward and swap agreements related to forecasted inventory purchase commitments are designated as cash flow hedges.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 1 – Significant Accounting Policies – (Continued)

For fair value hedges, the effective portion of the changes in the fair value of the derivative, along with the transaction gain or loss on the hedged item, is recorded in earnings. For net investment hedges, the effective portion of the changes in the fair value of the derivative, along with any gain or loss on the hedged item, is recorded as a component of other comprehensive income as a foreign currency translation adjustment. For cash flow hedges, the effective portion of the changes in the fair value of the derivative, along with any gain or loss on the hedged item, is recorded as a component of accumulated other comprehensive income in stockholders' equity and subsequently reclassified into earnings in the period(s) during which the hedged transaction affects earnings.

During the year ended December 30, 2006, we implemented a change in our method of assessing the amount of effectiveness on all newly transacted net investment hedges to be based on changes in spot exchange rates. Previously, we assessed the amount of effectiveness using a method based on changes in forward exchange rates. This change in method essentially converts certain U.S. LIBOR based borrowings to Euro LIBOR based borrowings allowing us to better align our interest costs and the currency-denomination of funding the business with the geography of our business interests.

With regard to all net investment hedging arrangements which existed at the date of this change, we stopped applying hedge accounting prospectively from the date of change. As a result, we recognized a pre-tax gain of approximately \$2.0 million, representing the foreign exchange component of our mark-to-market adjustment for the period from the date of change through December 30, 2006.

We classify the cash flows related to our hedging activities in the same category on our consolidated statements of cash flows as the cash flows related to the hedged item.

Acquisitions

The net assets of businesses purchased are recorded at their fair value at the acquisition date and our consolidated financial statements include their results of operations from that date. Any excess of acquisition costs over the fair value of identifiable net assets acquired is recorded as goodwill. Certain acquisitions provide for contingent consideration, primarily cash, to be paid in the event certain financial performance targets are satisfied over future periods. We have not accrued any liabilities that may arise from these transactions because the outcome of the contingencies is not determinable beyond a reasonable doubt. For 2009 and future acquisitions, we will accrue liabilities for additional purchase price adjustments at the time of the acquisition. Any adjustments to these accrual amounts will be recorded in our consolidated statement of income.

Goodwill and Other Indefinite-Lived Intangible Assets

Goodwill and other indefinite-lived intangible assets are not amortized, but are subject to at least an annual impairment analysis. Such impairment analyses for goodwill require a comparison of the fair value to the carrying value of reporting units. Measuring fair value of a reporting unit is generally based on valuation techniques using multiples of sales or earnings, unless supportable information is available for using a present value technique, such as estimates of future cash flows. We regard our reporting units to be our operating segments (dental, medical (including animal health), international and technology). Goodwill was allocated to such reporting units, for the purposes of preparing our impairment analyses, based on a specific identification basis. We assess the potential impairment of goodwill and other indefinite-lived intangible assets annually and on an interim basis whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 1 – Significant Accounting Policies – (Continued)

Some factors we consider important that could trigger an interim impairment review include:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of our use of acquired assets or the strategy for our overall business (e.g., decision to divest a business); or
- significant negative industry or economic trends.

If we determine through the impairment review process that indefinite-lived intangible assets are impaired, we record an impairment charge in our consolidated statements of income.

Long-Lived Assets

Long-lived assets include indefinite and definite-lived intangible assets. 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. Definite-lived intangible assets primarily consist of non-compete agreements, trademarks, trade names, customer lists, customer relationships and intellectual property. Indefinite-lived intangible assets primarily consist of trademarks. When an impairment exists, the related assets are written down to fair value.

Cost of Sales

The primary components of cost of sales include the cost of the product (net of purchase discounts, supplier chargebacks and rebates) and inbound and outbound freight charges. Costs related to purchasing, receiving, inspections, warehousing, internal inventory transfers and other costs of our distribution network are included in selling, general and administrative expenses along with other operating costs.

As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies. Total distribution network costs from continuing operations were \$56.5 million, \$48.8 million and \$44.2 million for the years ended December 27, 2008, December 29, 2007 and December 30, 2006.

Comprehensive Income

Comprehensive income includes certain gains and losses that, under accounting principles generally accepted in the United States, are excluded from net income as such amounts are recorded directly as an adjustment to stockholders' equity. Our comprehensive income is primarily comprised of net income and foreign currency translation adjustments, and unrealized gains (losses) on hedging activity, investments and pension adjustments.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 1 – Significant Accounting Policies – (Continued)

The following table summarizes the components of accumulated other comprehensive income, net of tax:

	<u>December 27, 2008</u>	<u>December 29, 2007</u>
Foreign currency translation adjustment	\$ 29,323	\$ 98,743
Unrealized gain from foreign currency hedging activities	1,220	1,134
Unrealized investment loss	(1,201)	-
Pension adjustment gain	379	391
Accumulated other comprehensive income	<u>\$ 29,721</u>	<u>\$ 100,268</u>

Accounting Pronouncements Adopted

In September 2006, the FASB issued FAS No. 157, “Fair Value Measurements” (“FAS 157”). FAS 157 establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FAS 157 applies under other previously issued accounting pronouncements that require or permit fair value measurements but does not require any new fair value measurements. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of FAS 157 for financial assets and liabilities did not have a material impact on our consolidated financial statements.

In September 2006, the FASB issued FAS No. 158, “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No. 87, 88, 106 and 132(R)” (“FAS 158”). FAS 158 requires an employer to recognize the over- or under-funded status of a defined benefit plan as an asset or liability in the statement of financial position and to recognize changes in that funded status, net of tax through comprehensive income, in the year in which the changes occur. FAS 158 also requires an employer to measure the funded status of a defined benefit plan as of the date of its year end statement of financial position. The provisions of FAS 158 became effective for our year ended December 30, 2006, with the exception of the requirement to measure the funded status of retirement benefit plans as of our fiscal year end, which is effective for our fiscal year ending December 27, 2008. During December 2006, we implemented the requirement to recognize the funded status of our defined benefit plans. Recognizing the funded status of our defined benefit plans did not have a material impact on our statement of financial position. The requirement to measure the funded status of our defined benefit plans as of December 27, 2008 did not have a material impact on our consolidated financial statements.

In February 2007, the FASB issued FAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities” (“FAS 159”), including an amendment to FASB No. 115. FAS 159 provides entities with the irrevocable option to measure eligible financial assets, financial liabilities and firm commitments at fair value, on an instrument-by-instrument basis, that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election, called the fair value option, will enable entities to achieve an offset accounting effect for changes in fair value of certain related assets and liabilities without having to apply complex hedge accounting provisions. FAS 159 is effective as of the beginning of a company’s first fiscal year that begins after November 15, 2007. The adoption of FAS 159 did not have a material impact on our consolidated financial statements.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 1 – Significant Accounting Policies – (Continued)

In October 2008, the FASB issued FASB Staff Position No. FAS 157-3, “Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active.” This FSP applies to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with SFAS 157. This FSP clarifies the application of SFAS 157 in determining the fair values of assets or liabilities in a market that is not active. This FSP is effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of this FSP did not have a material impact on our consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

As discussed above, in September 2006, the FASB issued FAS No. 157, “Fair Value Measurements” (“FAS 157”). FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, with the exception of all non-financial assets and liabilities, except those items recognized or disclosed at fair value on an annual or more frequently recurring basis, which will be effective for years beginning after November 15, 2008. We are currently evaluating the remaining impact of FAS 157 on our consolidated financial statements.

In December 2007, the FASB issued Statement No. 141 (revised 2007), “Business Combinations” (“FAS 141”) and Statement No. 160, “Noncontrolling Interests in Consolidated Financial Statements” (“FAS 160”). FAS No. 141 (revised 2007) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. This standard also requires the fair value measurement of certain other assets and liabilities related to the acquisition such as contingencies. FAS 141 (revised 2007) applies prospectively to business combinations and is effective for fiscal years beginning on or after December 15, 2008.

FAS 160 requires that a noncontrolling interest in a subsidiary be reported as equity in the consolidated financial statements. Consolidated net income should include the net income for both the parent and the noncontrolling interest with disclosure of both amounts on the consolidated statement of income. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. The presentation provisions of FAS 160 are to be applied retrospectively, and FAS 160 is effective for fiscal years beginning on or after December 15, 2008. We are currently evaluating the impact that FAS 160 will have on our consolidated financial statements.

In February 2008, the FASB issued FSP 157-2, “Partial Deferral of the Effective Date of Statement 157” (“FSP 157-2”). FSP 157-2 delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. We are currently evaluating the impact of FAS 157 on nonfinancial assets and nonfinancial liabilities.

In March 2008, the FASB issued FAS 161, “Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133” (“FAS 161”). FAS 161 requires disclosures of the fair values of derivative instruments and their gains and losses in a tabular format. FAS 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. We are currently evaluating the impact of FAS 161, but do not expect the adoption to have a material impact on our consolidated financial statements.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 1 – Significant Accounting Policies – (Continued)

In May 2008, the FASB issued Action Alert No. 08-14 in reference to FASB Staff Position (“FSP”) APB 14-1, “Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement).” The FSP indicates that we have to allocate the liability and equity components of the convertible debt and reflect our non-convertible debt borrowing rate for the interest component of the convertible debt. The final FSP will be effective for financial statements issued for fiscal years beginning after December 15, 2008, and will be applied retrospectively to all periods presented. Upon the retrospective implementation of this FSP, we will record an unamortized debt discount of approximately \$32.6 million, which will be amortized over a period of six years. The annual impact that this FSP will have on our consolidated financial statements is approximately \$5.3 million pre-tax (or approximately \$3.4 million after-tax which approximates \$0.04 per share).

In June 2008, the FASB ratified EITF Issue No. 07-5, “Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity’s Own Stock” (“EITF 07-5”). EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument’s contingent exercise and the instruments settlement provisions. EITF 07-5 clarifies the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The implementation of EITF 07-5 will not have a material impact on our consolidated financial statements.

Note 2 – Earnings Per Share

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

For the years ended December 27, 2008, December 29, 2007 and December 30, 2006, diluted earnings per share includes the effect of common shares issuable upon conversion of our convertible debt. During the period, the debt was convertible at a premium as a result of the conditions of the debt. As a result, the amount in excess of the principal is presumed to be settled in common shares and is reflected in our calculation of diluted earnings per share.

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

	Years ended		
	December 27, 2008	December 29, 2007	December 30, 2006
Basic	89,080,457	88,558,553	87,951,556
Effect of assumed exercise of stock options	695,700	1,266,666	1,402,656
Effect of assumed vesting of restricted stock	818,923	474,132	279,123
Effect of assumed conversion of convertible debt	625,906	864,131	186,187
Diluted	<u>91,220,986</u>	<u>91,163,482</u>	<u>89,819,522</u>

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 2 – Earnings Per Share – (Continued)

Weighted-average options to purchase 910,359 and 3,495 shares of common stock at prices ranging from \$53.43 to \$62.05 and \$48.30 to \$51.10 per share that were outstanding during the years ended December 27, 2008 and December 30, 2006 were excluded from each respective year's computation of diluted earnings per share. In each of these years, such options' exercise prices exceeded the average market price of our common stock, thereby causing the effect of such options to be anti-dilutive. During the year ended December 29, 2007, the average market price of our common stock exceeded the exercise price of our options outstanding, resulting in no options being anti-dilutive during 2007.

Note 3 – Property and Equipment, Net

Property and equipment consisted of the following:

	December 27, 2008	December 29, 2007
Land	\$ 12,380	\$ 11,908
Buildings and permanent improvements	80,026	79,709
Leasehold improvements	56,596	54,043
Machinery and warehouse equipment	69,106	66,986
Furniture, fixtures and other	62,894	58,154
Computer equipment and software	217,276	200,174
	<u>498,278</u>	<u>470,974</u>
Less accumulated depreciation and amortization	(250,443)	(223,303)
Property and equipment, net	<u>\$ 247,835</u>	<u>\$ 247,671</u>

The net carrying value of equipment held under capital leases amounted to approximately \$7.1 million and \$7.7 million as of December 27, 2008 and December 29, 2007. Property and equipment related depreciation expense, from continuing operations, for the years ended December 27, 2008, December 29, 2007 and December 30, 2006 was \$45.2 million, \$46.3 million and \$43.1 million.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 4 – Goodwill and Other Intangibles, Net

The changes in the carrying amount of goodwill for the year ended December 27, 2008 were as follows:

	<u>Healthcare Distribution</u>	<u>Technology</u>	<u>Total</u>
Balance as of December 29, 2007	\$ 836,796	\$ 80,398	\$ 917,194
Adjustments to goodwill:			
Acquisitions	67,446	-	67,446
Discontinued operations impairment	(6,706)	-	(6,706)
Foreign currency translation	(40,913)	(14,069)	(54,982)
Balance as of December 27, 2008	<u>\$ 856,623</u>	<u>\$ 66,329</u>	<u>\$ 922,952</u>

Other intangible assets consisted of the following:

	<u>December 27, 2008</u>			<u>December 29, 2007</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Non-compete agreements	\$ 23,874	\$ (4,489)	\$ 19,385	\$ 24,619	\$ (4,864)	\$ 19,755
Trademarks and trade names	43,939	(6,479)	37,460	44,112	(6,492)	37,620
Customer relationships and lists	183,051	(49,293)	133,758	153,531	(40,148)	113,383
Other	32,431	(8,941)	23,490	28,334	(6,672)	21,662
Total	<u>\$ 283,295</u>	<u>\$ (69,202)</u>	<u>\$ 214,093</u>	<u>\$ 250,596</u>	<u>\$ (58,176)</u>	<u>\$ 192,420</u>

Non-compete agreements represent amounts paid primarily to key employees and prior owners of acquired businesses in exchange for placing restrictions on their ability to pose a competitive risk to us. Such amounts are amortized, on a straight-line basis over the respective non-compete period, which generally commences upon termination of employment or separation from us. The weighted-average non-compete period for agreements currently being amortized was approximately six years as of December 27, 2008.

Trademarks, trade names, customer lists and customer relationships were established through business acquisitions. Certain trademarks and trade names, totaling \$26.2 million and \$27.4 million as of December 27, 2008 and December 29, 2007, are deemed indefinite-lived intangible assets and are not amortized. The remainder are deemed definite-lived and are amortized on a straight-line basis over a weighted-average period of approximately five years as of December 27, 2008. Customer relationships and customer lists are definite-lived intangible assets that are amortized on a straight-line basis over a weighted-average period of approximately 10 years as of December 27, 2008.

Amortization expense, from continuing operations, related to definite-lived intangible assets for the years ended December 27, 2008, December 29, 2007 and December 30, 2006 was \$28.0 million, \$23.2 million and \$17.5 million. The annual amortization expense expected for the years 2009 through 2013 is \$29.2 million, \$25.5 million, \$24.1 million, \$21.4 million and \$18.6 million.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 5 – Investments and Other

Investments and other consisted of the following:

	December 27, 2008	December 29, 2007
Notes receivable (1)	\$ 18,613	\$ 30,880
Auction rate securities, net of temporary impairment	29,028	-
Distribution rights, net of amortization	5,898	7,596
Investment in unconsolidated affiliates	60,439	41,055
Security deposits	4,037	3,848
Debt issuance costs, net of amortization	2,669	3,118
Non-current deferred foreign, state and local income taxes	15,231	10,813
Other	12,567	10,590
Total	\$ 148,482	\$ 107,900

(1) Long-term notes receivable carry interest rates ranging from 3.15% to 12.0% and are due in varying installments through 2020. Of the total, approximately \$1.2 million in 2008 and \$4.7 million in 2007 relate to the prior sale of certain businesses.

Amortization of other long-term assets, from continuing operations, for the years ended December 27, 2008, December 29, 2007 and December 30, 2006 was \$4.5 million, \$3.5 million and \$2.7 million.

Note 6. Fair Value Measurements

Effective December 30, 2007, we adopted SFAS No. 157, "Fair Value Measurements" ("FAS 157"), as it relates to financial assets and financial liabilities. FAS 157 establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. FAS 157 applies under other previously issued accounting pronouncements that require or permit fair value measurements but does not require any new fair value measurements. The adoption of FAS 157 did not have a material impact on our consolidated financial statements.

FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs).

The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under FAS 157 are described as follows:

- Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3—Inputs that are unobservable for the asset or liability.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 6. Fair Value Measurements– (Continued)

The following section describes the valuation methodologies that we used to measure different financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is classified.

Auction-rate securities

As of December 27, 2008, we have approximately \$29.0 million invested in auction-rate securities (“ARS”). ARS are publicly issued securities that represent long-term investments, typically 10-30 years, in which interest rates had reset periodically (typically every 7, 28 or 35 days) through a “dutch auction” process. Approximately \$21.8 million of our ARS are backed by student loans that are backed by the federal government and the remaining \$7.2 million are invested in closed-end municipal bond funds. Our ARS portfolio is comprised of investments that are rated AAA by major independent rating agencies. Since the middle of February 2008, ARS auctions have failed to settle due to an excess number of sellers compared to buyers. The failure of these auctions has resulted in our inability to liquidate our ARS in the near term. We are currently not aware of any defaults or financial conditions that would negatively affect the issuers’ ability to continue to pay interest and principal on our ARS. We continue to earn and receive interest at contractually agreed upon rates.

During 2008, we have received approximately \$4.7 million and \$0.2 million of redemptions, at par, for our closed-end municipal bond funds and our student loan portfolios, respectively.

As of December 27, 2008, we have classified our closed-end municipal bond funds, as well as our student loan portfolios, as Level 3 within the fair value hierarchy due to the lack of observable inputs and the absence of significant refinancing activity.

Based upon the information currently available and the use of a discounted cash flow model in accordance with applicable authoritative guidance, we have recorded a temporary impairment of \$2.0 million as of December 27, 2008, related to our closed-end municipal bond funds and our student loan portfolios. This adjustment has been recorded as part of Accumulated Other Comprehensive Income within the equity section of our consolidated balance sheets.

The closed-end municipal bond fund and student loan portfolios have an aggregate carrying value at December 27, 2008 of approximately \$29.0 million, net of the temporary impairment, and are included as part of Investments and other within our consolidated balance sheet.

Money market fund

As of December 27, 2008, we had an investment of approximately \$5.3 million (\$4.5 million net of reserves) invested in the Reserve Primary Fund. This money market fund included in its holdings commercial paper of Lehman Brothers. As a result of the Chapter 11 bankruptcy of Lehman Brothers Holdings, Inc., the net asset value of the fund decreased below \$1.00. Currently, this fund is in the process of being liquidated. For the year ended December 27, 2008, we have recorded a charge of approximately \$0.8 million (in Other expense, net) in our consolidated statements of income due to the uncertainty of the amount that we will ultimately receive from the fund. As of December 27, 2008, the value of our holdings in this fund has been classified within Prepaid expenses and other in our consolidated balance sheets and as Level 3 within the fair value hierarchy, due to the lack of observable inputs and the absence of trading activity.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 6. Fair Value Measurements– (Continued)

Derivative contracts

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

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

During 2008, we had 16 open foreign exchange contracts with Lehman Brothers Special Financing, Inc. (with settlement dates ranging from September 19 to December 12, 2008) consisting of forwards established primarily for the hedging of intercompany loans. On September 25, 2008, as a result of the bankruptcy of Lehman Brothers Holdings, Inc., we sent an early termination notice to Lehman Brothers for all outstanding contracts as it appeared likely they would not be able to honor their obligation for these hedges.

As of the date of the termination notice, the net cash settlement exposure on all the outstanding Lehman Brothers contracts was approximately \$3.7 million for which we have filed a claim with the bankruptcy court. Due to the uncertainty of the collection of this amount, we have fully reserved (in Other, net in our consolidated statements of income) approximately \$3.7 million as of December 27, 2008.

The following table presents our assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 27, 2008:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Available-for-sale securities	\$ -	\$ -	\$ 29,028	\$ 29,028
Money market fund	-	-	4,518	4,518
Derivative contracts	-	12,955	-	12,955
Total assets	\$ -	\$ 12,955	\$ 33,546	\$ 46,501
Liabilities:				
Derivative contracts	\$ -	\$ 6,580	\$ -	\$ 6,580
Total liabilities	\$ -	\$ 6,580	\$ -	\$ 6,580

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 6. Fair Value Measurements– (Continued)

As of December 27, 2008, we have estimated the value of our closed-end municipal bond fund ARS portfolio and our student loan backed ARS portfolio based upon a discounted cash flow model. The assumptions used in our valuation model include estimates for interest rates, timing and amount of cash flows and expected holding periods for the ARS portfolio. We estimated the value of our holdings within the Reserve Primary Fund based upon the net asset value of the fund as of September 16, 2008, subsequent to the declaration of bankruptcy by Lehman Brothers Holdings, Inc. As a result of these analyses, for the year ended December 27, 2008, we recorded a temporary impairment loss of \$2.0 million related to our ARS portfolio and a permanent loss of \$0.8 million related to our holdings within the Reserve Primary Fund as of December 27, 2008. The following table presents a reconciliation of our assets measured at fair value on a recurring basis using unobservable inputs (Level 3):

	Level 3 (Unobservable Inputs)
	Closed-End Municipal Bond Funds and Student Loan Backed Auction-Rate Securities and Money Market Fund
Balance, December 29, 2007	\$ —
Transfers to Level 3	36,318
Gains and losses:	
Reported in earnings	(750)
Reported in accumulated other comprehensive income	(2,022)
Balance, December 27, 2008	\$ 33,546

Note 7 – Business Acquisitions, Discontinued Operations, Divestitures and Other Transactions

Acquisitions

On December 23, 2008, we acquired DNA Anthos Impianti (DNA), Medka and Noviko. DNA is a distributor of the Anthos brand of dental equipment in Italy. DNA also sells dental consumable merchandise and provides technical services. Medka, headquartered in Berlin, is a full-service provider of medical consumables, equipment and technical services primarily to physicians. Noviko, headquartered in Brno, is a distributor of veterinary supplies in the Czech Republic.

The aggregate initial purchase price for the acquisitions of DNA, Medka and Noviko was approximately \$52.9 million. The aggregate 2008 sales for these three companies were approximately \$165.0 million. As of December 27, 2008, we recorded initial goodwill of approximately \$34.8 million related to these acquisitions.

In addition to these acquisitions, we completed other acquisitions during the year ended December 27, 2008 which resulted in the recording of approximately \$28.9 million of initial goodwill through preliminary purchase price allocations. The operating results of these other acquisitions are also reflected in our financial statements from their respective acquisition dates. These other acquisitions were immaterial to our financial statements individually and in the aggregate.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 7 – Business Acquisitions, Discontinued Operations, Divestitures and Other Transactions – (Continued)

Effective September 29, 2007, we acquired Software of Excellence International Ltd., (NZX: SOE), a provider of clinical and practice management solutions for dental professionals, for NZ\$2.90 per share. The total purchase price, including fees, was approximately \$62.2 million. We recorded approximately \$56.5 million of goodwill related to this acquisition.

On August 29, 2007, we acquired W&J Dunlop, Ltd., a leading supplier of animal health products and services to veterinary clinics in the United Kingdom, with annual revenues of approximately \$297.0 million, for a purchase price, including fees, of approximately \$68.4 million. We recorded approximately \$33.1 million of goodwill related to this acquisition.

On July 2, 2007, we completed the acquisition of the 50% of Becker-Parkin Dental Supply Co. (“Becker-Parkin”), with annual revenues of approximately \$69.5 million, that we did not own for a purchase price of approximately \$22 million, less Becker-Parkin debt and subject to an earnout and certain other adjustments. We then integrated the full service and special markets portions of this business into our existing dental operations. We recorded a pretax gain of approximately \$2.4 million relating to the dispositions of certain non-core businesses of Becker-Parkin. These dispositions included the contribution of certain non-core businesses of Becker-Parkin into an unconsolidated entity.

In addition to the foregoing acquisitions, we completed other acquisitions during the year ended December 29, 2007. The operating results of these other acquisitions are also reflected in our financial statements from their respective acquisition dates. These other acquisitions were immaterial to our financial statements individually and in the aggregate.

On June 30, 2006, we acquired from Darby Group Companies, Inc. (the “Darby Group”) certain assets and assumed certain liabilities of a privately held full-service distributor of dental merchandise and equipment. During the third quarter of 2006, we acquired from the Darby Group certain assets and assumed certain liabilities of a privately held full-line distributor serving the dental lab community nationwide and a privately held provider of medical supplies and pharmaceutical products, including generic drugs, branded drugs and vaccines to small medical practices nationwide. This group of acquisitions (the “Darby Acquisitions”) had combined annual revenues of approximately \$219.0 million. We recorded \$14.1 million of goodwill related to the Darby Acquisitions.

On March 31, 2006, we completed the acquisition of NLS Animal Health (“NLS”), a privately held, full-service animal health distribution business, with annual revenues of approximately \$110.0 million. We recorded \$50.6 million of goodwill related to this acquisition.

In addition to the foregoing acquisitions, we completed other acquisitions during the year ended December 30, 2006. The operating results of these other acquisitions are also reflected in our financial statements from their respective acquisition dates. These other acquisitions were immaterial to our financial statements individually and in the aggregate.

Discontinued Operations

During November 2008, we reached a decision to exit the wholesale ultrasound business and dispose of such operations during the fourth quarter of 2008. This business was a component of our healthcare distribution business.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 7 – Business Acquisitions, Discontinued Operations, Divestitures and Other Transactions – (Continued)

We have classified the operating results of this business as discontinued operations in the accompanying consolidated statements of income for all periods presented. In connection with this decision, we assessed our long-lived assets for impairment, which resulted in the recording of an impairment charge of approximately \$11.2 million (approximately \$7.3 million after-tax) for the write-down of all long-lived assets, including goodwill of \$6.7 million.

Net sales generated by this business were \$12.7 million, \$15.8 million and \$12.3 million for the years ended December 27, 2008, December 29, 2007 and December 30, 2006, respectively.

Divestitures

During 2007, we sold substantially all of the assets of our oncology pharmaceutical and specialty pharmacy businesses, previously reported as part of our healthcare distribution reportable segment. The aggregate sales price was \$14.3 million, which was received in 2007. As a result of this sale, included in the operating results from discontinued operations for 2007 is a \$1.1 million (\$0.7 million after-tax) net gain on the sale of the businesses. Also, because the decision to divest this business was reached in 2007, we recorded an impairment charge to our long-lived assets of approximately \$20.6 million, net of tax, or \$(0.23) per diluted share in 2007.

Net sales generated by our oncology pharmaceutical and specialty pharmacy businesses were \$81.1 million, \$104.9 million and \$109.9 million for the years ended December 29, 2007, December 30, 2006 and December 31, 2005, respectively.

On April 1, 2006, we sold substantially all of the assets of our Hospital Supply Business, previously reported as part of our healthcare distribution reportable segment. The sale price was \$36.5 million, which was received during the second quarter of 2006. As a result of this sale, included in the operating results from discontinued operations for 2006 is a \$32.3 million (\$19.4 million after-tax) loss on the sale, including \$3.5 million (\$2.1 million after-tax) of transitional service obligations and selling costs.

Net sales generated by our Hospital Supply Business were \$37.9 million for the three months ended April 1, 2006 and \$152.8 million for the year ended December 31, 2005.

Loan and Investment Agreement

On December 12, 2008, we converted \$10.4 million of loan receivables and related accrued interest into an equity interest of 15.33% in D4D Technologies, LLC (“D4D”). Due to the conversion, we will now account for our equity interest in D4D under the equity method of accounting prospectively from the date of conversion.

If certain milestones are achieved, up to an additional \$16.0 million may be payable to D4D in increments by May 2010. These additional amounts, if paid, will be treated as equity contributions and will not impact our current 15.33% ownership interest. We are in discussions with D4D to amend the terms of our agreements.

As of December 27, 2008, D4D owes us approximately \$0.5 million in principal and accrued interest.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 8 – Plan of Restructuring

On November 5, 2008, we announced certain actions to reduce operating costs. These actions included the elimination of approximately 300 positions from our operations, or approximately 2.5% of our workforce at that time, and the closing of several smaller facilities.

For the year ended December 27, 2008, we incurred one-time restructuring costs of approximately \$23.2 million (approximately \$16.0 million after taxes), consisting of employee severance pay and benefits, facility closing costs, representing primarily lease termination and asset write-off costs, and outside professional and consulting fees directly related to the restructuring plan. The costs associated with the restructuring are included in a separate line item, "Restructuring costs" within our consolidated statements of income.

The following table shows the amounts expensed and paid for restructuring costs that were incurred during 2008 and the remaining accrued balance of restructuring costs as of December 27, 2008, which is included in Accrued expenses: Other and Other liabilities within our consolidated balance sheet:

	Provision	Payments	Balance at December 27, 2008
Severance costs (1)	\$ 18,643	\$ 4,313	\$ 14,330
Facility closing costs (2)	3,846	158	3,688
Other professional and consulting costs	751	232	519
Total	<u>\$ 23,240</u>	<u>\$ 4,703</u>	<u>\$ 18,537</u>

(1) Represents salaries and related benefits for employees separated from the Company.

(2) Represents costs associated with the closing of certain equipment branches (primarily lease termination costs) and property and equipment write-offs.

We expect that the majority of these costs will be paid in 2009. We expect to record remaining costs of \$1.0 million to \$3.0 million during the first quarter of 2009.

The following table shows, by reportable segment, the restructuring costs incurred during 2008 and the remaining accrued balance of restructuring costs as of December 27, 2008:

	Provision	Payments	Balance at December 27, 2008
Healthcare distribution	\$ 22,650	\$ 4,193	\$ 18,457
Technology	590	510	80
Total	<u>\$ 23,240</u>	<u>\$ 4,703</u>	<u>\$ 18,537</u>

Note 9 – Debt

Bank Credit Lines

On September 5, 2008, we entered into a new \$400.0 million revolving credit facility with a \$100.0 million expansion feature. The \$400.0 million credit line expires in September 2013. This credit line replaced our then existing \$300.0 million revolving credit line, which would have expired in May 2010. The interest rate is based on USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. The agreement provides, among other things, that we maintain certain interest

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 9 – Debt – (Continued)

coverage and maximum leverage ratios, and contains restrictions relating to subsidiary indebtedness, liens, employee and shareholder loans, disposal of businesses and certain changes in ownership. As of December 27, 2008, there were no borrowings outstanding under this revolving credit facility and there were \$13.0 million of letters of credit provided to third parties.

As of December 27, 2008, we had various short-term bank credit lines available, of which approximately \$4.9 million was outstanding. As of December 27, 2008, such credit lines had a weighted average interest rate of 4.9%. Our bank credit lines were collateralized by assets with an aggregate net carrying value of \$69.0 million at December 27, 2008.

Long-term debt

Long-term debt consisted of the following:

	December 27, 2008	December 29, 2007
Senior notes	\$ 172,501	\$ 188,840
Convertible debt	240,000	240,000
Notes payable to banks, at a weighted average interest rate of 4.0%	623	1,280
Various uncollateralized loans payable with interest, in varying installments through 2014	2,677	9,505
Capital lease obligations (see Note 15)	7,250	7,968
Total	423,051	447,593
Less current maturities	(156,405)	(24,319)
Total long-term debt	\$ 266,646	\$ 423,274

In prior years, we completed private placement transactions under which we issued \$130.0 million and \$100.0 million in senior notes. The \$130.0 million notes mature on June 30, 2009 and bear interest at a fixed rate of 6.9% per annum. Principal payments on the \$100.0 million notes of \$20.0 million annually commenced September 25, 2006, with a maturity date of September 25, 2010, and the notes bear interest at a fixed rate of 6.7% per annum. Interest on both notes is payable semi-annually.

In 2003, we entered into agreements relating to our \$230.0 million senior notes to exchange their fixed interest rates for variable interest rates. The value of debt exchanged to a variable rate of interest reduces according to the repayment schedule of the senior notes. As of December 27, 2008, there is \$170.0 million of principal remaining with a weighted-average interest rate of 6.84%. For the year ended December 27, 2008, the weighted-average variable interest rate was 6.32%. This weighted-average variable interest rate is comprised of LIBOR plus a spread and resets on the interest due dates for such senior notes. As of December 27, 2008, this interest rate was 6.28%. The interest rate swap agreements are marked-to-market at each balance sheet date, with an offsetting adjustment to the senior notes.

The agreement governing our senior notes provides, among other things, that we will maintain on a consolidated basis, certain leverage and priority debt ratios and a minimum net worth. The agreement also contains restrictions relating to transactions with affiliates, annual dividends, mergers and acquisitions and liens. The agreements limit the distribution of dividends without the prior written consent of the lenders (limited to \$25.0 million, plus 80% of cumulative net income, plus net proceeds from the issuance of additional capital stock.) As of December 27, 2008, the amount of retained earnings free of restrictions was \$725.1 million.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 9 – Debt – (Continued)

In 2004, we completed an issuance of \$240.0 million of convertible debt. These notes are senior unsecured obligations bearing a fixed annual interest rate of 3.0% and are due to mature on August 15, 2034. Interest on the notes is payable on February 15 and August 15 of each year. The notes are convertible into our common stock at a conversion ratio of 21.58 shares per one thousand dollars of principal amount of notes, which is equivalent to a conversion price of \$46.34 per share, under the following circumstances:

- if the price of our common stock is above 130% of the conversion price measured over a specified number of trading days;
- during the five-business-day period following any 10-consecutive-trading-day period in which the average of the trading prices for the notes for that 10-trading-day period was less than 98% of the average conversion value for the notes during that period;
- if the notes have been called for redemption; or
- upon the occurrence of a fundamental change or specified corporate transactions, as defined in the note agreement.

Upon conversion, we are required to satisfy our conversion obligation with respect to the principal amount of the notes to be converted, in cash, with any remaining amount to be satisfied in shares of our common stock. We currently have sufficient availability of funds through our \$400.0 million revolving credit facility (discussed above) along with cash on hand to fully satisfy the cash portion of our conversion obligation. We also will pay contingent interest during any six-month-interest period beginning August 20, 2010, if the average trading price of the notes is above specified levels. We may redeem some or all of the notes on or after August 20, 2010. The note holders may require us to purchase all or a portion of the notes on August 15, 2010, 2014, 2019, 2024 and 2029 or, subject to specified exceptions, upon a change of control event.

As of December 27, 2008, the aggregate amounts of long-term debt, including capital leases, maturing in each of the next five years and thereafter are as follows: 2009 - \$156.4 million; 2010 - \$23.5 million; 2011 - \$1.1 million; 2012 - \$1.0 million; 2013 - \$0.3 million; thereafter - \$240.7 million.

Note 10 – Income Taxes

Income from continuing operations before taxes, minority interest, and equity in earnings (losses) of affiliates was as follows:

	Years ended		
	December 27, 2008	December 29, 2007 (1)	December 30, 2006 (1)
Domestic	\$ 305,593	\$ 299,606	\$ 248,859
Foreign	95,222	84,658	47,404
Total	\$ 400,815	\$ 384,264	\$ 296,263

(1) Adjusted to reflect the effects of discontinued operations.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 10 – Income Taxes– (Continued)

The provisions for income taxes from continuing operations were as follows:

	Years ended		
	December 27, 2008	December 29, 2007 (1)	December 30, 2006 (1)
Current income tax expense:			
U.S. Federal	\$ 99,470	\$ 91,235	\$ 82,778
State and local	14,907	23,905	15,027
Foreign	22,741	22,478	13,327
Total current	<u>137,118</u>	<u>137,618</u>	<u>111,132</u>
Deferred income tax expense (benefit):			
U.S. Federal	(3,121)	(5,478)	(5,361)
State and local	(446)	(782)	(919)
Foreign	(627)	(755)	626
Total deferred	<u>(4,194)</u>	<u>(7,015)</u>	<u>(5,654)</u>
Total provision	<u>\$ 132,924</u>	<u>\$ 130,603</u>	<u>\$ 105,478</u>

(1) Adjusted to reflect the effects of discontinued operations.

The tax effects of temporary differences that give rise to our deferred income tax asset (liability) were as follows:

	Years Ended	
	December 27, 2008	December 29, 2007
Current deferred income tax assets:		
Inventory, premium coupon redemptions and accounts receivable valuation allowances	\$ 12,348	\$ 10,860
Uniform capitalization adjustments to inventories	8,712	7,584
Other current assets	2,497	5,417
Current deferred income tax asset (2)	<u>23,557</u>	<u>23,861</u>
Non-current deferred income tax asset (liability):		
Property and equipment	(14,321)	(11,752)
Stock-based compensation	28,275	22,776
Other non-current liabilities	(106,652)	(97,196)
Net operating losses of domestic subsidiaries	8,537	7,938
Net operating losses of foreign subsidiaries	75,562	76,272
Total non-current deferred tax liability	<u>(8,599)</u>	<u>(1,962)</u>
Valuation allowance for non-current deferred tax assets (1)	<u>(67,418)</u>	<u>(67,485)</u>
Net non-current deferred tax liability (2)	<u>(76,017)</u>	<u>(69,447)</u>
Net deferred income tax liability	<u>\$ (52,460)</u>	<u>\$ (45,586)</u>

(1) Primarily relates to operating losses of acquired foreign subsidiaries, the benefits of which are uncertain. Any future reductions of such valuation allowances will be reflected as a reduction of income tax expense in accordance with the provisions of FAS 141 (revised 2007).

(2) Certain deferred tax amounts do not have a right of offset and are therefore reflected on a gross basis in current assets and non-current liabilities in our consolidated balance sheets.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 10 – Income Taxes– (Continued)

The deferred income tax asset is realizable as we have sufficient taxable income in prior years and anticipate sufficient taxable income in future years to realize the tax benefit for deductible temporary differences.

As of December 27, 2008, we have domestic unconsolidated net operating loss carryforwards of \$22.5 million. Of such losses, \$16.2 million can be utilized against future federal income through 2026, and \$6.3 million can be utilized against future federal income through 2027. Foreign net operating loss carryforwards totaled \$257.3 million as of December 27, 2008. Of such losses, \$0.8 million can be utilized against future foreign income through 2012, \$0.7 million can be utilized against future foreign income through 2013, \$2.5 million can be utilized against future foreign income through 2014, \$2.5 million can be utilized against future foreign income through 2015, and \$250.8 million has an indefinite life.

The tax provisions from continuing operations differ from the amount computed using the federal statutory income tax rate as follows:

	Years ended		
	December 27, 2008	December 29, 2007 (1)	December 30, 2006 (1)
Income tax provision at federal statutory rate	\$ 140,285	\$ 134,493	\$ 103,692
State income tax provision, net of federal income tax effect	9,426	15,030	9,170
Foreign income tax benefit	(11,900)	(6,503)	(3,862)
Valuation allowance	3,090	(551)	2,566
Interest expense related to loans	(7,254)	(8,855)	(7,627)
Other	(723)	(3,011)	1,539
Total income tax provision	\$ 132,924	\$ 130,603	\$ 105,478

(1) Adjusted to reflect the effects of discontinued operations.

For the year ended December 27, 2008, our effective tax rate from continuing operations was 33.2% compared to 34.0% for the prior year period. The difference was impacted by additional tax planning initiatives, settlements of tax audits, and higher income from lower taxing countries. The difference between our effective tax rate and the federal statutory tax rate for both periods related primarily to foreign and state income taxes.

Provision has not been made for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries, which have been, and will continue to be reinvested. These earnings could become subject to additional tax if they were remitted as dividends, if foreign earnings were loaned to us or a U.S. affiliate, or if we should sell our stock in the foreign subsidiaries. It is not practicable to determine the amount of additional tax, if any, that might be payable on the foreign earnings. As of December 27, 2008, the cumulative amount of reinvested earnings was approximately \$135.3 million.

In July 2006, the Financial Accounting Standards Board issued FAS Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FAS No. 109" ("FIN 48"), which we adopted effective December 31, 2006. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FAS No. 109, "Accounting for Income Taxes."

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 10 – Income Taxes– (Continued)

FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by the taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate audit settlement.

The total amount of unrecognized tax benefits as of December 27, 2008 was approximately \$12.9 million, all of which would affect the effective tax rate if recognized. It is expected that the amount of unrecognized tax benefits will change in the next 12 months; however, we do not expect the change to have a material impact on our consolidated financial statements.

The total amounts of interest and penalties were approximately \$2.4 million and \$0, respectively, as of December 27, 2008. It is expected that the amount of interest will change in the next twelve months. However, we do not expect the change to have a material impact on our consolidated financial statements.

The tax years subject to examination by major tax jurisdictions include the years 2004 and forward by the U.S. Internal Revenue Service, the years 1996 and forward for certain states and the years 1997 and forward for certain foreign jurisdictions.

The following tables provide a reconciliation of unrecognized tax benefits:

	<u>December 29, 2007</u>
Balance at December 30, 2006	\$ 10,700
Additions based on current year tax positions	1,400
Additions based on prior year tax positions	3,300
Reductions resulting from settlements with taxing authorities	(5,100)
Balance at December 29, 2007	<u>\$ 10,300</u>
	<u>December 27, 2008</u>
Balance at December 29, 2007	\$ 10,300
Additions based on current year tax positions	700
Additions based on prior year tax positions	3,000
Reductions based on prior year tax positions	(1,600)
Reductions resulting from settlements with taxing authorities	(1,600)
Reductions resulting from lapse in statutes of limitations	(300)
Balance at December 27, 2008	<u>\$ 10,500</u>

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 11 – Financial Instruments and Concentrations of Credit Risk

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash equivalents and trade receivables – Due to the short-term maturity of such instruments, the carrying amounts are a reasonable estimate of fair value.

Available-for-sale securities – The fair value of available-for-sale securities at December 29, 2007 is estimated based on quoted market prices for such securities. The fair value of available-for-sale securities at December 27, 2008 is estimated based on internally generated discounted cash flow models.

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

Debt – The fair value of our debt is estimated based on quoted market prices for our traded debt and on market prices of similar issues for our private debt. The fair value of our debt as of December 27, 2008 and December 29, 2007 was estimated at \$426.8 million and \$562.8 million.

Derivative instruments – The fair values for the majority of our foreign currency derivative contracts are obtained by comparing our contract rate to a published forward price of the underlying currency, which is based on market rates for comparable transactions. Such instruments are carried at fair value on the consolidated balance sheet. The fair value liability of our foreign currency forward contracts as of December 27, 2008 and December 29, 2007 was estimated at \$6.6 million and \$3.7 million, which approximated contract value. The fair value (liability) of our interest rate swap agreements was estimated at \$2.5 million and \$(1.2) million, representing the estimated amounts we would have received or (paid) to terminate the agreements as of December 27, 2008 and December 29, 2007. These amounts take into account current interest rates, market expectations for future interest rates and our current credit worthiness.

Concentrations of Credit Risk

Certain financial instruments potentially subject us to concentrations of credit risk. These financial instruments consist primarily of cash equivalents, available-for-sale securities, trade receivables, long-term investments, notes receivable and derivative instruments. In all cases, our maximum exposure to loss from credit risk equals the gross fair value of the financial instruments. We continuously assess the need for reserves for such losses, which have been within our expectations. We do not require collateral or other security to support financial instruments subject to credit risk, except for long-term notes receivable.

We limit our credit risk with respect to our cash equivalents, available-for-sale securities, short-term and long-term investments and derivative instruments, by monitoring the credit worthiness of the financial institutions who are the counter-parties to such financial instruments. As a risk management policy, we limit the amount of credit exposure by diversifying and utilizing numerous investment grade counter-parties.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 11 – Financial Instruments and Concentrations of Credit Risk – (Continued)

With respect to our trade receivables, our credit risk is somewhat limited due to a relatively large customer base and its dispersion across different types of healthcare professionals and geographic areas. No single customer accounted for more than 1.1% of our net sales in 2008.

Our long-term notes receivable represent strategic financing arrangements with certain industry affiliates and amounts owed to us from sales of certain businesses. Generally, these notes are secured by certain assets of the counter-party; however, in most cases our security is subordinate to other commercial financial institutions. While we have exposure to credit loss in the event of non-performance by these counter-parties, we conduct ongoing assessments of their financial and operational performance.

Note 12 – Segment and Geographic Data

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

Our dental group serves office-based dental practitioners, schools and other institutions in the combined United States and Canadian dental market. Our medical group serves office-based medical practitioners, surgical centers, other alternate-care settings, animal health clinics and other institutions throughout the United States. Our international group serves 21 countries outside of North America.

Our technology group provides software, technology and other value-added services to healthcare practitioners, primarily in the United States, Canada, the United Kingdom, Australia and New Zealand. Our value-added practice solutions include practice management software systems for dental and medical practitioners and animal health clinics. Our technology group offerings also include financial services, e-services and continuing education services for practitioners.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 12 – Segment and Geographic Data – (Continued)

The following tables present information about our business segments:

	Years ended		
	December 27, 2008	December 29, 2007 (1)	December 30, 2006 (1)
Net Sales:			
Healthcare distribution (2):			
Dental (3)	\$ 2,581,525	\$ 2,462,373	\$ 2,136,830
Medical (4)	1,428,968	1,540,269	1,398,996
International (5)	2,221,092	1,769,881	1,401,889
Total healthcare distribution	6,231,585	5,772,523	4,937,715
Technology (6)	163,289	131,893	98,223
Total	<u>\$ 6,394,874</u>	<u>\$ 5,904,416</u>	<u>\$ 5,035,938</u>

(1) Adjusted to reflect the effects of discontinued operations.

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

(3) Consists of products sold in the United States and Canada.

(4) Consists of products and equipment sold in the United States' medical and animal health markets.

(5) Consists of products sold in dental, medical and animal health markets, primarily in Europe.

(6) Consists of practice management software and other value-added products and services, which are distributed primarily to healthcare providers in the United States, Canada, the United Kingdom, Australia and New Zealand in 2008 and 2007, and the United States and Canada in 2006.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 12 – Segment and Geographic Data – (Continued)

	Years ended		
	December 27, 2008	December 29, 2007 (1)	December 30, 2006 (1)
Operating Income:			
Healthcare distribution	\$ 362,624	\$ 340,937	\$ 268,174
Technology	56,979	47,002	37,203
Total	<u>\$ 419,603</u>	<u>\$ 387,939</u>	<u>\$ 305,377</u>
Income from continuing operations before taxes, minority interest and equity in earnings (losses) of affiliates:			
Healthcare distribution	\$ 325,533	\$ 323,823	\$ 249,010
Technology	75,282	60,441	47,253
Total	<u>\$ 400,815</u>	<u>\$ 384,264</u>	<u>\$ 296,263</u>
Depreciation and Amortization:			
Healthcare distribution	\$ 71,731	\$ 69,815	\$ 61,035
Technology	6,396	4,121	3,895
Total	<u>\$ 78,127</u>	<u>\$ 73,936</u>	<u>\$ 64,930</u>
Income Tax Expense From Continuing Operations:			
Healthcare distribution	\$ 105,058	\$ 107,418	\$ 87,388
Technology	27,866	23,185	18,090
Total	<u>\$ 132,924</u>	<u>\$ 130,603</u>	<u>\$ 105,478</u>
Interest Income:			
Healthcare distribution	\$ 15,982	\$ 16,467	\$ 16,275
Technology	373	64	103
Total	<u>\$ 16,355</u>	<u>\$ 16,531</u>	<u>\$ 16,378</u>
Interest Expense:			
Healthcare distribution	\$ 29,417	\$ 24,830	\$ 27,399
Technology	22	6	138
Total	<u>\$ 29,439</u>	<u>\$ 24,836</u>	<u>\$ 27,537</u>
Purchases of Fixed Assets:			
Healthcare distribution	\$ 49,336	\$ 54,683	\$ 65,411
Technology	1,534	2,138	1,589
Total	<u>\$ 50,870</u>	<u>\$ 56,821</u>	<u>\$ 67,000</u>

(1) Adjusted to reflect the effects of discontinued operations.

	As of		
	December 27, 2008	December 29, 2007	December 30, 2006
Total Assets:			
Healthcare distribution	\$ 3,438,306	\$ 3,160,575	\$ 2,807,167
Technology	161,328	153,409	73,979
Total	<u>\$ 3,599,634</u>	<u>\$ 3,313,984</u>	<u>\$ 2,881,146</u>

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 12 – Segment and Geographic Data – (Continued)

The following table sets forth our net sales by principal categories of products offered through our healthcare distribution and technology reportable segments:

	Years Ended		
	December 27, 2008	December 29, 2007 (1)	December 30, 2006 (1)
Healthcare Distribution			
Dental:			
Consumable dental products, dental laboratory products and small equipment (2)	\$ 2,978,118	\$ 2,726,246	\$ 2,339,738
Large dental equipment (3)	1,142,948	1,076,084	956,307
Total dental	<u>4,121,066</u>	<u>3,802,330</u>	<u>3,296,045</u>
Medical:			
Medical products (4)	1,458,629	1,586,608	1,436,928
Animal health products (5)	651,890	383,585	204,742
Total medical	<u>2,110,519</u>	<u>1,970,193</u>	<u>1,641,670</u>
Total Healthcare distribution	<u>6,231,585</u>	<u>5,772,523</u>	<u>4,937,715</u>
Technology			
Software and related products and other value-added products (6)	<u>163,289</u>	<u>131,893</u>	<u>98,223</u>
Total	<u>\$ 6,394,874</u>	<u>\$ 5,904,416</u>	<u>\$ 5,035,938</u>

(1) Adjusted to reflect the effects of discontinued operations.

(2) Includes X-ray products, infection-control products, handpieces, preventatives, impression materials, composites, anesthetics, teeth, dental implants, gypsum, acrylics, articulators and abrasives.

(3) Includes dental chairs, delivery units and lights, X-ray equipment, equipment repair and high-tech equipment.

(4) Includes branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products, X-ray products, equipment and vitamins.

(5) Includes branded and generic pharmaceuticals, surgical and consumable products and small equipment.

(6) Includes software and related products and other value-added products, including financial products and continuing education.

The following table presents information about our operations by geographic area as of and for the three years ended December 27, 2008. Net sales by geographic area are based on the respective locations of our subsidiaries. No country, except for the United States and Germany, generated net sales greater than 10% of consolidated net sales. There were no material amounts of sales or transfers among geographic areas and there were no material amounts of export sales.

	2008		2007		2006	
	Net Sales	Long-Lived Assets	Net Sales (1)	Long-Lived Assets	Net Sales (1)	Long-Lived Assets
United States	\$ 3,911,981	\$ 588,308	\$ 3,893,117	\$ 551,840	\$ 3,419,460	\$ 567,132
Germany	671,341	184,729	620,210	186,784	567,730	187,711
Other	1,811,552	611,843	1,391,089	618,661	1,048,748	405,538
Consolidated total	<u>\$ 6,394,874</u>	<u>\$ 1,384,880</u>	<u>\$ 5,904,416</u>	<u>\$ 1,357,285</u>	<u>\$ 5,035,938</u>	<u>\$ 1,160,381</u>

(1) Adjusted to reflect the effects of discontinued operations.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 13 – Stockholders’ Equity

Common Stock Purchase Rights

On November 30, 1998, our Board of Directors adopted a Stockholder Rights Plan (the “Rights Plan”), and declared a dividend under the Rights Plan of one common stock purchase right (a “Right”) on each outstanding share of our common stock. Until the occurrence of certain events, each share of common stock that is issued will also have attached to it a Right. The Rights provide, in substance, that should any person or group acquire 15% or more of our outstanding common stock after the date of adoption of the Rights Plan, each Right, other than Rights held by the acquiring person or group, would entitle its holder to purchase a certain number of shares of common stock for 50% of the then-current market value of the common stock. Unless a 15% acquisition has occurred, we may redeem the Rights at any time prior to the termination date of the Rights Plan. This Right to purchase the common stock at a discount will not be triggered by a person’s or group’s acquisition of 15% or more of the common stock pursuant to a tender or exchange offer which is for all outstanding shares at a price and on terms that the Board of Directors determines (prior to acquisition) to be adequate and in the stockholders’ best interests. In addition, the Rights will not be triggered by the positions of existing shareholders.

Certain business combinations involving an acquiring person or its affiliates will trigger an additional feature of the Rights. Each Right, other than Rights held by the acquiring person or group, will entitle its holder to purchase a certain number of shares of common stock of the acquiring person at a price equal to 50% of the market value of such shares at the time of exercise. Initially, the Rights will be attached to, and trade with, the certificates representing our outstanding shares of common stock and no separate certificates representing the Rights will be distributed. The Rights will become exercisable only if a person or group acquires, or commences a tender or exchange offer for, 15% or more of our common stock.

The Board of Directors may, at its option, redeem all, but not less than all, of the then outstanding Rights at a redemption price of \$0.01 per Right at any time prior to the earlier of (a) any person or group acquiring 15% or more of our common stock or (b) the final expiration date of November 30, 2008.

The Rights Plan expired by its terms on November 30, 2008 and was not renewed by the Board of Directors.

Note 14 – Employee Benefit Plans

Stock Option and Awards

Effective January 1, 2006, we adopted the provisions of FAS No. 123(R), “Share-Based Payment.” We previously applied Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees,” and related Interpretations and provided the required pro forma disclosures of FAS 123, “Accounting for Stock-Based Compensation,” in our consolidated financial statements. We elected to adopt the modified retrospective application method provided by FAS 123(R).

Our accompanying consolidated statements of income reflect pre-tax share-based compensation expense of \$25.4 million (\$17.0 million after-tax), \$22.6 million (\$14.9 million after-tax) and \$19.5 million (\$12.5 million after-tax) for the years ended December 27, 2008, December 29, 2007 and December 30, 2006.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 14 – Employee Benefit Plans – (Continued)

Our accompanying consolidated statements of cash flows present our stock-based compensation expense as an adjustment to reconcile net income to net cash provided by operating activities for all periods presented. Additionally, prior to adopting FAS 123(R), benefits associated with tax deductions in excess of recognized compensation expense were presented as part of operating cash flows on our consolidated statements of cash flows. However, FAS 123(R) requires that such excess tax benefits be presented as a cash inflow from financing activities. In the accompanying consolidated statements of cash flows, we presented \$11.0 million, \$12.7 million and \$14.9 million of such excess tax benefits as a cash inflow from financing activities for the years ended December 27, 2008, December 29, 2007 and December 30, 2006.

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

Stock-based awards are provided to certain employees and non-employee directors under the terms of our 1994 Stock Incentive Plan, as amended, and our 1996 Non-Employee Director Stock Incentive Plan, as amended (together, the “Plans”). The Plans are administered by the Compensation Committee of the Board of Directors. Awards under the Plans principally include a combination of at-the-money stock options and restricted stock (including restricted stock units). As of December 27, 2008, there were 23,777,270 shares authorized and 3,964,797 shares available to be granted under the 1994 Stock Incentive Plan and 800,000 shares authorized and 199,518 shares available to be granted under the 1996 Non-Employee Director Stock Incentive Plan.

Stock options are awards that allow the recipient to purchase shares of our common stock at a fixed price. Stock options are granted at an exercise price equal to our closing stock price on the date of grant. These awards, which generally vest 25% per year based on the recipient’s continued service subject to the terms and conditions of the Plans, are fully vested four years from the grant date and have a contractual term of ten years from the grant date. Additionally, recipients may not sell any shares that they acquire through exercising their stock options until the third anniversary of the date of grant of such options. We estimate the fair value of stock options using the Black-Scholes valuation model.

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

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

The Plans provide for adjustments to the performance-based restricted stock targets for significant events such as acquisitions, divestitures, new business ventures and share repurchases. Over the performance period, the number of shares of common stock that will ultimately vest and be issued is

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 14 – Employee Benefit Plans – (Continued)

adjusted upward or downward based upon our estimation of achieving such performance targets. The ultimate number of shares delivered to recipients and the related compensation cost recognized as an expense will be based on our actual performance metrics as defined under the Plans.

Restricted stock units, or RSUs, are unit awards that we grant to certain non-U.S. employees that entitle the recipient to shares of common stock upon vesting after four years for time-based awards or three years for performance-based awards. The fair value of RSUs is determined on the date of grant, based on our closing stock price.

We record deferred income tax assets for awards that result in deductions on our income tax returns based on the amount of compensation cost recognized and our statutory tax rate in the jurisdiction in which we will receive a deduction. Differences between the deferred income tax assets recognized for financial reporting purposes and the actual tax deduction reported on our income tax return are recorded in additional paid-in capital (if the tax deduction exceeds the deferred income tax asset) or in earnings (if the deferred income tax asset exceeds the tax deduction and no additional paid-in capital exists from previous awards).

Stock-based compensation expense for the years ended December 27, 2008, December 29, 2007 and December 30, 2006 was generated through stock options, restricted stock and restricted stock unit grants. Certain options granted require us to settle the option in the form of a cash payment. As of December 27, 2008, we have recorded a liability of \$322 relating to fair value measurement of these options. The weighted-average grant date fair value of stock-based awards granted before forfeitures was \$18.44, \$21.61 and \$24.46 per share during the years ended December 27, 2008, December 29, 2007 and December 30, 2006. For the year ended December 27, 2008, the fair value of stock-based awards issued was evenly divided between stock options and restricted stock (including RSUs).

Total unrecognized compensation cost related to non-vested awards as of December 27, 2008 was \$35.1 million, which is expected to be recognized over a weighted-average period of approximately two years. There were no significant capitalized stock-based compensation costs as of December 27, 2008.

A summary of the stock option activity under the Plans is presented below:

	Years ended					
	December 27, 2008		December 29, 2007		December 30, 2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning						
of year	6,829,453	\$34.67	7,477,321	\$30.54	8,882,557	\$26.37
Granted	1,124,795	59.78	930,112	51.26	835,089	47.34
Exercised	(991,259)	25.87	(1,487,238)	23.85	(1,878,395)	18.96
Forfeited	(171,161)	45.29	(90,742)	41.92	(361,930)	26.90
Outstanding at end of year	<u>6,791,828</u>	39.85	<u>6,829,453</u>	34.67	<u>7,477,321</u>	30.54
Options exercisable at end						
of year	<u>5,141,140</u>	35.11	<u>5,138,783</u>	30.80	<u>5,332,874</u>	26.49

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 14 – Employee Benefit Plans – (Continued)

The following weighted-average assumptions were used in determining the fair values of stock options using the Black-Scholes valuation model:

	2008	2007	2006
Expected dividend yield	0%	0%	0%
Expected stock price volatility	20%	20%	25%
Risk-free interest rate	2.75%	4.75%	4.75%
Expected life of options (years)	4.5	4.5	5.0

We have not declared cash dividends on our stock in the past and we do not anticipate declaring cash dividends in the foreseeable future. The expected stock price volatility is based on the evaluation of implied volatilities from traded call options on our stock and from call options embedded in our existing convertible debt, historical volatility of our stock and other factors. The risk-free interest rate is based on the U.S. Treasury yield curve in effect on the date of grant in conjunction with considering the expected life of options. The expected life of options represents the approximate period of time that granted options are expected to be outstanding and is based on historical data, including, among other things, option exercises, forfeitures and cancellations. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by recipients of stock options, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by us.

The following table represents the intrinsic values of:

	Years Ended		
	December 27, 2008	December 29, 2007	December 30, 2006
Stock options exercised	\$ 31,545	\$ 45,940	\$ 54,068

	As of		
	December 27, 2008	December 29, 2007	December 30, 2006
Stock options outstanding	\$ 24,928	\$ 186,956	\$ 137,859
Stock options exercisable	24,928	160,606	119,945

The total cash received as a result of stock option exercises for the years ended December 27, 2008, December 29, 2007 and December 30, 2006 was approximately \$25.6 million, \$35.5 million and \$35.6 million. In connection with these exercises, the tax benefits that we realized for the years ended December 27, 2008, December 29, 2007 and December 30, 2006 were \$7.0 million, \$10.0 million and \$13.4 million. We settle employee stock option exercises with newly issued common shares.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 14 – Employee Benefit Plans – (Continued)

The total intrinsic value of restricted stock (including RSUs) that vested was \$1.4 million, \$172 and \$148 during the years ended December 27, 2008, December 29, 2007 and December 30, 2006. The following table summarizes the status of our non-vested restricted shares/units for the year ended December 27, 2008:

	Time-Based Restricted Stock/Units	
	Shares/Units	Weighted Average Grant Date Fair Value
Outstanding at beginning of period	204,668	\$ 9,769,979
Granted	120,503	7,064,107
Vested	(26,852)	(1,378,510)
Forfeited	(13,094)	(685,002)
Outstanding at end of period	<u>285,225</u>	<u>\$ 14,770,574</u>

	Performance-Based Restricted Stock/Units	
	Shares/Units	Weighted Average Grant Date Fair Value
Outstanding at beginning of period	314,237	\$ 15,417,508
Granted	45,998	2,971,747
Forfeited	(13,094)	(685,002)
Outstanding at end of period	<u>347,141</u>	<u>\$ 17,704,253</u>

401(k) Plans

We offer qualified 401(k) plans to substantially all our domestic full-time employees. As determined by our Board of Directors, matching contributions to these plans generally do not exceed 100% of the participants' contributions up to 7% of their base compensation, subject to applicable legal limits. Matching contributions include both cash and our common stock. Forfeitures attributable to participants whose employment terminates prior to becoming fully vested are used to reduce our matching contributions.

Assets of the 401(k) and other defined contribution plans are held in self-directed accounts enabling participants to choose from various investment fund options. Matching contributions to these plans charged to operations during the years ended December 27, 2008, December 29, 2007 and December 30, 2006 amounted to \$19.3 million, \$20.1 million and \$17.1 million.

Supplemental Executive Retirement Plan

We offer an unfunded, non-qualified supplemental executive retirement plan to eligible employees. This plan generally covers officers and certain highly-compensated employees after they have reached the maximum IRS allowed pre-tax 401(k) contribution limit. Our contributions to this plan are equal to the 401(k) employee-elected contribution percentage applied to base compensation for the portion of the year in which such employees are not eligible to make pre-tax contributions to the 401(k) plan. The amounts charged (credited) to operations during the years ended December 27, 2008, December 29, 2007 and December 30, 2006 amounted to \$(1.6) million, \$1.7 million and \$1.0 million. The reduction in expense during the year ended December 27, 2008 was due to a decrease in the market value of the plan's investments during the period.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 15 – Commitments and Contingencies

Operating Leases

We lease facilities and equipment under non-cancelable operating leases expiring through 2023. We expect that in the normal course of business, leases will be renewed or replaced by other leases.

Future minimum annual rental payments under our non-cancelable operating leases as of December 27, 2008 were:

2009	\$	55,749
2010		43,450
2011		31,510
2012		23,198
2013		15,728
Thereafter		39,968
Total minimum operating lease payments	\$	<u>209,603</u>

Total rental expense from continuing operations for the years ended December 27, 2008, December 29, 2007 and December 30, 2006 was \$59.3 million, \$50.7 million and \$43.1 million.

Capital Leases

We lease certain equipment under capital leases. Future minimum annual lease payments under our capital leases together with the present value of the minimum capital lease payments as of December 27, 2008 were:

2009	\$	2,760
2010		2,016
2011		1,239
2012		995
2013		324
Thereafter		681
Total minimum capital lease payments		<u>8,015</u>
Less: Amount representing interest at 3.2% to 10.0%		(765)
Total present value of minimum capital lease payments	\$	<u>7,250</u>

Capital Expenditures

As of December 27, 2008, we are committed to certain capital expenditures primarily related to a new building in Germany:

2009	\$	11,480
2010		16
Total capital expenditure obligations	\$	<u>11,496</u>

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 15 – Commitments and Contingencies – (Continued)

Purchase Commitments

In our healthcare distribution business, we sometimes enter into long-term purchase commitments to ensure the availability of products for distribution. Future minimum annual payments for inventory purchase commitments as of December 27, 2008 were:

2009	\$	108,135
2010		94,962
2011		88,658
2012		89,054
2013		21,609
Thereafter		168,057
Total minimum inventory purchase commitment payments	<u>\$</u>	<u>570,475</u>

We have obligations to purchase influenza vaccine from GlaxoSmithKline Biologicals through 2012, which require us to pay an amount per dose based on the prevailing market price or a formula price in each respective year. The amounts included in the above table related to these purchase commitments were determined using current market conditions. Actual amounts may differ.

Litigation

Our business involves a risk of product liability and other claims in the ordinary course of business, and from time to time we are named as a defendant in cases as a result of our distribution of pharmaceutical, medical devices and other healthcare products. As a business practice, we generally obtain product liability indemnification from our suppliers.

We have various insurance policies, including product liability insurance, covering risks in amounts that we consider adequate. In many cases in which we have been sued in connection with products manufactured by others, the manufacturer provides us with indemnification. There can be no assurance that the insurance coverage we maintain is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide us with adequate protection. In our opinion, all pending matters are covered by insurance or will not otherwise have a material adverse effect on our financial condition or results of operations.

As of December 27, 2008, we had 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 we were able to reasonably estimate a loss. This accrued amount, as well as related expenses, was not material to our financial position, results of operations or cash flows. Our method for determining estimated losses considers currently available facts, presently enacted laws and regulations and other external factors, including probable recoveries from third parties.

Employment, Consulting and Non-Compete Agreements

We have definite-lived employment, consulting and non-compete agreements expiring through 2012 that have varying base aggregate annual payments of approximately \$8.9 million in 2009, which decrease periodically to approximately \$38 in 2012. We also have lifetime consulting agreements that provide for current compensation of \$433 per year, increasing \$25 every fifth year with the next increase in 2012. In addition, some agreements have provisions for additional incentives and compensation.

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 16 – Supplemental Cash Flow Information

Cash paid for interest and income taxes was:

	Years ended		
	December 27, 2008	December 29, 2007	December 30, 2006
Interest	\$ 30,249	\$ 26,891	\$ 28,529
Income taxes	109,103	100,476	84,931

There was approximately \$0.8 million of debt assumed as a part of the acquisitions for the year ended December 27, 2008. During the years ended December 27, 2008, December 29, 2007 and December 30, 2006, we had \$0.1 million, \$1.8 million and \$2.0 million of non-cash net unrealized gains related to foreign currency hedging activities.

Note 17 – Quarterly Information (Unaudited)

The following presents certain quarterly financial data:

	Quarters ended			
	March 29, 2008 (1)	June 28, 2008 (1)	September 27, 2008 (1)	December 27, 2008 (2)
Net sales	\$ 1,521,777	\$ 1,640,851	\$ 1,647,593	\$ 1,584,653
Gross profit	450,631	488,110	478,131	467,666
Operating income	85,275	113,992	115,490	104,846
Income from continuing operations	52,412	65,892	68,499	64,208
Net income	52,330	65,477	68,425	56,911
Earnings from continuing operations				
per share:				
Basic	\$ 0.59	\$ 0.74	\$ 0.77	\$ 0.72
Diluted	0.57	0.72	0.75	0.72
Earnings per share:				
Basic	\$ 0.59	\$ 0.73	\$ 0.77	\$ 0.64
Diluted	0.57	0.71	0.75	0.64

	Quarters ended			
	March 31, 2007 (1)	June 30, 2007 (1) (3) (4)	September 29, 2007 (1) (3)	December 29, 2007 (1) (4)
Net sales	\$ 1,307,205	\$ 1,383,018	\$ 1,501,357	\$ 1,712,836
Gross profit	390,766	413,375	428,740	483,693
Operating income	74,191	91,268	97,038	125,442
Income from continuing operations	43,735	54,734	60,928	76,749
Net income	43,494	33,837	59,573	78,269
Earnings from continuing operations				
per share:				
Basic	\$ 0.50	\$ 0.62	\$ 0.69	\$ 0.86
Diluted	0.49	0.60	0.67	0.83
Earnings per share:				
Basic	\$ 0.49	\$ 0.38	\$ 0.67	\$ 0.88
Diluted	0.48	0.37	0.65	0.85

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 17 – Quarterly Information (Unaudited) – (Continued)

- (1) Adjusted to reflect the effects of discontinued operations.
- (2) During November 2008, we reached a decision to exit the wholesale ultrasound business and dispose of such operations during the fourth quarter of 2008. This business was a component of our healthcare distribution business. We have classified the operating results of this business as discontinued operations in the accompanying consolidated statements of income for all periods presented. In connection with this decision, we assessed our long-lived assets for impairment, which resulted in the recording of an impairment charge of \$11.2 million (\$7.3 million after-tax) for the write-down of all long-lived assets, including goodwill of \$6.7 million.

On November 5, 2008, we announced certain actions to reduce operating costs. These actions included the elimination of approximately 300 positions from our global operations, or approximately 2.5% of our workforce at that time, and the closing of several smaller facilities. We incurred one-time restructuring costs of approximately \$23.2 million (approximately \$16.0 million after taxes), consisting of employee severance pay and benefits, facility closing costs, representing primarily lease termination and asset write-off costs, and outside professional and consulting fees directly related to the restructuring plan.
- (3) On August 13, 2007, we sold substantially all of the assets of our oncology pharmaceutical business, previously reported as part of our healthcare distribution reportable segment. The aggregate sales price was \$5.9 million, which was received during the third and fourth quarters of 2007. As a result of this sale, included in the operating results from discontinued operations for 2007 is a \$1.5 million (\$0.9 million after-tax) loss on the sale. In the second quarter of 2007, we recorded an impairment charge to our long-lived assets of approximately \$9.7 million, net of tax, or \$(0.11) per diluted share in 2007.
- (4) On December 1, 2007, we sold substantially all of the assets of our specialty pharmacy business, previously reported as part of our healthcare distribution reportable segment. The aggregate sales price was \$8.4 million, which was received during the fourth quarter of 2007. As a result of this sale, included in the operating results from discontinued operations for 2007 is a \$2.6 million (\$1.6 million after-tax) gain on the sale. In the second quarter of 2007, we recorded an impairment charge to our long-lived assets of approximately \$10.9 million, net of tax, or \$(0.12) per diluted share in 2007.

We experience fluctuations in quarterly earnings. As a result, we may fail to meet or exceed the expectations of securities analysts and investors, which could cause our stock price to decline.

Our business has been subject to seasonal and other quarterly fluctuations. Net sales and operating profits generally have been higher in the third and fourth quarters due to the timing of sales of software, equipment and seasonal products (including influenza vaccine, equipment and software products), purchasing patterns of office-based healthcare practitioners and year-end promotions. Net sales and operating profits generally have been lower in the first quarter, primarily due to increased sales in the prior two quarters. Quarterly results may also be adversely affected by a variety of other factors, including:

- costs of developing new applications and services;
- costs related to acquisitions and/or integrations of technologies or businesses;
- the timing and amount of sales and marketing expenditures;
- loss of sales representatives;

HENRY SCHEIN, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
(In thousands, except share and per share data)

Note 17 – Quarterly Information (Unaudited) – (Continued)

- general economic conditions, as well as those specific to the healthcare industry and related industries;
- the timing of the release of upgrades and enhancements to our technology-related products and services;
- our success in establishing or maintaining business relationships;
- restructuring charges;
- changes in accounting principles;
- unexpected difficulties in developing and manufacturing products;
- product availability or recalls by manufacturers;
- exposure to product liability and other claims in the event that the use of the products we sell results in injury; and
- increases in the cost of shipping or service issues with our third party shippers.

Any change in one or more of these or other factors could cause our annual or quarterly operating results to fluctuate. If our operating results do not meet or exceed market expectations, our stock price may decline.

ITEM 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report as such term is defined in Rules 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of December 27, 2008 to ensure that all material information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to them as appropriate to allow timely decisions regarding required disclosure and that all such information is recorded, processed, summarized and reported as specified in the SEC's rules and forms.

Changes in Internal Control over Financial Reporting

The combination of acquisitions, acquisition integrations and systems implementations completed throughout the year, when considered in aggregate, represent a material change in our internal control over financial reporting.

During the quarter ended December 27, 2008 we closed a number of acquisitions in the United States and internationally with approximate aggregate annual revenues of \$283.0 million, each utilizing separate information and financial accounting systems, and these acquisitions have been included in our consolidated financial statements (see Note 7 in the accompanying annual consolidated financial statements for further discussion). In addition, during the quarter we also closed a number of acquisitions that have been integrated into existing Enterprise Resource Planning ("ERP") systems in the United States with approximate aggregate annual revenues of \$19.0 million and that are covered by our existing system of internal control over financial reporting.

During the year ended December 27, 2008 acquisition integrations completed in previous quarters included an ERP integration for our UK businesses as well as an ERP integration for our business in Italy, with approximate aggregate annual revenue of approximately \$472.0 million. Also, a number of smaller acquisitions were closed during previous quarters in the United States and internationally with approximate aggregate annual revenues of \$13.0 million. Finally, we completed an inventory system enhancement in North America to automate accounting processing with aggregate approximate annual revenues of \$37.0 million and an implementation of a new corporate treasury system with managed assets of approximately \$295.2 million.

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

Other than the acquisitions, acquisition integrations and system implementations discussed above, there have been no other changes in our internal control over financial reporting that occurred during the quarter ended December 27, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Framework. Based on our evaluation under the COSO Framework, our management concluded that our internal control over financial reporting was effective at a reasonable assurance level as of December 27, 2008.

The effectiveness of our internal control over financial reporting as of December 27, 2008 has been independently audited by BDO Seidman, LLP, an independent registered public accounting firm, and their attestation is included herein.

Limitations of the Effectiveness of Internal Control

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

Report of Independent Registered Public Accounting Firm

Board of Directors
Henry Schein, Inc.
Melville, New York

We have audited Henry Schein, Inc.'s internal control over financial reporting as of December 27, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Henry Schein, 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 Item 9A, "Management's Report on Internal Control Over Financial Reporting." 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, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included 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, Henry Schein, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 27, 2008, 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 Henry Schein, Inc. as of December 27, 2008 and December 29, 2007, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 27, 2008 and our report dated February 23, 2009 expressed an unqualified opinion thereon.

/s/ BDO Seidman, LLP

New York, New York
February 23, 2009

ITEM 9B. Other Information.

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information required by this item regarding our directors and executive officers and our corporate governance is hereby incorporated by reference to the Section entitled “Election of Directors”, with respect to directors, and the first paragraph of the Section entitled “Corporate Governance - Board of Directors Meetings and Committees - Audit Committee”, with respect to corporate governance, in each case in our definitive 2009 Proxy Statement to be filed pursuant to Regulation 14A and to the Section entitled “Executive Officers of the Registrant” in Part I of this report, with respect to executive officers.

There have been no changes to the procedures by which stockholders may recommend nominees to our Board of Directors since our last disclosure of such procedures, which appeared in our definitive 2008 Proxy Statement filed pursuant to Regulation 14A on April 4, 2008.

Information required by this item concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 is hereby incorporated by reference to the Section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive 2009 Proxy Statement.

We have adopted a Code of Business Conduct and Ethics that applies to our Chief Executive Officer, Chief Financial Officer and Vice President of Corporate Finance. We make available free of charge through our Internet Web site, www.henryschein.com, under the “Corporate Information—Corporate Governance” caption, our Code of Business Conduct and Ethics. We intend to disclose on our Web site any amendment to, or waiver of, a provision of the Code of Business Conduct and Ethics that applies to our Chief Executive Officer, Chief Financial Officer or Vice President of Corporate Finance.

ITEM 11. Executive Compensation

The information required by this item is hereby incorporated by reference to the Section entitled “Compensation Discussion and Analysis”, “Compensation Committee Report” (which information shall be deemed furnished in this Annual Report on Form 10-K), “Executive and Director Compensation” and “Compensation Committee Interlocks and Insider Participation” in our definitive 2009 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

We maintain several stock incentive plans for the benefit of certain officers, directors and employees. Certain plans are subject to stockholder approval, while other plans have been authorized solely by the Board of Directors. Descriptions of these plans appear in the notes to our consolidated financial statements. The following table summarizes information relating to these plans as of December 27, 2008:

	<u>Number of Common Shares to be Issued Upon Exercise of Outstanding Options and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options</u>	<u>Number of Common Shares Available for Future Issuances</u>
Plans Approved by Stockholders	6,741,828	\$ 39.99	4,253,745
Plans Not Approved by Stockholders	50,000	20.41	-
Total	<u>6,791,828</u>	<u>\$ 39.85</u>	<u>4,253,745</u>

The other information required by this item is hereby incorporated by reference to the Section entitled "Security Ownership of Certain Beneficial Owners and Management" in our definitive 2009 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is hereby incorporated by reference to the Section entitled "Certain Relationships and Related Transactions" and "Corporate Governance – Board of Directors Meetings and Committees – Independent Directors" in our definitive 2009 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 14. Principal Accountant Fees and Services

The information required by this item is hereby incorporated by reference to the Section entitled "Independent Registered Public Accounting Firm Fees and Pre-Approval Policies and Procedures" in our definitive 2009 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 15. Exhibits and Financial Statement Schedules

1. Financial Statements:
Our Consolidated Financial Statements filed as a part of this report are listed on the index on page 48.
2. Financial Statement Schedules:
Schedule II
No other schedules are required.
3. Exhibits:
The exhibits required by Item 601 of Regulation S-K and filed herewith are listed in the Exhibit List immediately preceding the exhibits.

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.

Henry Schein, Inc.

By: /s/ STANLEY M. BERGMAN
Stanley M. Bergman
Chairman and Chief Executive Officer
February 24, 2009

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.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ STANLEY M. BERGMAN</u> Stanley M. Bergman	Chairman, Chief Executive Officer and Director (principal executive officer)	February 24, 2009
<u>/s/ STEVEN PALADINO</u> Steven Paladino	Executive Vice President, Chief Financial Officer and Director (principal financial and accounting officer)	February 24, 2009
<u>/s/ JAMES P. BRESLAWSKI</u> James P. Breslawski	Director	February 24, 2009
<u>/s/ GERALD A. BENJAMIN</u> Gerald A. Benjamin	Director	February 24, 2009
<u>/s/ MARK E. MLOTEK</u> Mark E. Mlotek	Director	February 24, 2009
<u>/s/ BARRY J. ALPERIN</u> Barry J. Alperin	Director	February 24, 2009
<u>/s/ PAUL BRONS</u> Paul Brons	Director	February 24, 2009
<u>/s/ MARGARET A. HAMBURG, MD</u> Margaret A. Hamburg, MD	Director	February 24, 2009
<u>/s/ DONALD J. KABAT</u> Donald J. Kabat	Director	February 24, 2009
<u>/s/ PHILIP A. LASKAWY</u> Philip A. Laskawy	Director	February 24, 2009
<u>/s/ NORMAN S. MATTHEWS</u> Norman S. Matthews	Director	February 24, 2009
<u>/s/ KARYN MASHIMA</u> Karyn Mashima	Director	February 24, 2009
<u>/s/ LOUIS W. SULLIVAN, MD</u> Louis W. Sullivan, MD	Director	February 24, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Henry Schein, Inc.
Melville, New York

The audits referred to in our report dated February 23, 2009 relating to the consolidated financial statements of Henry Schein, Inc. which is contained in Item 8 of this Form 10-K included the audits of the financial statement schedule listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based upon our audits.

In our opinion such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ BDO SEIDMAN, LLP

New York, New York
February 23, 2009

Schedule II
Valuation and Qualifying Accounts

<u>Description</u>	<u>Balance at beginning of period</u>	<u>Additions</u>		<u>Deductions</u>	<u>Balance at end of period</u>
		<u>Charged to statement of income</u>	<u>Charged to other accounts (1)</u>		
Year ended December 27, 2008:					
Allowance for doubtful accounts,					
sales returns and other	\$ 41,315	\$ 6,255	\$ 1,959	\$ (6,674)	\$ 42,855
Year ended December 29, 2007:					
Allowance for doubtful accounts,					
sales returns and other	40,536	1,384	2,600	(3,205)	41,315
Year ended December 30, 2006:					
Allowance for doubtful accounts,					
sales returns and other	52,308	2,872	3,157	(17,801) (2)	40,536

(1) Relates to allowances arising from business acquisitions.

(2) Relates primarily to divestiture of our Hospital Supply Business and write-off of fully reserved accounts receivable.

Exhibits

- 3.1 Amended and Restated Certificate of Incorporation. (Incorporated by reference to Exhibit 3.1 to our Annual Report on Form 10-K for the fiscal year ended December 30, 2006).
- 3.2 Amendment dated November 13, 1997 to Amended and Restated Certificate of Incorporation. (Incorporated by reference to Exhibit 3.2 to our Annual Report on Form 10-K for the fiscal year ended December 30, 2006).
- 3.3 Amendment dated June 19, 1998 to Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.3 to our Registration Statement on Form S-3, Reg. No. 333-59793).
- 3.4 Amendment dated May 25, 2005 to Amended and Restated Certificate of Incorporation (Incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2005).
- 3.5 Amended and Restated By-Laws (Incorporated by reference to Exhibit 3.2 to our Registration Statement on Form S-1, Reg. No. 33-96528).
- 3.6 Amendments to Amended and Restated By-Laws adopted May 22, 1997 (Incorporated by reference to Exhibit 3.3 to our Registration Statement on Form S-4, Reg. No. 33-36081).
- 4.1 Indenture by and between us and The Bank of New York, as trustee, dated as of August 9, 2004, including form of Note (Incorporated by reference to Exhibit 4.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 25, 2004).
- 4.2 Registration Rights Agreement dated as of August 9, 2004 among us, Lehman Brothers, Inc. and J.P. Morgan Securities Inc. as Initial Purchasers (Incorporated by reference to Exhibit 4.3 to our Quarterly Report of Form 10-Q for the fiscal quarter ended September 25, 2004).
- 10.1 Henry Schein, Inc. 1994 Stock Incentive Plan, as amended and restated effective as of March 27, 2007 (Incorporated by reference from our definitive 2004 Proxy Statement on Schedule 14A filed on April 10, 2007).**
- 10.2 Amendment No. One to the Henry Schein, Inc. 1994 Stock Incentive Plan, effective as of January 1, 2005. **+
- 10.3 Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2008.**+
- 10.4 Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan, as amended by Amendment No. One, effective as of May 25, 2004 (Incorporated by reference from our definitive 2004 Proxy Statement on Schedule 14A filed on April 27, 2004).**
- 10.5 Amendment No. Two to the Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan, effective as of January 1, 2005.**+
- 10.6 2001 Henry Schein, Inc. Section 162(m) Cash Bonus Plan effective as of June 6, 2001. (Incorporated by reference from our definitive 2001 Proxy Statement on Schedule 14A, filed on April 30, 2001).**

Exhibits

- 10.7 Amendment No. One to 2001 Henry Schein, Inc. Section 162(m) Cash Bonus Plan, effective as of May 24, 2005. (Incorporated by reference from our definitive 2005 Proxy Statement on Schedule 14A, filed on April 22, 2005).**
- 10.8 Amendment No. Two to 2001 Henry Schein, Inc. Section 162(m) Cash Bonus Plan, effective as of January 1, 2007.**+
- 10.9 Henry Schein, Inc. 2001 Non-Employee Director Stock Option Plan (Incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2002).**
- 10.10 Henry Schein, Inc. 2004 Employee Stock Purchase Plan, effective as of May 25, 2004 (Incorporated by reference from our definitive 2004 Proxy Statement on Schedule 14A, filed on April 27, 2004).**
- 10.11 Henry Schein, Inc. Non-Employee Director Deferred Compensation Plan, amended and restated effective as of January 1, 2005.**+
- 10.12 Henry Schein Management Team Performance Incentive Plan and Plan Summary. (Incorporated by reference to Exhibit 10.8 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2007).**
- 10.13 Amended and Restated Employment Agreement dated as of December 31, 2008 between us and Stanley M. Bergman.**+
- 10.14 Amended and Restated Letter Agreement dated December 11, 2008 between us and Stanley Komaroff.**+
- 10.15 Form of Amended and Restated Change in Control Agreements dated December 12, 2008 between us and Gerald Benjamin, James Breslawski, Leonard David, Stanley Komaroff, Mark Mlotek, Steven Paladino, Michael Racioppi and Michael Zack, respectively.**+
- 10.16 Form of Note Purchase Agreements between us and the Purchasers listed on Schedule A thereto relating to an aggregate of \$100,000,000 in principal amount of our 6.7% senior notes due July 15, 2010 (Incorporated by reference to Exhibit 10.111 to our Quarterly Report on Form 10-Q for the quarter ended September 26, 1998).
- 10.17 Form of the Note Purchase Agreements between us and the Purchasers listed on Schedule A thereto relating to an aggregate of \$130,000,000 in principal amount of our 6.9% senior notes due June 30, 2009 (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the quarter ended June 26, 1999).
- 10.18 Credit Agreement among us, the several lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent and HSBC Bank USA, N.A., The Bank of New York Mellon, and UniCredit Markets and Investment Banking, acting through Bayerische Hypo- und Vereinsbank AG, New York Branch, as co-syndication agents, dated as of September 5, 2008 (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2008).

Exhibits

- 10.19 Distribution Agreement, dated as of December 2, 2004, by and between us and ID Biomedical Corporation. (Incorporated by reference to Exhibit 10.31 to our Annual Report on form 10-K for the year ended December 25, 2004).*
- 10.20 Amendment dated October 2, 2006 to Distribution Agreement, dated as of December 2, 2004, by and between us and ID Biomedical Corporation.*+
- 10.21 Second Amendment dated October 5, 2006 to Distribution Agreement, dated as of December 2, 2004, by and between us and ID Biomedical Corporation.+
- 10.22 Amendment dated December 20, 2007 to Distribution Agreement, dated as of December 2, 2004, by and between us and ID Biomedical Corporation.+
- 10.23 Amendment dated October 15, 2008 to Distribution Agreement, dated as of December 2, 2004, by and between us and ID Biomedical Corporation.* +
- 21.1 List of our Subsidiaries.+
- 23.1 Consent of BDO Seidman, LLP. +
- 31.1 Certification of our Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. +
- 31.2 Certification of our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. +
- 32.1 Certification of our Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. +

+ Filed herewith

* Pursuant to a request for confidential treatment, portions of this Exhibit have been redacted from the publicly filed document and have been furnished separately to the Securities and Exchange Commission as required by Rule 24b-2 under the Securities Exchange Act of 1934, as amended.

** Indicates management contract or compensatory plan or agreement

All documents incorporated by reference as an exhibit to this Report are incorporated by reference to file number reference 0-27078, unless otherwise indicated.

**AMENDMENT NUMBER ONE
TO THE
HENRY SCHEIN, INC.
1994 STOCK INCENTIVE PLAN**

WHEREAS, Henry Schein, Inc. (the "Company") maintains the Henry Schein, Inc. 1994 Stock Incentive Plan, amended and restated effective as of March 27, 2007 (the "Plan");

WHEREAS, pursuant to Section 13 of the Plan, the Company has reserved the right to amend the Plan;

WHEREAS, the Company desires to amend the Plan to comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder; and

WHEREAS, pursuant to Section 13 of the Plan, approval by the Company's stockholders is not required with respect to these amendments.

NOW, THEREFORE, the Plan is hereby amended effective as of January 1, 2005 as follows:

1. Section 7(a)(i) of the Plan is amended in its entirety to read as follows:

"(i) In the event of the Participant's death, such Options shall remain exercisable (by the Participant's estate or by the person given authority to exercise such Options by the Participant's will or by operation of law) for a period of one (1) year from the date of the Participant's death, provided that the Committee, in its discretion, may at any time extend such time period for up to three (3) years from the date of the Participant's death, but in no event beyond the expiration of the stated term of such Options."

2. Section 7(a)(ii) of the Plan is amended in its entirety to read as follows:

"(ii) In the event the Participant retires at or after age 65 (or, with the consent of the Committee or under an early retirement policy of the Company, before age 65), or if the Participant's employment or Consultancy terminates due to Disability, such Options shall remain

exercisable for one (1) year from the date of the Participant's Termination of Employment or Termination of Consultancy, provided that the Committee, in its discretion, may at any time extend such time period for up to three (3) years from the date of the Participant's Termination of Employment or Termination of Consultancy, but in no event beyond the expiration of the stated term of such Options."

3. Section 7(c) of the Plan is amended in its entirety to read as follows:

"(c) *Other Termination*. In the event of Termination of Employment or Termination of Consultancy for any reason other than as provided in Section 7(a) or in 7(b), all outstanding Options not exercised by the Participant prior to such Termination of Employment or Termination of Consultancy shall remain exercisable (to the extent exercisable by such Participant immediately before such termination) for a period of three (3) months after such termination, provided that the Committee in its discretion may extend such time period to up to one (1) year from the date of the Participant's Termination of Employment or Termination of Consultancy, but in no event beyond the expiration of the stated term of such Options, and provided further that unless otherwise determined by the Committee at grant, no Options that were not exercisable during the period of employment shall thereafter become exercisable."

4. Section 8(a) of the Plan is amended in its entirety to read as follows:

"(a) *Tandem Stock Appreciation Rights*. Stock Appreciation Rights may be granted to any Participant in conjunction with all or part of any Option (a "Reference Stock Option") granted under this Plan ("Tandem Stock Appreciation Rights"), provided that such rights may be granted only at the time of the grant of such Reference Stock Option."

5. Section 16(i) of the Plan is amended in its entirety to read as follows:

"(i) *Section 409A of the Code*. To the extent applicable, the Plan is intended to comply with, or be exempt from, the applicable requirements of Code Section 409A and shall be limited, construed and interpreted in accordance with such intent. In the event that any arrangement provided for under the Plan constitutes a nonqualified deferred compensation arrangement under Code Section 409A, it is intended that such arrangement be designed in a manner that complies with Code Section 409A. Any amounts deferred hereunder that are subject to Code Section 409A and payable to a 'specified employee' (within the meaning of such term under Code Section 409A and determined using any identification methodology and procedure selected by the Company from time to time, or, if none, the default methodology and procedure specified under Code Section 409A), except in the event of death, shall be delayed in accordance with the requirements of Code Section 409A until the day immediately following the six month anniversary of such employee's "separation of service" within the meaning of Code Section 409A (and the

guidance issued thereunder). A termination of employment shall not be deemed to have occurred for purposes of any provision of the Plan providing for the payment of any amounts or benefits, which are subject to Code Section 409A, upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A (and the guidance issued thereunder) and, for purposes of any such provision of the Plan, references to a "resignation," "termination," "termination of employment," "retirement" or like terms shall mean separation from service. Notwithstanding the foregoing, the Company does not guarantee, and nothing in the Plan is intended to provide a guarantee of, any particular tax treatment with respect to payments or benefits under the Plan, and the Company shall not be responsible for compliance with, or exemption from, Code Section 409A and the guidance issued thereunder."

IN WITNESS WHEREOF, this amendment has been executed December 12, 2008.

HENRY SCHEIN, INC.

By: /s/ Michael S. Ettinger
Title: Senior Vice President

HENRY SCHEIN, INC.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
AMENDED AND RESTATED EFFECTIVE AS OF JANUARY 1, 2008

This Plan was originally established, effective as of January 1, 1994, and was amended and restated effective as of February 9, 1998 and March 1, 2005, to provide deferred compensation to a select group of management and highly compensated employees of Henry Schein, Inc. and certain Associated Companies (as defined herein). This Plan was previously amended and restated effective as of January 1, 2008 is now being amended and restated for the second time effective as of January 1, 2008 as set forth herein.

1. **Definitions.** For purposes of this Plan, the following definitions apply:

(a) **“Account”** means the sum of the Participant’s Deferral Account and the Legacy Account.

(b) **“Associated Company”** means such corporations and other entities presently or in the future existing, which are (a) members of the controlled group which includes the Company or are under common control with the Company, as such terms are defined in Section 414 of the Code, but only during such period as such corporations or entities are members of the controlled group which includes the Company or are under common control with the Company; and (b) any other entity required to be aggregated with the Company pursuant to Section 414(m) or (o) of the Code, but only during the period the entity is required to be so aggregated. Notwithstanding the foregoing, with respect to the Legacy Account (formerly known as the ESOP Supplemental Account), Associated Company means any entity described above and any corporation which is a member of the same controlled group of corporations with the Company, as defined in Section 409(l)(4) of the Code.

(c) **“Base Compensation”** means the salary paid during a Plan Year (or, if shorter, that portion of this Plan Year during which an individual is a Participant) by an Employer to a Participant for services rendered, excluding commissions, bonuses, overtime, shift differential payments, unused sick/personal days or vacation days and gratuities; *provided, however*, that Base Compensation with respect to a Participant who is a “field sales representative” shall mean the Participant’s draw during a Plan Year (or, if shorter, that portion of this Plan Year during which an individual is a Participant) by an Employer to a Participant for services rendered. Base Compensation shall exclude the profit realized on the exercise of stock options or on the sale of stock acquired under stock options, gains from the exercise of stock appreciation rights, payments under a nonqualified deferred compensation plan, income imputed on below market loans, financial or tax planning, housing allowances, schooling allowances, income or excise tax equalization, and income from cashing out of stock options or stock appreciation rights, imputed income from the use of a company automobile, amounts received under an employee award program (without regard to whether or not an amount is paid in cash), moving expenses and relocation allowances. Base Compensation shall not include any amounts paid or accrued to a Participant as severance pay, or as a contribution to this Plan or any other profit-sharing plan, pension plan, welfare plan, group insurance plan, deferred compensation plan or any other

employee benefit plan maintained by the Employer, except that Base Compensation shall include salary reduction contributions to a plan established by the Employer under Code Sections 401(k), 125 or 132.

- (d) **“Beneficiary”** means the person or persons (if any) specified by the Participant in a written election filed with the Committee to receive his or her Benefit under this Plan in the event of the Participant’s death. If no such designation is made under this Plan, “Beneficiary” means the person or persons designated by a Participant under the Qualified Plan.
- (e) **“Benefit”** means the benefit payable under this Plan, which shall be payable in a single lump sum cash payment.
- (f) **“Board”** means the Board of Directors of the Company.
- (g) **“Change of Control”** means a change of control as provided in Exhibit A hereto.
- (h) **“Code”** means the Internal Revenue Code of 1986, as amended.
- (i) **“Committee”** means the committee, if any, appointed by the Board to administer this Plan on its behalf. If no committee is appointed, the Board shall be deemed to be the Committee.
- (j) **“Company”** means Henry Schein, Inc. and any successor by merger, consolidation, purchase or otherwise.
- (k) **“Company Stock Fund”** means a notional investment which is intended to provide substantially similar results to the earnings and losses that would be accrued by an investment in the common stock of the Company, \$.01 par value, subject to adjustments in such common stock for changes in the Company’s capital structure as determined by the Committee in its sole discretion.
- (l) **“Deferral Account”** means the Participant’s bookkeeping account that is credited with contributions by the Employer pursuant to the terms hereof, and is adjusted for any Deferral Account Earnings thereon.
- (m) **“Deferral Account Earnings”** means, for any Plan Year, a book-entry amount to be credited as earnings or losses to a Participant’s Deferral Account equal to the earnings or losses that would accrue if:
 - (i) forty percent (40%) of the Participant’s Deferral Account were invested in the Company Stock Fund; and
 - (ii) sixty percent (60%) of the Participant’s Deferral Account were invested ratably in each of the Investment Funds.
- (n) **“Disabled”** means that a Participant is disabled within the meaning of Code Section 409A(a)(2)(C) and the guidance issued thereunder.

(o) **“Earnings”** means, for any Plan Year, the sum of the book-entry amounts reflecting: (i) Deferral Account Earnings, and (ii) Legacy Account Earnings, provided that any Earnings credited prior to the Restatement Date shall be determined in accordance with the terms of this Plan then in effect.

(p) **“Eligible Employee”** means a Top Hat Employee of an Employer whose Base Compensation exceeds Recognized Compensation.

(q) **“Employee”** means any common law employee of an Employer. The term Employee excludes an agent and independent contractor.

(r) **“Employer”** means the Company and any Associated Company which is approved as a participating employer hereunder by the Board.

(s) **“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended.

(t) **“ESOP Supplemental Account”** means the portion of the Participant’s account under this Plan prior to the Restatement Date with respect to contributions of Company common stock by the Employer that were specifically allocated to the ESOP Supplemental Account under this Plan as in effect prior to April 1, 1998, plus any earnings and losses on such contributions.

(u) **“Forfeiture”** means in the event a Participant incurs a Termination of Employment, any portion of the Participant’s Account to which the Participant is not then vested pursuant to Sections 4(a) or (b) hereof shall be forfeited.

(v) **“Investment Funds”** means each of the investment funds available for notional investments under this Plan other than the Company Stock Fund, as determined by the Committee in its sole discretion.

(w) **“Legacy Account”** means, in the aggregate, each of the Participant’s accounts formerly known as the ESOP Supplemental Account, the Matching Contribution Supplemental Account and the Profit Sharing Supplemental Account that were credited with book-entry amounts reflecting contributions made to this Plan prior to the Restatement Date, as adjusted for any Legacy Account Earnings thereon.

(x) **“Legacy Account Earnings”** means, for any Plan Year, a book-entry amount to be credited as earnings or losses to a Participant’s Legacy Account equal to the earnings and losses that would be accrued by the Participant’s Legacy Account if the Participant’s Legacy Account were invested as follows:

- (i) With respect to the ESOP Supplemental Account, the earnings and losses that would accrue if the Participant’s ESOP Supplemental Account were invested in the Company Stock Fund.
- (ii) With respect to the Matching Contribution Supplemental Account, the earnings or losses that would accrue if (A) forty percent (40%) of the Participant’s Matching Contribution Supplemental Account were invested

in the Company Stock Fund; and (B) sixty percent (60%) of the Participant's Matching Contribution Supplemental Account were invested ratably in each of the Investment Funds.

(iii) With respect to the Profit Sharing Supplemental Account, the earnings or losses that would accrue if the Participant's Profit Sharing Supplemental Account were invested ratably in each of the Investment Funds.

(y) **"Matching Contribution Supplemental Account"** means the portion of the Participant's account under this Plan prior to the Restatement Date with respect to matching contributions by the Employer, plus any earnings and losses on such contributions.

(z) **"Normal Retirement Date"** means the day on which a Participant attains age sixty-five (65) while employed by the Employer.

(aa) **"Participant"** means any Eligible Employee who shall have become a Participant in this Plan in accordance with the provisions of Section 2 hereof, and whose participation shall not have ceased or whose Account has not been distributed.

(bb) **"Plan"** means the Henry Schein, Inc. Supplemental Executive Retirement Plan, as amended from time to time.

(cc) **"Plan Year"** means the calendar year.

(dd) **"Profit Sharing Supplemental Account"** means the portion of the Participant's account under this Plan prior to the Restatement Date with respect to profit sharing contributions by the Employer, plus any earnings and losses on such contributions.

(ee) **"Qualified Plan"** means the Henry Schein, Inc. 401(k) Savings Plan, as amended and restated effective as of January 1, 1997, as amended from time to time.

(ff) **"Recognized Compensation"** means the dollar limitation pursuant to Section 402(g) of the Code for this Plan Year divided by seven percent (7%), or such other percentage determined by the Committee in its sole discretion.

(gg) **"Restatement Date"** means January 1, 2008.

(hh) **"Specified Employee"** means a Participant who is a "specified employee" within the meaning of such term under Section 409A of the Code (and the guidance issued thereunder) and determined using any identification methodology and procedure selected by the Company from time to time, or, if none, the default methodology and procedure specified under Section 409A of the Code.

(ii) **"Termination of Employment"** means termination of employment as an Employee of the Company and all Associated Companies for any reason whatsoever, including, but not limited to, death, retirement, resignation or firing (with or without cause), provided that such termination of employment constitutes a "separation from service" within the meaning of Section 409A of the Code (and the guidance issued thereunder).

(jj) **“Top Hat Employee”** means an Employee who is a member of a select group of management or highly compensated employees of the Employer who may participate in a plan within the meaning of Sections 201, 301(a)(3), and 401(a)(1) of ERISA.

(kk) **“Year of Service”** means a period of twelve (12) consecutive calendar months during which an Employee completes at least one Hour of Service (as defined in the Qualified Plan) in each consecutive calendar month.

To the extent not inconsistent with the foregoing definitions and the terms hereof, any defined term used in this Plan shall have the same meaning as in the Qualified Plan.

2. **Participation.**

(a) An Eligible Employee shall become a Participant in this Plan on the first day of the calendar quarter following the Participant’s completion of a Year of Service, provided that he or she is an Eligible Employee on such date.

(b) An Employee shall cease to be an active Participant hereunder once he ceases to be an Eligible Employee. A Participant who ceases to be an Eligible Employee, but whose Account has not been distributed, shall be treated as a “frozen Participant” and shall not be eligible to receive further book-entry contributions to his or her Deferral Account. A “frozen Participant’s” Account shall continue to be adjusted for Earnings under Section 3 until such Account is distributed in accordance with Section 5.

(c) A “frozen Participant” who is reemployed as an Eligible Employee and whose reparticipation is approved by the Committee shall become an active Participant as of the date of his or her reemployment.

3. **Contributions and Earnings.**

(a) The Employer shall make a book-entry contribution to the Deferral Account of each Participant, equal to (i) the amount by which the Participant’s Base Compensation exceeds Recognized Compensation multiplied by (ii) seven percent (7%), or such other percentage determined by the Committee in its sole discretion; provided that such other contribution percentage shall be established prior to the first day of the applicable Plan Year. A Participant’s Account shall be credited on September 30th immediately following the Plan Year with respect to which the contribution is earned (or at least annually as of any date determined by the Committee in its sole discretion). No contribution will be made for any Participant unless the Participant is employed by the Employer on the date such amount is to be credited. Notwithstanding the foregoing, a Participant’s Deferral Account shall be credited with a contribution with respect to the Plan Year of the Participant’s retirement at or after the Normal Retirement Date, death or Disability.

(b) A Participant’s Account shall be adjusted for Earnings as of December 31 of each calendar year or at least annually as of any date determined by the Committee in its sole discretion; provided that if the Participant’s death, Termination of Employment or a Change in

Control has occurred in a calendar year, the adjustment for such calendar year will occur as of the date of death, Termination of Employment or Change in Control.

(c) Notwithstanding anything herein to the contrary, the Employer shall account for the portion of a Participant's Benefit that was earned and vested as of December 31, 2004 and Earnings thereon separately from the remaining portion of a Participant's Benefit.

4. **Vesting and Forfeitures.**

(a) The portion of a Participant's Account attributable to contributions made prior to January 1, 2005, with regard to a Participant who is credited with an Hour of Service (as defined in the Qualified Plan) prior to February 9, 1998, shall become vested and nonforfeitable when and to the extent that the Participant shall have completed the number of Years of Service set forth below.

Vesting Schedule

<u>Completed Years of Service</u>	<u>Vested Percentage</u>
Less than 1 year	0%
1 year but less than 2 years	10%
2 years but less than 3 years	20%
3 years but less than 4 years	30%
4 years but less than 5 years	40%
5 or more years	100%

The portion of a Participant's Account attributable to contributions made prior to January 1, 2005, with regard to a Participant who is first credited with an Hour of Service (as defined in the Qualified Plan) on or after February 9, 1998, shall become vested and nonforfeitable when and to the extent that the Participant shall have completed the number of Years of Service set forth below.

Vesting Schedule

<u>Completed Years of Service</u>	<u>Vested Percentage</u>
Less than 4 years	0%
4 years	30%
5 years	100%

The portion of a Participant's Account attributable to contributions made on or after January 1, 2005, shall become vested and nonforfeitable when and to the extent that the Participant shall have completed the number of Years of Service set forth below.

<u>Completed Years of Service</u>	<u>Vested Percentage</u>
Less than 1 year	0%
1 year but less than 2 years	0%
2 years but less than 3 years	20%
3 years but less than 4 years	40%
4 years but less than 5 years	60%
5 or more years	100%

(b) Notwithstanding the provisions of paragraph (a) to the contrary, a Participant's Account shall become fully vested and non-forfeitable on the occurrence of any of the following: (i) the Participant's Normal Retirement Date, (ii) the Participant's death or Disability or (iii) a Change of Control.

(c) A Participant shall forfeit his or her unvested interest in the Account upon a Termination of Employment.

(d) If a Participant whose Account was forfeited in its entirety pursuant to subsection (c) above again becomes employed by the Company or an Associated Company, the amount of the Participant's Forfeiture shall only be restored to his or her Account to the extent determined by the Committee, and any credit for Years of Service prior to such reemployment shall be fixed by the Committee and, if not so fixed, shall not be recognized.

5. **Payment of Benefit.**

(a) In the event of a Participant's Termination of Employment, the Participant's vested Benefit shall be paid in two installments as follows:

- (i) The first such installment shall be paid on the day immediately following the six-month anniversary of the date of Termination of Employment. The amount of the first installment shall be equal to the Participant's vested Benefit as of his Termination of Employment.
- (ii) The second such installment shall be paid in the calendar year immediately following the date of Termination of Employment. The amount of the second installment shall be equal to any contributions and Earnings credited to the Participant's Account after the date of Termination of Employment, including any Earnings with respect to a prior distribution.

(b) Notwithstanding anything to the contrary, in the event of a Change of Control, each Participant's then vested Benefit shall be paid to such Participant in a lump sum cash payment within thirty (30) days following the Change of Control.

6. **Claims Procedure.**

(a) Any claim by a Participant or former Participant or Beneficiary (“Claimant”) with respect to eligibility, participation, contributions, benefits or other aspects of the operation of this Plan shall be made in writing to the Committee for such purpose. The Committee shall provide the Claimant with the necessary forms and make all determinations as to the right of any person to a disputed benefit. If a Claimant is denied benefits under this Plan, the Committee shall notify the Claimant in writing of the denial of the claim within ninety (90) days after the Committee receives the claim, provided that in the event of special circumstances such period may be extended. The ninety (90) day period may be extended up to ninety (90) days (for a total of one hundred eighty (180) days).

If the initial ninety (90) day period is extended, the Committee shall notify the Claimant in writing within ninety (90) days of receipt of the claim. The written notice of extension shall indicate the special circumstances requiring the extension of time and provide the date by which the Committee expects to make a determination with respect to the claim. If the extension is required due to the Claimant’s failure to submit information necessary to decide the claim, the period for making the determination will be tolled from the date on which the extension notice is sent to the Claimant until the earlier of: (i) the date on which the Claimant responds to the Committee’s request for information; or (ii) expiration of the forty-five (45) day period commencing on the date that the Claimant is notified that the requested additional information must be provided. If notice of the denial of a claim is not furnished within the required time period described herein, the claim shall be deemed denied as of the last day of such period.

If the claim is wholly or partially denied, the notice to the Claimant shall set forth:

- (i) The specific reason or reasons for the denial;
- (ii) Specific reference to pertinent Plan provisions upon which the denial is based;
- (iii) A description of any additional material or information necessary for the Claimant to complete the claim request and an explanation of why such material or information is necessary;
- (iv) Appropriate information as to the steps to be taken and the applicable time limits if the Claimant wishes to submit the adverse determination for review; and
- (v) A statement of the Claimant’s right to bring a civil action under Section 502(a) of ERISA following an adverse determination on review.

(b) If the claim has been wholly or partially denied, the Claimant may submit the claim for review by the Committee. Any request for review of a claim must be made in writing to the Committee no later than sixty (60) days after the Claimant receives notification of denial or, if no notification was provided, the date the claim is deemed denied. The Claimant or his duly authorized representative may:

- (i) Upon request and free of charge, be provided with reasonable access to, and copies of, relevant documents, records, and other information relevant to the Claimant's claim; and
- (ii) Submit written comments, documents, records, and other information relating to the claim. The review of the claim determination shall take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial claim determination.

(c) The decision of the Committee shall be made within sixty (60) days after receipt of the Claimant's request for review, unless special circumstances (including, without limitation, the need to hold a hearing) require an extension. In the event of special circumstances, the sixty (60) day period may be extended for a period of up to one hundred twenty (120) days.

If the initial sixty (60) day period is extended, the Committee shall, within sixty (60) days of receipt of the claim for review, notify the Claimant in writing. The written notice of extension shall indicate the special circumstances requiring the extension of time and provide the date by which the Committee expects to make a determination with respect to the claim upon review. If the extension is required due to the Claimant's failure to submit information necessary to decide the claim, the period for making the determination will be tolled from the date on which the extension notice is sent to the Claimant until the earlier of: (i) the date on which the Claimant responds to this Plan's request for information; or (ii) expiration of the forty-five (45) day period commencing on the date that the Claimant is notified that the requested additional information must be provided. If notice of the decision upon review is not furnished within the required time period described herein, the claim on review shall be deemed denied as of the last day of such period.

The Committee, in its sole discretion, may hold a hearing regarding the claim and request that the Claimant attend. If a hearing is held, the Claimant shall be entitled to be represented by counsel.

(d) The Committee's decision upon review on the Claimant's claim shall be communicated to the Claimant in writing. If the claim upon review is denied, the notice to the Claimant shall set forth:

- (i) The specific reason or reasons for the decision, with references to the specific Plan provisions on which the determination is based;
- (ii) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim; and
- (iii) A statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.

(e) The Committee shall have the full power and authority to interpret, construe and administer this Plan in its sole discretion based on the provisions of this Plan and to decide any questions and settle all controversies that may arise in connection with this Plan. Both the Committee's and the Board's interpretations and construction thereof, and actions thereunder, made in the sole discretion of the Committee and the Board, including any valuation of the Benefit, any determination under this Section 6, or the amount of the payment to be made hereunder, shall be final, binding and conclusive on all persons for all persons. No member of the Board or Committee shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan.

(f) No officer, member or former member of the Committee shall be liable for any action or determination made with respect to this Plan or any benefit under it. To the maximum extent permitted by applicable law or the Certificate of Incorporation or By-Laws of the Company and to the extent not covered by insurance, each officer, member or former member of the Committee shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel) or liability (including any sum paid in settlement of a claim), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with this Plan, except to the extent arising out of such officer's, member's or former member's own fraud. Such indemnification shall be in addition to any rights of indemnification the officers, members or former members may have as directors under applicable law or under the Certificate of Incorporation or By-Laws of the Company or any subsidiary of the Company.

(g) The claims procedures set forth in this section are intended to comply with United States Department of Labor Regulation § 2560.503-1 and should be construed in accordance with such regulation. In no event shall it be interpreted as expanding the rights of Claimants beyond what is required by United States Department of Labor Regulation § 2560.503-1. The Committee may at any time alter the claims procedure set forth above, so long as the revised claims procedure complies with ERISA, and the regulations issued thereunder.

(h) A Claimant must fully exercise all appeal rights provided herein prior to commencing a civil action under Section 502(a) of ERISA.

7. **Construction of Plan.**

(a) Nothing contained in this Plan and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship between any Employer and the Participants, their Beneficiaries or any other person. Any funds which may be invested under the provisions of this Plan shall continue for all purposes to be part of the general funds of the applicable Employer and no person other than the applicable Employer shall by virtue of the provisions of this Plan have any interest in such funds. To the extent that any person acquires a right to receive payments from any Employer under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Employer.

(b) Each Employer shall be liable for the obligations hereunder only with respect to its own employees, and not with respect to the employees of any other Employer. If a Participant works for more than one Employer in the same calendar year, then the contribution

for the Participant hereunder for the calendar year shall be allocated pro-rata to each such Employer in proportion to the Participant's Base Compensation payable by each Employer to the Participant for the calendar year.

(c) All expenses incurred in administering this Plan shall be paid by the Employers.

8. **Minors and Incompetents.** If the Committee shall find that any person to whom payment is payable under this Plan is unable to care for his affairs because of illness or accident, or is a minor, any payment due (unless a prior claim therefore shall have been made by a duly appointed guardian, committee or other legal representative) may be paid to the spouse, a child, parent, or brother or sister, or to any person deemed by the Committee to have incurred expense for such person otherwise entitled to payment, in such manner and proportions as the Committee may determine in its sole discretion. Any such payment shall be a complete discharge of the liabilities of the Employer, the Committee and the Board under this Plan.

9. **Limitation of Rights.** Nothing contained herein shall be construed as conferring upon an Employee the right to continue in the employ of any Employer as an executive or in any other capacity or to interfere with the Employer's right to discharge him or her at any time for any reason whatsoever.

10. **Payment Not Salary.** Any Benefit accrued or payable under this Plan shall not be deemed salary or other compensation to the Employee for the purposes of computing benefits to which he or she may be entitled under any pension plan or other arrangement of any Employer for the benefit of its employees.

11. **Severability.** In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal and invalid provision never existed.

12. **Withholding.** Each Employer shall have the right to make such provisions as it deems necessary or appropriate to satisfy any obligations it may have to withhold federal, state or local income or other taxes incurred by reason of payments pursuant to this Plan.

13. **Assignment.** This Plan shall be binding upon and inure to the benefit of the Employers, their successors and assigns and the Participants and their heirs, executors, administrators and legal representatives. In the event that any Employer sells all or substantially all of the assets of its business and the acquirer of such assets assumes the obligations hereunder, the Employer shall be released from any liability imposed herein and shall have no obligation to provide any benefits payable hereunder.

14. **Non-Alienation of Benefits.** The benefits accrued or payable under this Plan shall not be subject to alienation, transfer, assignment, garnishment, execution or levy of any kind, and any attempt to cause any benefits to be so subjected shall not be recognized.

15. **Governing Law.** To the extent legally required, the Code and ERISA shall govern this Plan and, if any provision hereof is in violation of any applicable requirement thereof, the Company reserves the right to retroactively amend this Plan to comply therewith. To the extent

not governed by the Code and ERISA, this Plan shall be governed by the laws of the State of New York.

16. **Amendment or Termination of Plan.** The Board or an authorized committee under the Company's Bylaws (including the Committee) may, in its sole and absolute discretion, amend this Plan from time to time in any respect, prospectively or retroactively, and may at any time terminate this Plan in its entirety. Each Employer may withdraw from this Plan at any time, in which case it shall be deemed to maintain a separate plan for Participants who are its employees identical to this Plan except that such Employer shall be deemed to be the Company for all purposes. Each Employer shall be liable for the vested obligations hereunder with respect to its employees. No amendment, termination or withdrawal shall reduce or terminate the then vested benefit (as determined pursuant to Section 4 of this Plan) of any Participant; provided that the Company may amend this Plan at any time to comply with applicable law, including Section 409A of the Code (to the extent permitted under Section 409A of the Code and the guidance issued thereunder).
17. **Section 409A of the Code.** This Plan is intended to comply with, or be exempt from, the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. The Company does not guarantee, and nothing in this Plan is intended to provide a guarantee of, any particular tax treatment with respect to payments or benefits under this Plan, and the Company shall not be responsible for compliance with, or exemption from, Section 409A of the Code and the guidance issued thereunder.
18. **Non-Exclusivity.** The adoption of this Plan by an Employer shall not be construed as creating any limitations on the power of the Employer to adopt such other supplemental retirement income arrangements as it deems desirable, and such arrangements may be either generally applicable or limited in application.
19. **Gender and Number.** Wherever used in this Plan, the masculine shall be deemed to include the feminine and the singular shall be deemed to include the plural, unless the context clearly indicates otherwise.
20. **Headings and Captions.** The headings and captions herein are provided for reference and convenience only. They shall not be considered part of this Plan and shall not be employed in the construction of this Plan.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed this 12 day of December, 2009.

HENRY SCHEIN, INC.

By: /s/ Michael S. Ettinger
Name: Michael S. Ettinger
Title: Senior Vice President

EXHIBIT A

Change of Control

For purposes of this Plan, a “Change of Control” shall be deemed to have occurred if: (i) any person (as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and as used in Sections 13(d) and 14(d) thereof), excluding the Company, any subsidiary thereof, any employee benefit plan sponsored or maintained by the Company, or any subsidiary thereof (including any trustee of any such plan acting in his or her capacity as trustee) and any person who (or group which includes a person who) is the beneficial owner (as defined in Rule 13(d)-3 under the Exchange Act) of at least 15% of the common stock of the Company (but less than 35%) becomes the beneficial owner (as defined in Rule 13(d)-3 under the Exchange Act) of shares of the Company having at least 35% of the total number of votes that may be cast for the election of directors of the Company; (ii) the merger or other business combination of the Company, sale of all or substantially all of the Company’s assets or combination of the foregoing transactions, provided that such transaction constitutes an acquisition of more than 50% of the total fair market value or total voting power of the stock of the Company, or, with respect to a sale of assets, results in the sale of 40% or more of the total gross fair market value of all of the assets of the Company (as determined in accordance with Section 409A of the Code) immediately prior to such acquisition (a “Transaction”), other than a Transaction involving only the Company and one or more of its subsidiaries, or a Transaction immediately following which the stockholders of the Company immediately prior to the Transaction continue to have a majority of the voting power in the resulting entity (excluding for this purpose any stockholder owning directly or indirectly more than 10% of the shares of the other company involved in the Transaction if such stockholder is not the beneficial owner (as defined in Rule 13(d)-3 under the Exchange Act) of at least 15% of the common stock of the Company); or (iii) within any 12-month period beginning on or after the date hereof, the persons who were directors of the Company immediately before the beginning of such period (the “Incumbent Directors”) shall cease (for any reason other than death) to constitute at least a majority of the board of directors of the Company or the board of directors of any successor to the Company, provided that, any director who was not a director as of the date hereof shall be deemed to be an Incumbent Director if such director was elected to the Board by, or on the recommendation of or with the approval of, at least a majority of the directors who then qualified as Incumbent Directors either actually or by prior operation of the foregoing unless such election, recommendation or approval was the result of an actual or threatened election contest of the type contemplated by Regulation 14a-11 promulgated under the Exchange Act or any successor provision. Notwithstanding the foregoing, no Change of Control of the Company shall be deemed to have occurred for purposes of this Plan if, for purposes of Section 409A of the Code, such event would not be considered to be a “change in control event” under Section 409A of the Code.

**AMENDMENT NUMBER TWO
TO THE
HENRY SCHEIN, INC.
1996 NON-EMPLOYEE DIRECTOR STOCK INCENTIVE PLAN**

WHEREAS, Henry Schein, Inc. (the "Company") maintains the Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan, amended and restated effective as of April 1, 2003 (the "Plan");

WHEREAS, pursuant to Section 12 of the Plan, the Company has reserved the right to amend the Plan;

WHEREAS, the Company desires to amend the Plan to comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder; and

WHEREAS, pursuant to Section 12 of the Plan, approval by the Company's stockholders is not required with respect to these amendments.

NOW, THEREFORE, the Plan is hereby amended effective as of January 1, 2005 as follows:

1. Section 2(k) of the Plan is amended in its entirety to read as follows:

"(k) 'Disability' means a permanent and total disability, as determined by the Committee in its sole discretion, provided that in no event shall any disability that is not a permanent and total disability within the meaning of Section 22(e)(3) of the Code be treated as a Disability. A Disability shall be deemed to occur at the time of the determination by the Committee of the Disability. Notwithstanding the foregoing, for awards that are subject to Section 409A of the Code, Disability shall mean that a Participant is disabled within the meaning of Section 409A(a)(2)(C)(i) or (ii) of the Code."

2. Section 2(m)(iv) of the Plan is amended in its entirety to read as follows:

"(iv) If the Common Stock is not publicly traded, such amount as is set by the Committee in good faith taking into account Section 409A of the Code."

3. Section 4(a) of the Plan is amended by inserting the following new sentence immediately before the third sentence therein:

“Subject to the foregoing, the Committee shall also have full authority to determine whether, to what extent and under what circumstances Shares and other amounts payable with respect to an Option or Other Stock-Based Award under the Plan shall be deferred either automatically or at the election of the Participant in any case, in a manner intended to comply with Section 409A of the Code.”

4. Section 8(a)(i) of the Plan is amended in its entirety to read as follows:

“(i) In the event of the Participant’s death, such Options shall remain exercisable (by the Participant’s estate or by the person given authority to exercise such Options by the Participant’s will or by operation of law) for a period of one (1) year from the date of the Participant’s death, provided that the Committee in its discretion, may at any time extend such time period to up to three (3) years from the date of the Participant’s death, but in no event beyond the expiration of the stated term of such Options.”

5. Section 8(a)(ii) of the Plan is amended in its entirety to read as follows:

“(ii) In the event the Participant retires at or after age 65 (or, with the consent of the Committee, before age 65), or if the Participant’s services terminate due to Disability, such Options shall remain exercisable for one (1) year from the date of the Participant’s Termination of Services, provided that the Committee, in its discretion, may at any time extend such time period to up to three (3) years from the date of the Participant’s Termination of Services, but in no event beyond the expiration of the stated term of such Options.”

6. Section 8(c) of the Plan is amended in its entirety to read as follows:

“(c) *Other Termination.* In the event of Termination of Services for any reason other than as provided in Section 8(a) and 8(b), all outstanding Options then exercisable and not exercised by the Participant prior to such Termination of Services shall remain exercisable (to the extent exercisable by such Participant immediately before such termination) for a period of three (3) months after such termination, provided that the Committee in its discretion may extend such time period to up to one (1) year from the date of the Participant’s Termination of Services, but in no event beyond the expiration of the stated term of such Options.”

7. Subsection (h) is hereby added to the end of Section 15 of the Plan to read as follows:

“(h) *Section 409A of the Code.* To the extent applicable, the Plan is intended to comply with, or be exempt from, the applicable requirements of Code Section 409A and shall be limited, construed and interpreted in

accordance with such intent. In the event that any arrangement provided for under the Plan constitutes a nonqualified deferred compensation arrangement under Code Section 409A, it is intended that such arrangement be designed in a manner that complies with Code Section 409A. Any amounts deferred hereunder that are subject to Code Section 409A and payable to a 'specified employee' (within the meaning of such term under Code Section 409A and determined using any identification methodology and procedure selected by the Company from time to time, or, if none, the default methodology and procedure specified under Code Section 409A), except in the event of death, shall be delayed in accordance with the requirements of Code Section 409A until the day immediately following the six month anniversary of such employee's "separation of service" within the meaning of Code Section 409A (and the guidance issued thereunder). A termination of employment shall not be deemed to have occurred for purposes of any provision of the Plan providing for the payment of any amounts or benefits, which are subject to Code Section 409A, upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A (and the guidance issued thereunder) and, for purposes of any such provision of the Plan, references to a "resignation," "termination," "termination of employment," "retirement" or like terms shall mean separation from service. Notwithstanding the foregoing, the Company does not guarantee, and nothing in the Plan is intended to provide a guarantee of, any particular tax treatment with respect to payments or benefits under the Plan, and the Company shall not be responsible for compliance with, or exemption from, Code Section 409A and the guidance issued thereunder."

IN WITNESS WHEREOF, this amendment has been executed December 12, 2008.

HENRY SCHEIN, INC.

By: /s/ Michael S. Ettinger
Title: Senior Vice President

**AMENDMENT NUMBER TWO
TO THE
HENRY SCHEIN, INC.
SECTION 162(m) CASH BONUS PLAN**

WHEREAS, Henry Schein, Inc. (the "Company") maintains the Henry Schein, Inc. Section 162(m) Cash Bonus Plan (the "Plan");

WHEREAS, pursuant to Section 7.2 of the Plan, the Company has reserved the right to amend the Plan; and

WHEREAS, the Company desires to amend the Plan to comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

NOW, THEREFORE, the Plan is hereby amended effective as of January 1, 2007 as follows:

1. Section 5.2 of the Plan is amended by adding the following sentence immediately prior to the last sentence therein:

"Notwithstanding the foregoing, all awards under the Plan shall be payable in the calendar year immediately following the calendar year in which the fiscal year ends and with respect to which the award is earned. The Committee in its discretion may specify in an agreement with a Participant that an award will be paid not later than March 15 of the calendar year following the calendar year in which the award ceases to be subject to a substantial risk of forfeiture."

2. The penultimate sentence of Section 7.2 of the Plan, as added by the amendment to the Plan dated April 8, 2005, is hereby amended in its entirety to read as follows:

"To the extent applicable, the Plan is intended to comply with or be exempt from the applicable requirements of Code Section 409A and shall be limited, construed and interpreted in accordance with such intent. In the event that any arrangement provided for under the Plan constitutes a nonqualified deferred compensation arrangement under Code Section 409A, it is intended that such arrangement be designed in a manner that complies with Code Section 409A. Any amounts deferred hereunder that are subject

to Code Section 409A and payable to a "specified employee" (within the meaning of such term under Code Section 409A and determined using any identification methodology and procedure selected by the Company from time to time, or, if none, the default methodology and procedure specified under Code Section 409A), except in the event of death, shall be delayed in accordance with the requirements of Code Section 409A until the day immediately following the six-month anniversary of such employee's "separation of service" within the meaning of Code Section 409A (and the guidance issued thereunder). A termination of employment shall not be deemed to have occurred for purposes of any provision of the Plan providing for the payment of any amounts or benefits, which are subject to Code Section 409A, upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A (and the guidance issued thereunder) and, for purposes of any such provision of the Plan, references to a "resignation," "termination," "termination of employment," "retirement" or like terms shall mean separation from service. Notwithstanding the foregoing, the Company does not guarantee, and nothing in the Plan is intended to provide a guarantee of, any particular tax treatment with respect to payments or benefits under the Plan, and the Company shall not be responsible for compliance with, or exemption from, Code Section 409A and the guidance and regulations issued thereunder."

IN WITNESS WHEREOF, this amendment has been executed December 12, 2008.

HENRY SCHEIN, INC.

By: /s/ Michael S. Ettinger
Title: Senior Vice President

HENRY SCHEIN, INC.

NON-EMPLOYEE DIRECTOR DEFERRED COMPENSATION PLAN

(As Amended and Restated Effective as of January 1, 2005)

HENRY SCHEIN, INC.

NON-EMPLOYEE DIRECTOR DEFERRED COMPENSATION PLAN

(As Amended and Restated Effective as of January 1, 2005)

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HENRY SCHEIN, INC.
NON-EMPLOYEE DIRECTOR DEFERRED COMPENSATION PLAN
(As Amended and Restated Effective as of January 1, 2005)

Article 1 - Introduction

The purpose of the Henry Schein, Inc. Non-Employee Director Deferred Compensation Plan is to provide incentives to directors of Henry Schein, Inc. who are not employees of Henry Schein, Inc. or a Subsidiary (as defined in Section 2.29) through the ability to defer any Eligible Director Fees (as defined in Section 2.16). Participants in the Plan are permitted to defer all or a portion of their Eligible Director Fees into the Cash Account or Phantom Share Account (as defined in Sections 2.5 and 2.23, respectively), as elected by a Participant. The Company believes that the Plan creates a means to provide deferred compensation to such directors and to raise the level of stock ownership in the Company by such directors thereby strengthening the mutuality of interests between such directors and the Company's stockholders.

The shares of Common Stock available for issuance under this Plan are funded from shares of Common Stock that are available under the 1996 Director Incentive Plan, and such awards under this Plan constitute an "Other Stock-Based Award" under the 1996 Director Incentive Plan.

Article 2 - Definitions

- 2.1 **Account** – means, with respect to each Participant, the total of a Participant's Cash Account and Phantom Share Account.
- 2.2 **Award Date** – means the date that Eligible Director Fees would otherwise be paid to a Participant if a Participant did not elect to participate in the Plan.
- 2.3 **Beneficiary** - a beneficiary or beneficiaries designated by the Participant under Article 9.
- 2.4 **Board of Directors** - the Board of Directors of the Company.
- 2.5 **Cash Account** – means the account to which the Company will make a book entry to credit the portion of Eligible Director Fees that a Participant elects to defer under the Plan and deem invested in cash equivalents based on the Company's long-term borrowing rate under the Company's principal credit facility.
- 2.6 **Chair Fees** – means cash fees received by a Participant for services as a chair of any committee of the Board of Directors during a Plan Year.
- 2.7 **Change in Control** – shall be deemed to occur upon any of the following:
- (i) an acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Act of 1933, as amended) of 33% or more of either (A) the then outstanding Common Stock or (B) the combined voting power of the then outstanding voting securities of the
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Company entitled to vote generally in the election of directors (the “Outstanding HSI Voting Securities”); excluding, however, the following: (w) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (x) any acquisition by the Company, (y) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or (z) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or similar corporate transaction (in each case, a “Corporate Transaction”), if, pursuant to such Corporate Transaction, the following conditions are satisfied: (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the outstanding Common Stock and Outstanding HSI Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction and the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors, in substantially the same proportions as their ownership immediately prior to such Corporate Transaction, of the outstanding Common Stock and Outstanding HSI Voting Securities, as the case may be, (B) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or the corporation resulting from such Corporate Transaction and any Person beneficially owning, immediately prior to such Corporate Transaction, directly or indirectly, 33% or more of the outstanding Common Stock or Outstanding HSI Voting Securities, as the case may be) will beneficially own, directly or indirectly, 33% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding securities of such corporation entitled to vote generally in the election of directors and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

- (ii) within any 12-month period, a change in the composition of the Board of Directors such that the individuals who as of the commencement of such 12-month period constitute the Board of Directors (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of Directors; provided that for purposes of this subsection any individual who becomes a member of the Board of Directors subsequent to the Effective Date whose election, or nomination for election by the Company’s stockholders, was approved by a vote of at least a majority of those individuals who are members of this proviso) shall be considered as though such individual were a member of the Incumbent Board; but,

provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Securities Act of 1933, as amended) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

- (iii) the sale or other disposition of all or substantially all of the assets of the Company; excluding, however, such sale or other disposition to a corporation with respect to which, following such sale or other disposition, (x) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors will be then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Common Stock and Outstanding HSI Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the outstanding Common Stock and Outstanding HSI Voting Securities, as the case may be, (y) no Person (other than the Company and any employee benefit plan (or related trust) of the Company or such corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 33% or more of the outstanding Common Stock or Outstanding HSI Voting Securities, as the case may be) will beneficially own, directly or indirectly, 33% or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (z) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of such corporation.

2.8 Code - the Internal Revenue Code of 1986, as amended from time to time.

2.9 Committee – the Compensation Committee of the Board of Directors. If the Board of Directors removes the Committee for any reason, “Committee” means the Board of Directors. If for any reason the appointed Committee does not meet the requirements of Rule 16b-3, such noncompliance shall not affect the validity of the Plan or any interpretations or other actions of the Committee.

2.10 Common Stock - Common Stock of the Company, par value \$.01 per share.

2.11 Company – Henry Schein, Inc., a corporation organized under the laws of the State of Delaware (or any successor).

- 2.12 Deemed Dividends – means the amount of dividends (whether stock or cash), if any, which are declared on a share of Common Stock multiplied by the number of Phantom Shares credited to a Participant’s Phantom Share Account.
- 2.13 Deferral Agreement - an agreement executed by a Participant setting forth his or her election to defer receipt of his or her Eligible Director Fees and an authorization for the Company to credit such amount to a book-entry Account maintained by the Company on behalf of the Participant. A Deferral Agreement shall contain such provisions, consistent with the provisions of the Plan, as may be established from time to time by the Company or Committee.
- 2.14 Disability – means that a Participant is disabled within the meaning of Section 409A(a)(2)(C) of the Code (and the guidance issued thereunder).
- 2.15 Effective Date – the effective date of the Plan as provided in Section 12.13.
- 2.16 Eligible Director Fees – any of the following amounts received by a Participant in connection with service on the Board of Directors: (i) Retainer Fees; (ii) Meeting Fees; (iii) Chair Fees; or (iv) any other amounts determined by the Committee in its sole discretion (including, Common Stock or restricted stock units). Eligible Director Fees shall not include expense reimbursements.
- 2.17 Exchange Act - the Securities Exchange Act of 1934, as amended.
- 2.18 Fair Market Value – as applied to any date,
- (i) if the Common Stock is listed or admitted to trading on such date on a national securities exchange or quoted through the NASDAQ Stock Market, Inc. (“NASDAQ”), the closing sales price of a Share as reported on the relevant composite transaction tape, if applicable, or on such principal exchange (determined by trading value in the Common Stock) or through NASDAQ, as the case may be, on such date, or in the absence of reported sales on such day, the mean between the reported bid and asked prices reported on such composite transaction tape or exchange or through NASDAQ, as the case may be, on such date; or
 - (ii) if the Common Stock is not listed or quoted as described in the preceding clause, but bid and asked prices are quoted through NASDAQ, the mean between the bid and asked prices as quoted by NASDAQ on such date; or
 - (iii) if the Common Stock is not listed or quoted on a national securities exchange or through NASDAQ or, if pursuant to (i) and (ii) above the Fair Market Value is to be determined based upon the mean of the bid and asked prices and the Committee determines that such mean does not properly reflect the Fair Market Value, by such other method as the Committee determines to be reasonable and consistent with applicable law and taking into account Section 409A of the Code; or

(iv) if the Common Stock is not publicly traded, such amount as is set by the Committee in good faith taking into account Section 409A of the Code.

- 2.19 Meeting Fees – cash fees paid for attendance at Board of Director meetings or meetings of any committee thereof in which the Participant is a member.
- 2.20 1996 Director Incentive Plan – the Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan, as amended from time to time.
- 2.21 Participant – a director of the Company who satisfies the eligibility requirements under Article 5 of the Plan and elects to participate in the Plan in accordance with its terms.
- 2.22 Phantom Share – a unit of measurement equivalent to one share of Common Stock but with none of the attendant rights of a stockholder of a share of Common Stock, including the right to vote (if any); except that a Phantom Share shall have the right to Deemed Dividends as described in Article 8. The Fair Market Value of a Phantom Share on any date shall be deemed to be the Fair Market Value of a share of Common Stock on that date.
- 2.23 Phantom Share Account – means the account to which the Company will make a book entry to credit the portion of Eligible Director Fees that a Participant elects to defer under the Plan and deem invested in the Phantom Share Fund. The Phantom Share Account shall represent each Participant’s proportionate interest in the Phantom Share Fund. Notwithstanding anything in the Plan to the contrary, a Participant’s proportionate interest in the Phantom Share Fund shall be expressed as units, and shall be determined using unit accounting.
- 2.24 Phantom Share Fund – means the fund to which the Company will credit the aggregate Eligible Director Fees that all Participants elect to defer in their Phantom Share Account, which shall be deemed to be primarily invested in Phantom Shares.
- 2.25 Plan - the Henry Schein, Inc. Non-Employee Director Deferred Compensation Plan, as amended from time to time.
- 2.26 Plan Year – the calendar year.
- 2.27 Retainer Fees – retainer fees received by a Participant for service on the Board of Directors as a director during a Plan Year.
- 2.28 Rule 16b-3 - means the “short-swing” profit recovery rule pursuant to Rule 16b-3 promulgated under Section 16(b) of the Exchange Act or any successor provision.
- 2.29 Subsidiary – means any “subsidiary corporation” within the meaning of Section 424(f) of the Code. An entity shall be deemed a Subsidiary of the Company only for such periods as the requisite ownership relationship is maintained.

- 2.30 Termination of Directorship – means termination of a Participant’s service as a director of the Board of Directors for any reason whatsoever, including, but not limited to, death, retirement, resignation, Disability, dismissal (with or without cause), that satisfies the requirements for a “separation from service” within the meaning of Section 409A of the Code (and the guidance issued thereunder).

Article 3 - Shares Reserved

Shares of Common Stock that may be issued or used for reference purposes under the Plan with respect to Phantom Shares are funded from shares of Common Stock that are available for issuance under the 1996 Director Incentive Plan. The aggregate number of shares of Common Stock that may be issued or used for reference purposes under the Plan with respect to Phantom Shares may not exceed the maximum number of shares of Common Stock available for issuance under the 1996 Director Incentive Plan, subject to adjustment as provided in Article 10 hereof.

Article 4 - Administration

- 4.1 The Plan shall be administered by the Committee. The Committee may select an administrator or any other person to whom its duties and responsibilities hereunder may be delegated. The Committee shall have full power and authority, subject to the provisions of the Plan, to promulgate such rules and regulations as it deems necessary for the proper administration of the Plan, to interpret the provisions and supervise the administration of the Plan, and to take all actions in connection therewith or in relation thereto as it deems necessary or advisable. All interpretations, determinations and decisions of the Committee shall be made in its sole and absolute discretion based on the Plan document and shall be final, conclusive and binding on all parties with respect to all matters relating to the Plan.
- 4.2 The Committee may employ such legal counsel, consultants, brokers and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant, broker or agent. The Committee may, in its sole discretion, designate an agent to administer the Plan, keep records, send Account statements to Participants and to perform other duties relating to the Plan, as the Committee may request from time to time. The Committee may adopt, amend or repeal any guidelines or requirements necessary for the delivery of the Common Stock or for the administration of the Plan.
- 4.3 The Company shall, to the fullest extent permitted by law, the Certificate of Incorporation and By-laws of the Company and, to the extent not covered by insurance, indemnify each director or employee of the Company and its Subsidiaries (including the heirs, executors, administrators and other personal representatives of such person) and each member of the Committee against all expenses, costs, liabilities and losses (including attorneys’ fees, judgments, fines, excise taxes or penalties, and amounts paid or to be paid in settlement) actually and reasonably incurred by such person in connection with any threatened, pending or actual suit, action or proceeding (whether civil, administrative or investigative in nature or otherwise) in which such person may be involved by reason of the fact that he

or she is or was serving this Plan in any capacity at the request of the Company or a Subsidiary, except in instances where any such person engages in fraud or bad faith. To the extent permitted by law, such right of indemnification shall include the right to be paid by the Company for expenses incurred or reasonably anticipated to be incurred in defending any such suit, action or proceeding in advance of its disposition; provided, however, that the payment of expenses in advance of the settlement or final disposition of a suit, action or proceeding shall be made only upon delivery to the Company of an undertaking by or on behalf of such person to repay all amounts so advanced if it is ultimately determined that such person is not entitled to be indemnified hereunder. Such indemnification shall be in addition to any rights of indemnification the person may have as a director or employee or under the Certificate of Incorporation of the Company or the By-Laws of the Company. Expenses incurred by the Committee or the Board of Directors in the engagement of any such counsel, consultant or agent shall be paid by the Company.

Article 5 - Eligibility

Any director of the Company who is not an active employee of the Company or any of its Subsidiaries shall be eligible to participate in the Plan.

Article 6 - Timing and Manner of Deferrals

6.1 Timing of Deferral Elections

No later than December 31 of each Plan Year, each Participant may voluntarily elect to defer all or a portion of his or her Eligible Director Fees to be earned in the immediately following Plan Year in accordance with Section 6.2, as elected in a Deferral Agreement. If a Participant first becomes eligible to participate in the Plan during a Plan Year, such Participant may elect to participate in the Plan with respect to Eligible Director Fees that would otherwise be payable during such Plan Year for services to be performed subsequent to the election, no later than 30 days following the date such director first becomes a Participant.

6.2 Amount of Deferral

- (a) *Retainer Fees and Chair Fees.* A Participant may voluntarily elect to defer all or a portion of his or her Retainer Fees and/or Chair Fees in 25% increments, which percentage shall apply equally to all Retainer Fees and Chair Fees that would otherwise be payable to a Participant during the applicable Plan Year, as specified in Section 6.1 and as elected by the Participant in a Deferral Agreement.
- (b) *Meeting Fees.* A Participant may voluntarily elect to defer 100% of his or her Meeting Fees, which election shall apply to all Meeting Fees that would otherwise be payable to a Participant during the applicable Plan Year, as specified in Section 6.1 and as elected by the Participant in a Deferral Agreement.

6.3 Election to Defer Eligible Director Fees into the Cash Account or Phantom Share Account

A Participant who elects to defer Eligible Director Fees in accordance with Sections 6.1 or 6.2 shall also elect whether to credit Eligible Director Fees into the Cash Account or the Phantom Share Account in 25% increments, which election shall apply equally to all Eligible Director Fees credited to the Cash Account or the Phantom Share Account. Such election shall be made under the Deferral Agreement.

- (a) *Election to Credit Eligible Director Fees into the Cash Account.* If a Participant elects to defer Eligible Director Fees into the Cash Account, the Company shall credit the Participant's Cash Account, on each applicable Award Date, with an amount equal to the dollar amount of the Eligible Director Fees that the Participant elects to defer into the Cash Account. The Company shall credit the Participant's Cash Account with interest on the first business day of each calendar quarter at a rate equal to the Company's then long-term borrowing rate under the Company's principal credit facility.
- (b) *Election to Allocate Eligible Director Fees into the Phantom Share Account.* If a Participant elects to defer Eligible Director Fees into the Phantom Share Account, the Company shall credit to the Phantom Share Fund, on each applicable Award Date, a number of Phantom Shares (in whole and fractional Phantom Shares) determined by dividing (i) the aggregate dollar amount of the Eligible Director Fees that all Participants elect to defer in their Phantom Share Account in accordance with the Participant's Deferral Agreement by (ii) the Fair Market Value of a share of Common Stock on each applicable Award Date. If a Participant elects to defer Eligible Director Fees into the Phantom Share Account, a Participant shall have a proportionate interest in the Phantom Share Fund.

Amounts deferred to the Phantom Share Account may not be transferred into the Cash Account and vice versa.

With respect to any Plan Year, a Deferral Agreement is irrevocable on and after the date the Deferral Agreement must be submitted to the Company in accordance with procedures established by the Committee, and is valid solely for the Plan Year to which the election relates. If no new Deferral Agreement is timely made or filed in accordance with procedures established by the Committee with respect to any subsequent Plan Year, Eligible Director Fees may not be deferred under the Plan.

Article 7 - Vesting and Distribution

7.1 Vesting

A Participant's Account shall be fully vested at all times.

7.2 Distribution of Account

Except as otherwise provided in Article 11, a Participant's Account shall be distributed to the Participant (or, in the case of a Participant's death, his or her Beneficiary) in its entirety as soon as practicable after the earliest to occur of the following: (i) a Participant's Termination of Directorship; (ii) a Participant's death or Disability; or (iii) a Change in Control; provided, however, that a Participant's Account shall be distributed no later than 90 days following the occurrence of any such distribution event. A Participant's Phantom Share Account shall be distributed in Common Stock and a Participant's Cash Account shall be distributed in a lump sum cash payment.

Fractional shares of Common Stock shall be rounded-down for fractions less than one-half and rounded-up for fractions equal to or greater than one-half. No cash settlements shall be made with respect to fractional shares eliminated by rounding.

Article 8 - Dividends

At such time or times as any dividends on Common Stock shall be distributed to the Company's stockholders, the Company shall credit to the Participant's Phantom Share Account with Deemed Dividends. Deemed Dividends so credited to the Participant's Phantom Share Account which are cash dividends shall be reinvested in Phantom Shares (based on the Fair Market Value of such shares on the date the dividend is paid) and paid as part of the Participant's Account as provided in Section 7.2.

Article 9 - Designation of Beneficiary

A Participant may designate one or more Beneficiaries to receive the Participant's benefits under the Plan in the event of his or her death. Such designation, or any change therein, must be in writing in a form acceptable to the Committee and shall be effective upon receipt by the Committee. If there is no effective Beneficiary designation, the Participant's Beneficiary shall be the Participant's estate. Upon the acceptance by the Committee of a new Beneficiary designation form, all Beneficiary designations previously filed shall be canceled. The Committee shall be entitled to rely on the last Beneficiary designation form filed by the Participant and accepted by the Committee prior to his or her death.

Article 10 - Adjustments

In the event of a stock dividend, stock split, reverse stock split, combination or reclassification of shares, recapitalization, merger, consolidation, exchange, spin-off or otherwise which affects the Common Stock, the Committee shall make appropriate equitable adjustments in:

- (a) the number or kind of shares of Common Stock or securities with respect to which Phantom Shares shall be awarded;
- (b) the number and kind of shares of Common Stock remaining subject to outstanding Phantom Shares;
- (c) each Participant's interest in the Phantom Share Fund; and

- (d) the method of determining the value of Phantom Shares.

Article 11 - Amendment or Termination of Plan

The Company reserves the right to amend, terminate or freeze the Plan at any time, by action of its Board of Directors (or a duly authorized committee thereof) or the Committee, provided that no such action shall adversely affect a Participant's rights under the Plan with respect to Eligible Director Fees that have been deferred before the date of such action. No amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval of such amendment is required to comply with any applicable law, regulation or stock exchange rule. Upon termination of the Plan, the Company may, in its sole discretion, pursuant to Section 1.409A-3(j)(4)(ix) of the Treasury Regulations (regarding plan termination and liquidations), elect to distribute a Participant's Account in its entirety within the period of time prescribed by Section 1.409A-3(j)(4)(ix) of the Treasury Regulations. Upon freezing of the Plan, all Eligible Director Fees deferred under the Plan prior to freezing shall continue to be held under the Plan and shall be distributed in accordance with Section 7.2.

Article 12 - Miscellaneous Provisions

12.1 No Distribution; Compliance with Legal Requirements

The Committee may require each person acquiring shares of Common Stock under the Plan to represent to, and agree with, the Company in writing that such person is acquiring the shares without a view to distribution thereof. No shares of Common Stock shall be issued until all applicable securities laws and other legal and stock exchange requirements have been satisfied. The Committee may require the placing of such stop-orders and restrictive legends on certificates for Common Stock as it deems appropriate.

12.2 Withholding

To the extent legally required, participation in the Plan is subject to any legally required tax withholding with respect to a Participant's participation in the Plan (including, without limitation, any distributions from the Plan).

12.3 Notices; Delivery of Stock Certificates

Any notice required or permitted to be given by the Company or the Committee pursuant to the Plan shall be deemed given when personally delivered by hand, a nationally recognized overnight courier or deposited in the United States mail, registered or certified, postage prepaid, addressed to the Participant at the last address shown for the Participant on the records of the Company or such other address that the Participant shall designate in writing to the Company. Delivery of stock certificates to persons entitled to receive them under the Plan shall be deemed effected for all purposes when the Company or a share transfer agent of the Company shall have deposited such certificates in the United States mail or personally delivered such certificates by hand or by a nationally recognized overnight courier, addressed to such person at his/her last known address on

file with the Company or such other address that may be designated in writing to the Company.

12.4 Nontransferability of Rights

Phantom Shares and other interests under the Plan are not transferable other than by will or by the laws of descent and distribution. No Phantom Share or other interest under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, garnishment, execution, levy or charge, and any attempt by a Participant or any Beneficiary under the Plan to do so shall be void. No Phantom Shares or other interest under the Plan shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of a Participant or Beneficiary entitled thereto.

12.5 Obligations Unfunded and Unsecured

The Plan shall at all times be entirely unfunded, and no provision shall at any time be made with respect to segregating assets of the Company or any Subsidiary (including Common Stock) for payment of any amounts or issuance of any shares of Common Stock hereunder. No Participant or other person shall own any interest in any particular assets of the Company or any Subsidiary (including Common Stock) by reason of the right to receive payment under the Plan, and any Participant or other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under the Plan. Nothing contained in this Plan and no action taken pursuant to the provisions of this Plan shall create or be construed to create a trust of any kind, or a fiduciary relationship amongst the Company, any Subsidiary, the Committee, and the Participants, their designated Beneficiaries or any other person. Any funds which may be invested under the provisions of this Plan shall continue for all purposes to be part of the general funds of the Company and no person other than the Company shall by virtue of the provisions of this Plan have any interest in such funds. If the Company decides to establish any accrued reserve on its books against the future expense of benefits payable hereunder, or if the Company establishes a rabbi trust under this Plan, such reserve or trust shall not under any circumstances be deemed to be an asset of the Plan.

12.6 Governing Law

The Plan shall be governed, construed, administered and regulated in accordance with the laws of New York. In the event any provision of this Plan shall be determined to be illegal or invalid for any reason, the other provisions shall continue in full force and effect as if such illegal or invalid provision had never been included herein.

12.7 Short-Swing Profit Recovery Rule under Rule 16b-3

The Plan is intended to comply with the "short-swing" profit recovery rule pursuant to Rule 16b-3 and the Committee shall interpret and administer the provisions of the Plan in a manner consistent therewith. Any provisions inconsistent with Rule 16b-3 shall be inoperative and shall not affect the validity of the Plan.

12.8 No Directorship Rights

The establishment and operation of this Plan shall not confer any legal rights upon any Participant or other person for a continuation of directorship, nor shall it interfere with the rights of the Company or Subsidiary to terminate a Participant's directorship and to treat him or her without regard to the effect which that treatment might have upon him or her as a Participant or potential Participant under the Plan.

12.9 Severability of Provisions

If any provision of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions hereof, and the Plan shall be construed and enforced as if such provisions had not been included.

12.10 Construction

The use of a masculine pronoun shall include the feminine, and the singular form shall include the plural form, unless the context clearly indicates otherwise. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be used in the construction of the Plan.

12.11 Assignment

The Plan shall be binding upon and inure to the benefit of the Company, its successors and assigns and the Participants and their heirs, executors, administrators and legal representatives. In the event that the Company sells all or substantially all of the assets of its business and the acquiror of such assets assumes the obligations hereunder, the Company shall be released from any liability imposed herein and shall have no obligation to provide any benefits payable hereunder.

12.12 Use of Funds

All Eligible Director Fees that are received or held under the Plan may be used by the Company for any corporate purpose.

12.13 Effective Date of Plan

The Plan was first adopted effective as of January 1, 2004, subject to stockholder approval of the amendment and restatement of the 1996 Director Incentive Plan, which was adopted by the Board of Directors on April 1, 2003. Stockholders approved the amendment and restatement of the 1996 Director Incentive Plan at the stockholders' meeting, which occurred on June 18, 2003. The Plan was previously amended effective as of January 1, 2004 and is now amended and restated in the form set forth herein effective as of January 1, 2005.

12.14 Term of Plan

No Eligible Director Fees earned on or after the expiration date of the 1996 Director Incentive Plan shall be deferred under the Plan. Eligible Director Fees deferred under the Plan prior to such date shall be deferred beyond such date in accordance with the Plan.

12.15 Section 409A of the Code

The Plan is intended to comply with, or be exempt from, the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. Any amounts deferred hereunder that are subject to Section 409A of the Code and payable to a Participant who is or becomes a "specified employee" (within the meaning of such term under Section 409A of the Code and determined using any identification methodology and procedure selected by the Company from time to time, or, if none, the default methodology and procedure specified under Section 409A of the Code) at the time of distribution, except in the event of death, shall be delayed in accordance with the requirements of Section 409A of the Code until the day immediately following the six month anniversary of such Participant's "separation of service" within the meaning of Section 409A of the Code (and the guidance issued thereunder). Notwithstanding the foregoing, the Company does not guarantee, and nothing in the Plan is intended to provide a guarantee of, any particular tax treatment with respect to payments or benefits under the Plan, and the Company shall not be responsible for compliance with, or exemption from, Section 409A of the Code and the guidance issued thereunder.

AMENDED & RESTATED EMPLOYMENT AGREEMENT dated as of December 31, 2008 (the "Effective Date"), by and between HENRY SCHEIN, INC., a Delaware corporation (the "Company"), and STANLEY M. BERGMAN ("Bergman").

WHEREAS, Bergman is currently Chairman of the Board of Directors and Chief Executive Officer of the Company, and Bergman and the Company previously had entered into an Employment Agreement dated as of January 1, 2003, as subsequently amended from time to time (the "Prior Agreement");

WHEREAS, the Company recognizes that Bergman has made substantial contributions to the success of the Company over a long period of time and desires to assure the Company of Bergman's continued service and Bergman desires to continue to perform services for the Company; and

WHEREAS, Bergman and the Company wish to amend and restate the Prior Agreement, to extend the period thereof, conform certain severance provisions so that the treatment of Bergman is the same as that afforded to the Company's other senior executives, and comply with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), to the extent any amounts or benefits payable hereunder are subject to Section 409A of the Code.

In consideration of the agreements herein after set forth, the Company and Bergman agree as follows:

1. EMPLOYMENT

1.1 CAPACITY; DUTIES. The Company hereby employs Bergman as the Company's Chairman of the Board of Directors and Chief Executive Officer. Bergman shall have general supervision over the business and affairs of the Company and its subsidiaries, shall report and be responsible only to, and subject to the supervision of, the Board of Directors of the Company (the "Board of Directors"), and shall have powers and authority superior to those of any other officer or employee of the Company or any of its subsidiaries. The Board of Directors may with Bergman's consent, which consent may be withheld in his reasonable discretion, confer the title of President upon another person without any diminution in the compensation or benefits payable to Bergman hereunder. Subject to Section 6(b), Bergman may serve on the board of directors of any other corporation, or may be involved in civic or charitable activities and may manage his personal investments, so long as such service does not interfere with his duties to the Company or its subsidiaries and such other corporation is not a supplier or customer of the Company and does not engage in any business that is competitive with the business of the Company. Bergman accepts the employment described herein and agrees to devote his full business time and effort thereto, and to perform those duties normally attributable to the positions for which he is employed hereunder.

1.2 EMPLOYMENT PERIOD. Bergman's employment shall be for the period (the "Employment Period") commencing on the Effective Date, and ending on the earlier of (i) December 31, 2011, as such date may be extended as provided below, or (ii) the date on which Bergman's employment is terminated earlier pursuant to Section 4. The Employment Period

may be extended by the Company from time to time for successive three-year periods by giving Bergman notice (an "Extension Notice") at least six months but not more than twelve months prior to the date that the then applicable Employment Period is to expire. Notwithstanding the preceding sentence, the Employment Period shall not be extended if Bergman, within 90 days after any Extension Notice is given, advises the Company that he chooses not to extend the Employment Period. The date on which the Employment Period is scheduled to expire pursuant to whichever shall be the later of the date set forth in clause (i) above or the extended date as provided above is hereinafter referred to as the "Employment Expiration Date."

2. COMPENSATION

2.1 BASE SALARY. During the Employment Period, as compensation for Bergman's employment hereunder, Bergman shall receive a base salary at the rate of \$1,150,000 per annum, payable in accordance with the Company's normal payroll practices for its senior executive officers from time to time in effect. The base salary may be increased by such amounts and at such times as shall be determined by the Board of Directors or the Compensation Committee of the Board of Directors (the "Compensation Committee") from time to time, in its sole discretion. (The base salary, as it may be increased from time to time, is hereinafter referred to as the "Base Salary.")

2.2 INCENTIVE COMPENSATION. During the Employment Period, Bergman shall be eligible to receive, in addition to his Base Salary, incentive compensation ("Incentive Compensation") as follows: with respect to each year during the Employment Period, the Board of Directors or the Compensation Committee shall, after consultation with Bergman, establish a maximum annual Incentive Compensation opportunity for Bergman, to be expressed as a percentage of the Base Salary for such year, and performance criteria consistent with such performance-based criteria as are applicable to other Company senior management. All Incentive Compensation shall be paid as soon as practicable after the amount of such compensation has been finally determined, and in all events during the calendar year immediately following the calendar year with respect to which the Incentive Compensation was earned.

2.3 ADDITIONAL COMPENSATION. Nothing contained herein shall limit or otherwise restrict the Board of Directors from granting to Bergman at any time and from time to time such additional compensation as may be recommended from time to time by the Compensation Committee.

2.4 EXPENSES. The Company shall promptly reimburse Bergman for all expenses reasonably incurred by him in the performance of his duties under this Agreement in accordance with the Company's general policies and practices for senior executive officers in effect from time to time; provided that in no event shall any such reimbursement be made later than the later of (i) the 15th day of the third month following the end of the calendar year in which the applicable expense is incurred or (ii) the 15th day of the third month following the end of the fiscal year in which the applicable expense is incurred.

3. BENEFITS

3.1 BENEFITS. During the Employment Period, Bergman shall be entitled to participate in all benefit, welfare, perquisite, equity and other similar plans, policies and programs, in accordance with the terms as are generally provided from time to time by the Company for its senior management employees and for which Bergman is eligible. Unless

Bergman's employment shall have been terminated for Cause (in the manner and as defined in Section 4.3), during the period commencing immediately after Bergman's termination of employment for any reason and continuing (x) as to Bergman, for the life of Bergman, and (y) as to Bergman's spouse, for the life of his spouse, the Company shall continue the participation of Bergman and his spouse in all health and medical benefit plans, policies and programs in effect from time to time with respect to the senior executive officers of the Company and their families generally (at the same levels and at the same cost, if any, as provided to the senior executive officers of the Company generally immediately prior to his date of termination). Notwithstanding the foregoing, in the event the plan under which Bergman and his spouse were receiving health benefits immediately prior to Bergman's date of termination is not fully-insured, then the Company shall either (A) provide health coverage to Bergman and his spouse pursuant to a fully-insured replacement policy or (B) in lieu of such health coverage pay Bergman (or to his spouse, as applicable, in the event of his death) annual cash payments equal to the cost to Bergman (and/or his spouse) to obtain a replacement policy (*i.e.*, the premium costs), on a fully grossed-up basis, as determined on the termination date (adjusted for increase in the cost-of-living index, as defined in Treasury regulation § 1.401(a)(9)-6, Q&A-14(b)(2)); in either case for the remaining lives of Bergman and his spouse. In all cases, the annual cash payments described above (if applicable), and any gross up required to be provided under this Section 3.1, will be paid on each anniversary of Bergman's date of termination, commencing with the one-year anniversary of such date.

3.2 VACATION. During each calendar year during the Employment Period, Bergman shall be entitled to four (4) weeks of vacation and such other number of personal days generally afforded to senior executive officers of the Company.

3.3 AUTOMOBILE. During the Employment Period, the Company shall provide Bergman with first priority, non-exclusive use of a car and driver on the same basis as immediately prior to the Effective Date. At Bergman's option, the Company shall provide Bergman with the use of a new automobile during the Employment Period, similarly equipped to that last provided to him under the Prior Agreement, and shall pay the costs of fuel, maintenance, repairs and insurance. If Bergman's employment hereunder is terminated by the Company without Cause (as defined in Section 4.3), by the Company choosing not to extend the Employment Period, upon Bergman's Disability, or by Bergman pursuant to Section 4.1(c)(i) or (ii), the Company shall continue the arrangements in effect immediately prior to his termination of employment until the second anniversary of Bergman's date of termination. If Bergman's employment is terminated by the Company without Cause, by the Company choosing not to extend the Employment Period, or by Bergman for Good Reason pursuant to Section 4.1(c)(i), in any such case within two years after the date of a Change in Control, the Company shall continue the transportation arrangements in effect immediately prior to his termination of employment until the last day of the second calendar year following the calendar year in which Bergman's date of termination occurs, and (ii) shall pay on the second anniversary of Bergman's date of termination a lump sum in cash equal to the value of the applicable benefits specified in the prior sentence for the period from the last day of the second calendar year following the calendar year on which the termination date occurs until the third anniversary of his date of termination.

3.4 CONVERSION OF BENEFITS. During the Employment Period, Bergman shall be entitled to the same conversion privileges (including but not limited to cash conversions) with regard to the Company's benefit plans, policies and programs in which Bergman is entitled to participate under Section 3.1 as may be generally offered from time to time by the Company to its senior executive officers; provided that in the event of a cash conversion, the payment of such

cash conversion shall be made no later than the later of (i) the 15th day of the third month following the end of the calendar year in which the benefit is offered to senior executive officers or (ii) the 15th day of the third month following the end of the fiscal year in which the benefit is offered to senior executive officers.

3.5 GROSS-UP. To the extent that Bergman incurs any tax obligations as a result of the provisions of Section 3.3 during any calendar year, the Company shall pay to Bergman or the applicable taxing authority on Bergman's behalf, with respect to each such year, in accordance with its customary practice but in no event later than the 15th day of the third month following the end of such year, an amount equal to the sum of such taxes and all taxes payable on account of payments made to or on behalf of Bergman under this Section 3.5.

4. TERMINATION

4.1 TERMINATION OF EMPLOYMENT. Bergman's employment (and the Employment Period) shall terminate prior to the Employment Expiration Date upon the occurrence of any of the following events:

(a) upon Bergman's death or Bergman's Disability (pursuant to Section 4.2); or

(b) (i) by action of the Company for Cause; or (ii) by action of the Board of Directors without Cause upon 90 days' prior written notice to Bergman; or

(c) by Bergman (i) following the occurrence of an event that constitutes Good Reason, as hereinafter defined, or (ii) upon 180 days prior written notice to the Company.

A "Change in Control" shall be deemed to occur upon any of the following:

(A) acquisition of "beneficial ownership" (within the meaning of Rule 13d-3 promulgated under the Securities and Exchange Act of 1934, as amended (the "Act")) by any one "person" (as such term is defined in Section 3(a)(9) of the Act) or by any two or more persons deemed to be one "person" (as used in Section 13(d) or 14(d) of the Act)(each referred to as a "Person") excluding the Company, any subsidiary of the Company and any employee benefit plan sponsored or maintained by the Company or any subsidiary of the Company (including any trustee of any such plan acting in his or its capacity as trustee), of 33% or more of the combined total voting power of the then-outstanding voting securities of the Company (the "Outstanding Voting Securities") without the prior express approval of the Board of Directors;

(B) acquisition of "beneficial ownership" by any Person excluding the Company, any subsidiary of the Company and any employee benefit plan sponsored or maintained by the Company or any subsidiary of the Company (including any trustee of any such plan acting in his or its capacity as trustee), of more than 50% of the combined total voting power of the then Outstanding Voting Securities;

(C) directors elected to the Board of Directors over any 24-month period (except in the case of a Change in Control referred to in Section 5.4(c), a twelve-month period) not nominated by the Company's Nominating & Corporate Governance Committee (or a committee of the Board of Directors performing functions substantially similar to such committee) represent 30% (except in the case of a Change in Control referred to in Section 5.4(c), a majority) or more of

the total number of directors constituting the Board of Directors at the beginning of the period, (or such nomination results from an actual or threatened proxy contest);

(D) any merger, consolidation or other corporate combination of the Company (a "Transaction"), other than (i) a Transaction involving only the Company and one or more of its subsidiaries, or (ii) a Transaction immediately following which the stockholders of the Company immediately prior to the Transaction continue to be the beneficial owners of securities of the resulting entity representing more than 50% of the voting power in the resulting entity, in substantially the same proportions as their ownership of Outstanding Voting Securities immediately prior to the Transaction; and

(E) upon the sale of all or substantially all of the consolidated assets of the Company, other than (i) a distribution to stockholders, or (ii) a sale immediately following which the stockholders of the Company immediately prior to the sale are the beneficial owners of securities of the purchasing entity representing more than 50% of the voting power in the purchasing entity, in substantially the same proportions as their ownership of Outstanding Voting Securities immediately prior to the Transaction.

Solely for purposes of Section 5.4(c), no Change in Control shall be deemed to have occurred unless the circumstances of such Change in Control would be treated as having resulted in the occurrence of a "change in control event" as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(i).

A "Good Reason" event shall have occurred upon the taking of any of the following actions, without Bergman's written consent; provided that a Good Reason event shall not be deemed to have occurred unless Bergman shall have given written notice to the Company specifying the Good Reason event within 90 days of the occurrence of such event:

- (a) a material reduction or material adverse change in Bergman's responsibilities, duties, positions or authority, as provided in the Agreement, including, the failure to appoint Bergman to, or to continue Bergman in, any position to which he is required to be appointed under this Agreement.
- (b) any failure by the Company to provide the compensation, or any failure by the Company to provide the material benefits, agreed to be provided under this Agreement; provided, however, that any reduction in benefits generally applicable to senior management employees shall not constitute Good Reason;
- (c) any change in location of the Company's principal executive offices outside of the New York metropolitan area (which shall consist solely of New York City, Long Island and any other location within 35 miles of the Company's current principal executive offices);
- (d) any failure of the Company to obtain the express assumption of this Agreement as provided in Section 9(a) or 9(b), unless such assumption occurs by operation of law;

provided, however, that (i) a "Good Reason" event will not include acts which are cured by the Company within 30 days from receipt by it of a written notice from Bergman identifying in reasonable detail the act or acts constituting "Good Reason," and (ii) if the Company has failed to cure as provided above, a "Good Reason" event will not exist unless Bergman has thereafter given notice of termination for Good Reason within 30 days after the earlier of the expiration of

the 30-day cure period or the Company's notice to Bergman that it will not cure such Good Reason event.

4.2 DISABILITY. If, by reason of physical or mental disability, Bergman (i) is unable to carry out the material duties he has agreed to carry out under this Agreement for more than 180 days in any twelve-month period or (ii) is expected to be unable to carry out his duties for such period as certified by a Licensed Physician ("Disability"), the Employment Period shall terminate hereunder. A "Licensed Physician" shall be any qualified physician licensed to practice medicine in the State of New York as shall be mutually agreed by the Company and Bergman (or his representatives), such approval not to be unreasonably withheld or delayed. Bergman shall submit to an examination by a physician for purposes of the preceding provisions upon the request of the Board of Directors. During any period of Disability prior to such termination, Bergman shall continue to receive all compensation and other benefits provided herein as if he had not been disabled at the time, in the amounts and in the manner provided herein, provided that the Company shall be entitled to a credit against such amounts with regard to the amount, if any, paid to Bergman for such period under any disability plan of the Company.

4.3 CAUSE. For purposes of this Agreement, the term "Cause" shall be limited to (i) action or omission by Bergman involving willful malfeasance or willful misconduct having a material adverse effect on the Company (whether economically or as to reputation), (ii) Bergman being convicted of, or pleading NOLO CONTENDERE to, a felony (other than resulting from a traffic violation or like event) or being convicted of any other crime involving intentional dishonesty or fraud, (iii) any other action by Bergman constituting a material breach of Section 6 of this Agreement which is not cured within 30 days after notice from the Company. In the case of (i) above, no act or omission by Bergman shall be considered willful if it is done or omitted in good faith and with a reasonable belief that it was in the best interests of the Company. Termination by the Company for Cause pursuant to (i) or (iii) above will not be effective unless the Board of Directors has voted to terminate Bergman for Cause at a meeting of the Board of Directors called for such purpose after Bergman has been afforded at least three days notice of the meeting and an opportunity to be heard at a meeting of the Board of Directors; provided, however, that the Board of Directors may suspend Bergman with pay and benefits pending such Board of Directors meeting.

5. CONSEQUENCES OF TERMINATION

5.1 DEATH. If Bergman's employment hereunder is terminated by reason of Bergman's death, the Company shall have no further obligation to Bergman under this Agreement except that Bergman's heirs or estate shall be paid those obligations accrued hereunder to the date of his death, consisting only of (a) Bergman's unpaid Base Salary to the extent unpaid through the date of termination, (b) the annual Incentive Compensation due to Bergman, if any, for the last full fiscal year of the Company ending prior to the date of termination (if not previously paid), (c) the product of (i) the annual Incentive Compensation paid or payable to Bergman for the last full fiscal year of the Company ending prior to the date of termination multiplied by (ii) a fraction, the numerator of which is the number of days in the current fiscal year during which Bergman was employed by the Company, and the denominator of which is 365, (d) any accrued and unpaid vacation pay, and (e) to the extent permitted under this Agreement, any other amounts or benefits owing to Bergman or his beneficiaries under the then applicable benefit plans, policies and programs of the Company. (All amounts determined pursuant to the provisions of clauses (a) through (e) above are hereinafter referred to as "Accrued Obligations".) Unless otherwise required by any benefit plan qualified under Section 401(a) of

the Code (any such plan hereinafter referred to as a "Qualified Plan"), all Accrued Obligations shall be paid to Bergman's estate or designated beneficiaries, as the case may be, in a lump sum (to the extent such obligations are able to be paid in a lump sum, under the terms of the plan for which such obligation arose) in cash within 15 business days after the date of Bergman's death, and, otherwise, in accordance with the terms of the applicable plan or applicable law. Nothing in this Section 5.1 shall be deemed to affect the right of Bergman's spouse to receive the applicable benefits referred to in Section 3.1.

5.2 COMPANY TERMINATION FOR CAUSE OR RESIGNATION OTHER THAN FOR GOOD REASON. If Bergman's employment hereunder is terminated by the Company for Cause or by Bergman pursuant to Section 4.1(c)(ii) above, or by Bergman by non-renewal pursuant to Section 1.2, the Company shall have no further obligation to Bergman under this Agreement, except that, unless otherwise required by any Qualified Plan, Bergman shall be paid all Accrued Obligations to the date of termination (other than the obligations specified in clauses (b) and (c) of Section 5.1) in a lump sum (to the extent such obligations are able to be paid, under the terms of the plan for which such obligation arose, in a lump sum) in cash within 15 business days after the date of termination, and, otherwise, in accordance with the terms of the applicable plan or applicable law. Bergman shall not be entitled to receive the amounts specified in clauses (b) and (c) of Section 5.1. Nothing in this Section 5.1 shall be deemed to affect the right of Bergman or his spouse to receive the applicable benefits referred to in Section 3.1 unless Bergman's employment has been terminated by the Company for Cause.

5.3 COMPANY TERMINATION WITHOUT CAUSE OR DUE TO DISABILITY; RESIGNATION FOLLOWING GOOD REASON; NON-RENEWAL. Subject to Section 5.4(c), if Bergman's employment hereunder is terminated pursuant to Section 4.2 or by the Company without Cause, or by Bergman pursuant to Section 4.1(c)(i) above, or if the Company at any time chooses not to extend or not to continue to extend the Employment Period, in each case prior to the occurrence of a Change in Control, the Company shall have no further obligation to Bergman under this Agreement except that:

(a) Unless otherwise required by any Qualified Plan, Bergman shall be paid the Accrued Obligations to the date of termination (other than the obligations specified in clauses (b) and (c) of Section 5.1) in a lump sum (to the extent such obligations are able to be paid in a lump sum, under the terms of the plan for which such obligation arose) in cash within 15 business days after the date of termination, and, otherwise, in accordance with the terms of the applicable plan or applicable law; provided, that the obligations specified in clauses (b) and (c) of Section 5.1 shall be paid in a lump sum in cash at the time specified in the last sentence of Section 2.2.

(b) Bergman shall be paid, as severance pay, on the day immediately following the six-month anniversary of his date of termination:

- (i) in a lump sum in cash, an amount equal to 200% of Bergman's then annual Base Salary plus, in a lump sum in cash, an amount equal to 200% of Bergman's average annual Incentive Compensation recommended by the Compensation Committee to be paid or payable with respect to the immediately preceding three fiscal years of the Company ending prior to the date of termination; and
- (ii) in a lump sum in cash, an amount equal to the Make-Up Pension Payment (as defined below). For purposes of this Agreement, the "Make-Up Pension Payment" shall mean with respect to each "pension plan" (as such term is defined

in Section 3(2)(A) of the Employee Retirement Income Security Act of 1974, as amended) of the Company (or its subsidiaries) in which Bergman participated or had a benefit under at the date of termination, the value of the excess of (A) the fully vested value of the benefit to him under such plan, assuming additional credit for service for all purposes under such plan for the period from the date of termination through the Employment Expiration Date (the "Remaining Term"), continuation of Bergman's Base Salary for the Remaining Term, and that there are no earnings on plan funds in defined contribution type plans for any period after the date of termination, over (B) Bergman's vested accrued benefits pursuant to the provisions of each respective plan on the date of termination. (For purposes of calculating the Make-Up Pension Payment, the value of the excess shall be calculated using a discount rate equal to the applicable federal rate (as defined in Code Section 1274) in effect on the date of termination of employment and no other actuarial assumptions). Notwithstanding the foregoing, for purposes of any termination of employment occurring during the Employment Period, the "Remaining Term" under this clause (ii) shall mean the period from the date of termination through the immediately succeeding December 31.

(c) Nothing in this Section 5.3 shall be deemed to affect Bergman's or his spouse's right to receive the applicable benefits referred to in Section 3.1.

(d) With respect to an amount due to Bergman pursuant to Section 5.3(b)(i), the Company shall be entitled to a credit against such amount with regard to the amount, if any, payable to Bergman for such period under any disability plan of the Company.

5.4 TERMINATION OF EXECUTIVE IN CONNECTION WITH A CHANGE IN CONTROL. If Bergman's employment is terminated by the Company without Cause or by Bergman pursuant to Section 4.1(c)(i) within two (2) years following a Change in Control, the Company shall have no further obligation to Bergman under this Agreement except that:

(a) Unless otherwise required by any Qualified Plan, Bergman shall be paid all Accrued Obligations (other than the obligations specified in clauses (b) and (c) of Section 5.1) to the date of termination in a lump sum (to the extent such obligations are able to be paid in a lump sum, under the terms of the plan for which such obligation arose) in cash within 15 business days after the date of termination and, otherwise, in accordance with the terms of the applicable plan or applicable law; provided, that the obligations specified in clauses (b) and (c) of Section 5.1 shall be paid in a lump sum in cash at the time specified in the last sentence of Section 2.2.

(b) Bergman shall be paid, as severance pay, on the day immediately following the six-month anniversary of his date of termination:

- (i) in a lump sum in cash, an amount equal to 300% of Bergman's then annual Base Salary plus, in a lump sum in cash, an amount equal to 300% of Bergman's annual Incentive Compensation recommended by the Compensation Committee to be paid or payable with respect to whichever of the immediately preceding two (2) fiscal years of the Company ending prior to the date of termination was higher; and
- (ii) in a lump sum in cash, an amount equal to the Make-Up Pension Payment (as defined above).

(c) In the event Bergman's employment is terminated by the Company without Cause (i) within ninety (90) days prior to the occurrence of a Change in Control, or (ii) after the first public announcement of the pendency of a Change in Control (but on or prior to a Change in Control), Bergman shall be paid, as additional severance pay, on the day immediately following the later of the six-month anniversary of his date of termination and the date of the occurrence of the Change in Control, a lump sum cash amount equal to the sum of:

- (i) the excess, if any, of (A) 300% of Bergman's annual Base Salary at the rate in effect immediately preceding such termination of employment, plus 300% of Bergman's annual Incentive Compensation recommended by the Compensation Committee to be paid or payable with respect to whichever of the immediately preceding two (2) fiscal years of the Company ending prior to the date of termination was higher, over (B) the amount paid or payable to Bergman pursuant to Section 5.3(b)(i) (whether or not such amount has then been paid); and
- (ii) the excess, if any, of (A) the aggregate per share cash consideration, and the fair market value on such date of the aggregate per share non-cash consideration, paid or payable to the Company's common stockholders in the transaction which is the basis for the Change in Control, (or if no such consideration was then payable, the last trading price of the Company's common stock on the day immediately preceding the date of the event that resulted in the occurrence of the Change in Control), over (B) the strike price per share that would have been required to be paid in order to exercise each tranche of unvested options that expired at the time of Bergman's prior termination of employment, times the number of shares of Common Stock covered by each such tranche (such calculation to be performed separately for each tranche with a different strike price, and the aggregate amounts so calculated being the amount required to be paid under this clause (ii)).

The amounts provided for under this Section 5.4(c) are in addition to, and not in lieu of, the amounts provided for under Section 5.3.

(d) Nothing in this Section 5.4 shall be deemed to affect in any way Bergman's or his spouse's right to receive the applicable benefits referred to in Section 3.1.

(e) In the event that Bergman shall become entitled to the payments and/or benefits provided by this Section 5.4 or any other amounts (whether pursuant to the terms of this Agreement, including Section 5.3, or any other plan, arrangement or agreement with the Company) (collectively the "Company Payments") and such Company Payments will be subject to the tax (the "Excise Tax") imposed by Section 4999 of the Code (or any similar tax that may hereafter be imposed), the Company shall pay to Bergman, an additional amount (the "Gross-up Payment") such that the net amount retained by Bergman, after deduction of any Excise Tax on the Company Payments and any federal, state and local income tax and Excise Tax upon the Gross-up Payment provided for by this Section 5.4(e), but before deduction for any federal, state or local income tax on the Company Payments, shall be equal to the Company Payments.

(f) For purposes of determining whether any of the Company Payments and Gross-up Payments (collectively the "Total Payments") will be subject to the Excise Tax and the amount of such Excise Tax, (i) the Total Payments shall be treated as "parachute payments" within the meaning of section 280G(b)(2) of the Code, and all "parachute

payments" in excess of the "base amount" (as defined under Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless and except to the extent that, in the written opinion (at the substantial authority level) of the Company's independent certified public accountants appointed prior to any change in ownership (as defined under Section 280G(b)(2) of the Code) or tax counsel selected by such accountants (the "Accountants") such Total Payments (in whole or in part) either do not constitute "parachute payments," represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the "base amount" or are otherwise not subject to the Excise Tax, and (ii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280G of the Code.

(g) For purposes of determining the amount of the Gross-up Payment, Bergman's actual marginal rate of federal income taxation in the calendar year in which the Gross-up Payment is to be made shall be used and the actual marginal rate of taxation in the state and locality of Bergman's residence for the calendar year in which the Company Payment is to be made shall be used, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year, after taking into account the limitation on the deductibility of itemized deductions, including such state and local taxes, under Section 68 of the Code. In the event that the Excise Tax is subsequently determined finally by the Internal Revenue Service to be less than the amount taken into account thereunder at the time the Gross-up Payment is made, Bergman shall pay to the Company, the portion of the prior Gross-up Payment attributable to such reduction (plus the portion of the Gross-up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the portion of the Gross-up Payment being paid by Bergman if, and to the extent, such payment results in a reduction in Excise Tax or a federal and state and local income tax deduction), plus interest on the amount of such payment at the rate provided in Section 1274(b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Gross-up Payment to be paid to the Company has been paid to any federal, state or local tax authority, payment (and related amounts) shall not be required until actual refund or credit of such portion has been made to Bergman and, interest payable to the Company shall not exceed the interest received or credited to Bergman by such tax authority for the period it held such portion. Bergman and the Company shall mutually agree upon the course of action to be pursued (and the method of allocating the expenses) if Bergman's good faith claim for refund or credit is denied.

In the event that the Excise Tax is later determined by the Internal Revenue Service to exceed the amount taken into account hereunder at the time the Gross-up Payment is made (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-up Payment), the Company shall make an additional Gross-up Payment in respect of such excess (plus any interest or penalties payable with respect to such excess). The Gross-up Payment shall be paid, (i) in the case of amounts required to be withheld and paid to the Internal Revenue Service by the Company, on the date such withholding is required to be paid, and (ii) in the case of any other amount required to be paid as a Gross-Up Payment hereunder, as soon as practicable during and not later than the end of the taxable year in which Bergman remits the related taxes. In the event that the amount of the payments actually made by the Company as Gross-Up Payments hereunder is finally determined to have exceeded the amount that should have been paid, such excess shall be payable to the Company on the fifth day after demand by the Company, less any taxes that have been paid with respect thereto. In the

event that the Company is required to make an additional Gross-Up Payment as a result of a later and final determination by the Internal Revenue Service, then such additional Gross-Up Payment shall be paid by the Company no later than the date by which such taxes were due to have been paid as a result of such final and non-appealable determination, and in all events by the end of the taxable year following the date of such determination, or on such earlier date as payment is due to avoid Bergman becoming subject to the entry of a judgment against him or other action by the Internal Revenue Service to enforce such assessment.

5.5 OFFICE SUPPORT. If Bergman's employment hereunder is terminated by the Company without Cause (as defined in Section 4.3), by the Company choosing not to extend the Employment Period, upon Bergman's Disability, or by Bergman pursuant to Section 4.1(c)(i) or (ii), prior to the occurrence of a Change in Control, then the Company, at its cost, shall provide Bergman, an office comparable to that used by him prior to his termination and related office support (including making available the services of one executive assistant) until the second anniversary of Bergman's date of termination. If Bergman's employment hereunder has been terminated by the Company choosing not to extend the Employment Period, upon Bergman's Disability, or by Bergman pursuant to Section 4.1(c)(i) or (ii), on or after the occurrence of a Change in Control, the Company (i) shall provide Bergman such office and related office support (including making available the services of one executive assistant) until the last day of the second calendar year following the calendar year in which Bergman's date of termination occurs and (ii) shall pay on the second anniversary of Bergman's date of termination a lump sum in cash equal to the value of the office and related office support specified above (including the costs of one executive assistant) for period from the last day of the second calendar year following the calendar year on which date of termination occurs until the third anniversary of his date of termination.

5.6 VESTING OF OPTIONS, ETC. Notwithstanding anything to the contrary in any other agreement between the Company and Bergman, upon the occurrence of a "Change in Control" as such term is defined in Section 4.1, any and all options held by Bergman (or his assignees, if assignment is permissible) to purchase Company capital stock, to the extent not theretofore vested, shall be fully vested and, with respect to any and all shares of stock theretofore issued to Bergman bearing restrictions on transfer imposed by the Company, such restrictions shall thereupon lapse.

6. CONFIDENTIAL INFORMATION, NON-COMPETITION, ETC.

(a) (i) Both during and after the Employment Period, Bergman shall hold in a fiduciary capacity for the benefit of the Company and shall not, without the prior written consent of the Company, communicate or divulge (other than in the regular course of the Company's business), to anyone other than the Company, its subsidiaries and those designated by it, any confidential or proprietary information, knowledge or data relating to the Company or any of its subsidiaries, or to any of their respective businesses, obtained by Bergman before or during the Employment Period except to the extent (A) disclosure is made during the Employment Period by Bergman in the course of his duties hereunder and Bergman reasonably determines in good faith that it is in the best interest of the Company to do so, (B) Bergman is compelled pursuant to an order of a court or other body having jurisdiction over such matter to do so (in which case the Company shall be given prompt written notice of such intention to divulge not less than five (5) days prior to such disclosure or such shorter period as the circumstances may reasonably require) or (C) such

information, knowledge or data is or becomes public knowledge or is or becomes generally known within the Company's industry other than through improper disclosure by Bergman.

(ii) Bergman acknowledges and agrees that the whole interest in any invention, improvement, confidential information, copyright, design, plan, drawing or data, including all worldwide rights to copyrights or any other intellectual property rights (collectively, the "Rights") arising out of or resulting from Bergman's performance of his duties during the Employment Period shall be the sole and exclusive property of the Company. Bergman undertakes (at the expense of the Company) to execute any document or do any reasonably necessary act to enable the Company to obtain or to assist the Company in obtaining any Rights. Bergman hereby irrevocably appoints the Company to be his attorney-in-fact to execute in his name and on his behalf any instrument required and take any actions reasonably necessary for the purpose of giving to the Company the full benefit of the provisions of this subsection; provided, however, that the Company shall notify Bergman prior to executing any such instruments or taking any such actions.

(b) Bergman will not (other than on behalf of the Company) directly or indirectly, during the Employment Period and thereafter until the end of the "Restricted Period," as an individual proprietor, partner, stockholder, officer, employee, director, joint venturer, investor, lender, or in any other capacity whatsoever (other than as the holder of not more than one (1) percent of the total outstanding stock of a publicly held company other than Schein Pharmaceutical, Inc., (x) engage in any activity competitive with a material segment of the business of the Company, or (y) recruit, solicit or induce any employee or employees of the Company (other than his personal administrative assistant) to terminate their employment with, or otherwise cease their relationship with, the Company. The "Restricted Period" shall end (A) one (1) year after termination of employment if termination is due to a termination by the Company without Cause, by Bergman pursuant to Section 4.1(c)(i) or (iii) or because of Bergman's Disability (such one-year period may be extended for an additional year at the Company's option; provided, however, that upon making such election which shall be made no less than 180 days prior to the expiration of such one-year period, the Company shall pay Bergman on the day immediately following the six-month anniversary of his date of termination, a lump sum cash amount equal to 100% of his Base Salary (as of the date of such termination)), or (B) upon the later of the second anniversary of the expiration of the Employment Period and the Employment Expiration Date, if such termination is due to a termination by the Company for Cause or by Bergman pursuant to Section 4.1(c)(ii).

(c) If any restriction set forth in Section 6(b) is found by any court of competent jurisdiction or arbitrator to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

(d) The restrictions contained in Sections 6(a) and (b) are necessary for the protection of the business and goodwill of the Company and are considered by Bergman to be reasonable to such purpose. Bergman acknowledges and agrees that money damages would not adequately compensate the Company for any breach of Sections 6(a) or 6(b) and will cause the Company substantial and irreparable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, the Company shall have the right to seek specific performance and injunctive relief.

7. NO MITIGATION; NO SET-OFF

The Company agrees that if Bergman's employment with the Company is terminated prior to the Employment Expiration Date for any reason whatsoever, Bergman is not required to seek other employment or to attempt in any way to reduce any amounts payable to Bergman by the Company pursuant to this Agreement. Further, the amount of any payment provided for in this Agreement shall not be reduced by any compensation earned by Bergman as the result of employment by another employer or otherwise; and the amount of any benefit provided for in this Agreement (other than the health and medical benefits to the extent provided for in Section 3.1) shall not be reduced by any benefit provided to Bergman as the result of employment by another employer or otherwise. The Company's obligations to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, or other similar right which the Company may have against Bergman.

8. LEGAL FEES

If the Company fails to timely make any payment due hereunder and Bergman seeks to collect such amounts or negotiate a settlement, and either (i) reaches a settlement for any part or all of the payments provided for hereunder, or (ii) successfully enforces the terms of this Agreement, through litigation or arbitration, by or through a lawyer, the Company shall advance all reasonable costs of such collection or enforcement, including reasonable legal fees and disbursements and other fees and expenses which Bergman may incur, promptly after submission of documentation reasonably acceptable to the Company in respect of such costs and expenses. All amounts paid by the Company shall promptly be refunded to the Company if and when a court of competent jurisdiction finds that the Company is entitled to have such sums refunded or if a settlement is reached which is insubstantial compared to the damages that were requested. The Company shall pay or reimburse Bergman for all reasonable legal fees (not in excess of \$7,500) incurred by him in connection with the negotiation and execution of this Agreement; provided that such payment or reimbursement shall be paid promptly and in no event later than the later of (i) the 15th day of the third month following the end of the calendar year in which the legal fees are incurred or (ii) the 15th day of the third month following the end of the fiscal year in which the legal fees are incurred.

9. SUCCESSORS; BINDING AGREEMENT

(a) Unless otherwise resulting by operation of law, the Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree in writing to perform this Agreement in the same manner, and to the same extent that the Company would be required to perform it if no such transaction had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(b) The Company may not assign this Agreement except in connection with, and to the acquiror of, all or substantially all of the business or assets of the Company, provided such acquiror expressly assumes and agrees in writing to perform this Agreement as provided in Section 9(a).

(c) This Agreement shall inure to the benefit of and be enforceable by Bergman and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees; provided, however, that this Agreement may not be assigned by Bergman.

(d) The parties agree that, in addition to the persons or entities referred to in Section 9(c) above, who shall be third party beneficiaries of the entire Agreement in the event of Bergman's death or Disability, Bergman's spouse is a third party beneficiary of Section 3.1 and, to the extent that the events described therein would cause her to be entitled to the benefit of rights granted to her under Section 3.1, or any provision of Section 5, she shall have the right to enforce such provisions as fully as if she were a party to this Agreement.

10. MISCELLANEOUS

(a) Any notices or other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly made, given or received when hand-delivered, one (1) business day after being transmitted by telecopier (confirmed by mail) or sent by overnight courier against receipt, or five (5) days after being mailed by registered or certified mail, postage prepaid, return receipt requested, to the party to whom such communication is given at the address set forth below, which address may be changed by notice given in accordance with this Section:

If to the Company:

Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747
Attention: Corporate Secretary

If to Bergman:

Stanley M. Bergman
c/o Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747

(b) If any provision of this Agreement shall be held by court of competent jurisdiction to be illegal, invalid or unenforceable, including, without limitation, under any provision of the Sarbanes-Oxley Act of 2002, as amended from time to time, such provision shall be construed and enforced as if it had been more narrowly drawn so as not to be illegal, invalid or unenforceable and such illegality, invalidity or unenforceability shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

(c) No provision of this Agreement may be modified, waived or discharged except by a waiver, modification or discharge in writing signed by Bergman and such officer as may be designated by the Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or in compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter have been made by either party which are not expressly set forth in this Agreement.

(d) This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Company and Bergman with respect to the subject matter, including, without limitation, as of the effective date of this Agreement, the Prior Agreement.

(e) This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of New York, without reference to rules relating to conflicts of law.

(f) The section headings herein are for the purpose of convenience only and are not intended to define or limit the contents of any section.

(g) The parties may sign this Agreement in counterparts, all of which shall be considered one and the same instrument.

(h) It is intended that the provisions of this Agreement comply with, or be exempt from, Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively "CODE SECTION 409A"), and all provisions of this Agreement (or of any award of compensation, including equity compensation or benefits) shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. Notwithstanding the foregoing, the Company does not guarantee any particular tax treatment and the Company shall have no liability with regard to any failure to comply with Code Section 409A. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits, which are subject to Code Section 409A, upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A (and the guidance issued thereunder) and, for purposes of any such provision of this Agreement, references to a "resignation," "termination," "termination of employment," "retirement" or like terms shall mean separation from service.

IN WITNESS WHEREOF, the parties hereto have set their hands as of the day and year first above written.

HENRY SCHEIN, INC.

By: /s/ Steven Paladino
Authorized Officer

By: /s/ Stanley M. Bergman
STANLEY M. BERGMAN

December 11, 2008

Mr. Stanley Komaroff

Dear Mr. Komaroff,

The following is an amendment and restatement of your letter agreement, dated October 10, 2003 (as amended), with Henry Schein, Inc. and sets forth the terms and conditions of your employment with Henry Schein, Inc., effective as of December 11, 2008 (the "EFFECTIVE DATE"). This letter agreement (the "LETTER AGREEMENT") amends and restates any and all prior agreements between you and the Company relating to the subject matter hereof.

1. **Title and Position.** You will have the title of Senior Advisor, Member of the Executive Management Committee, or such other title as mutually agreed. Your primary responsibilities shall be devoted to (i) overseeing the Legal Department, (ii) overseeing the Department of Regulatory Affairs, (iii) advising members of the Executive Management Committee, and (iv) becoming involved in business development and any other matters that you are reasonably requested to do by the Chairman or Chief Executive Officer ("CEO") that is commensurate with your position. You will be a member of the Executive Management Committee and report directly to the Chairman and CEO.
2. **Office Location.** You will be located at the principal executive offices of the Company, currently located in Melville, New York.
3. **Time Commitment.** You will devote at least 75% of your business time to the performance of your duties with the Company. You will be available as necessary at other times, subject to coordination with other commitments.
4. **Term of Contract.** Unless either you or the Company give notice to one another, not less than 60 days prior to the end of the Employment Expiration Date (defined below) of an intent not to extend the term, the Employment Expiration Date shall thereafter be automatically extended for additional one-year periods and your employment shall continue on terms substantially similar to the terms contained herein subject to the last sentence of paragraphs 5(a), 5(b) and 5(c) (the "EMPLOYMENT TERM"). Your giving notice referred to in the immediately preceding sentence shall be deemed an election by you to retire under the provisions hereof. The Employment Term shall end upon the termination of your employment for any reason. The date on which the Employment Term is scheduled to end, irrespective of any earlier employment termination, is referred to as the "EMPLOYMENT EXPIRATION DATE."
5. **Compensation.**
 - a. **Base Salary.** Commencing January 1, 2008, as compensation for your employment, you will receive an annual base salary as shall be determined by the CEO, in consultation with the compensation committee of the Board, in all cases payable in accordance with the Company's normal payroll practices for its senior

executive officers as in effect from time to time (the base salary, as in effect from time to time, is hereinafter referred to as the "BASE SALARY").

- b. Equity Compensation. During the Employment Term, you will be eligible to receive annual grants of (i) options to purchase shares of capital stock of the Company, (ii) shares of restricted stock of the Company, and/or (iii) other equity-related awards with respect to shares of capital stock of the Company, in each case, at such times, with the same terms, and in the same manner as applicable to other senior executive officers of the Company, except as modified by the specific provisions set forth in this Letter Agreement. The amount of your equity compensation shall be determined by the CEO, in consultation with the compensation committee of the Board.
- c. Incentive Compensation. During the Employment Term, you will be eligible to receive, in addition to Base Salary, annual incentive compensation (the "INCENTIVE COMPENSATION"). Your Incentive Compensation may be awarded pursuant to the 2001 Henry Schein, Inc. Section 162(m) Cash Bonus Plan (the "162(M) PLAN") or any another annual incentive compensation plan maintained by the Company. All Incentive Compensation shall be paid as soon as practicable after the amount of such compensation has been finally determined, and in all events during the calendar year immediately following the calendar year with respect to which the Incentive Compensation was earned. Your Incentive Compensation shall be determined by the CEO, in consultation with the compensation committee of the Board, except as may be required by law or the terms and conditions of the 162(m) Plan, in which case the Incentive Compensation shall be determined by the compensation committee of the Board.
- d. Expenses. The Company will reimburse you for all expenses you reasonably incur in the performance of your duties with the Company, in accordance with the Company's general policies and practices for senior executive officers in effect from time to time; provided that in no event shall any such reimbursement be made later than the later of (i) the 15th day of the third month following the end of the calendar year in which the applicable expense is incurred or (ii) the 15th day of the third month following the end of the fiscal year in which the applicable expense is incurred.
- e. Benefits. During the Employment Term, you will be entitled to participate in all benefit, welfare, perquisite, equity and other similar plans, policies and programs, in accordance with the terms thereof, as are generally provided from time to time by the Company for its senior executive officers and for which you are eligible. To the extent that any benefit offered from time to time by the Company to its senior executive officers generally is not available to you, by reason of age, you will receive an amount of cash equal to the amount it would have cost the Company to provide such benefit at the highest age for which it could be provided, and such cash payment shall be made no later than the later of (i) the 15th day of the third month following the end of the calendar year in which the benefit is offered to senior executive officers or (ii) the 15th day of the third month following the end of the fiscal year in which the benefit is offered to senior executive officers.

- f. Vacation. During each calendar year during the Employment Term, you will be entitled to four weeks of vacation and such other number of personal days generally afforded to senior executives of the Company.
 - g. Automobile Allowance. During the Employment Term, the Company will provide you with an automobile allowance of \$18,000 per year payable in 12 substantially equal monthly installments, which amount will increase to the extent that the automobile allowances of other senior executive officers increase.
 - h. Change in Control Agreement. You will be covered by a change in control agreement in the same form as that applicable to other senior executive officers of the Company.
6. Employment Termination.
- a. Death; Disability. If your employment hereunder is terminated by reason of your death or Disability (as defined below), the Company will have no further obligation to you under this Letter Agreement except that you (or your heirs or estate, if applicable) will be paid those obligations accrued hereunder to the date of your employment termination, consisting only of (i) any unpaid Base Salary to the extent unpaid through the date of termination, which will be paid to you in a lump sum within 15 days after your employment termination, (ii) any deferred compensation earned but not yet paid (together with any accrued earnings thereon), which will be paid in accordance with the payment provisions of the applicable plan(s), (iii) any annual Incentive Compensation due to you for the last full fiscal year of the Company ending prior to the date of termination (if not previously paid) which shall be paid no later than the time specified in the last sentence of Section 5(c) above, (iv) the product of (A) the annual Incentive Compensation actually payable to you for the current fiscal year of the Company, multiplied by (B) a fraction, the numerator of which is the number of days in such fiscal year during which you were employed by the Company, and the denominator of which is 365 (such amount to be paid to you when and as such Incentive Compensation is paid to senior executive officers of the Company generally, but no later than the time specified in the last sentence of Section 5(c) above), (v) to the extent consistent with Company policy, any accrued and unpaid vacation pay and payment for unreimbursed expenses, which will be paid to you in a lump sum within 15 days after your termination of employment, and (vi) any other amounts or benefits owing to you or your beneficiaries under the then applicable benefit plans, policies and programs of the Company with respect to senior executive officers, which will be paid to you in accordance with the payment provisions of such benefits plans, policies or programs. (All amounts determined pursuant to the provisions of in clauses (i) through (vi) above are hereinafter referred to as the "ACCRUED OBLIGATIONS"). Upon such employment termination, if and to the extent provided to members of senior management, you will vest in equity-related awards with respect to shares of Company capital stock previously granted to you, and such awards will remain exercisable following termination, in each case to the extent provided or to be provided to members of senior management; provided, however, that the post-termination exercise period with regard to stock options will be at least three years (but not beyond the original term of such awards). Nothing herein will be

deemed to limit or expand in any way the right of your family to receive any death or disability benefit payable to them pursuant to any insurance policy. For purposes of this Letter Agreement, "DISABILITY" means your employment termination by the Company following your inability to perform your material duties for 180 days in any 365-day period due to your physical or mental incapacity. During any period of such incapacity, you will continue to receive all compensation and other benefits provided herein as if you had not been incapacitated at the time, in the amounts and in the manner provided herein, provided that the Company will be entitled to a credit against such amounts with regard to the amount, if any, paid to you for such period under any disability plan of the Company. Notwithstanding the foregoing, in the event your termination of employment is due to your Disability, any amounts payable to you as set forth above, will not be paid earlier than the day following the six-month anniversary of your termination of employment.

- b. Company Termination for Cause or Resignation Other Than for Good Reason (except Retirement). If your employment hereunder is terminated by the Company for Cause or you resign without Good Reason (other than Retirement), the Company will have no further obligation to you under this Letter Agreement, except that, unless otherwise required by any employee benefit plan, you will be paid all Accrued Obligations to the date of termination in accordance with such time periods and the payment provisions set forth in 6(a) above. Notwithstanding the preceding sentence, in the event of a termination by the Company for Cause or a resignation by you without Good Reason (other than Retirement), you will not be entitled to receive the payments specified in paragraphs 6(a)(iii) and (iv) above. For purposes of this Letter Agreement, "GOOD REASON" means (i) any diminution in title or material diminution in your position, duties, responsibilities or authority (except by reason of physical or mental incapacity or approved leave of absence), or assignment to you of duties or responsibilities that are materially inconsistent with your position at the time of such assignment, or (ii) any material breach by the Company of this Letter Agreement (including failure of successor to assume contractual duties in writing) not cured within 15 days after written notice thereof is given by you to the Company, and "CAUSE" means (i) an action or omission by you involving willful malfeasance or willful misconduct having a material adverse effect (whether economic or as to reputation) on the Company, (ii) your conviction of, or pleading nolo contendere to, a felony (other than resulting from a traffic violation or like event) or your conviction of any other crime involving intentional dishonesty or fraud, or (iii) any other action by you constituting a material breach of your employment that is not cured within 15 days after notice from the Company thereof. In the case of clause (i) of this Cause definition, no act or omission by will be considered willful if it is done or omitted in good faith and with a reasonable belief that it was in the best interests of the Company.
- c. Company Termination Without Cause; Resignation for Good Reason; Non-Renewal. If your employment hereunder is terminated by the Company without Cause, if you resign for Good Reason, or if the Company provides you with a non-renewal notice, the Company will have no further obligation to you under this Letter Agreement except that:

- i. Unless otherwise required by an employee benefit plan, you will be paid all Accrued Obligations to the date of termination in accordance with such time periods and the payment provisions set forth in 6(a) above.
 - ii. If your employment hereunder is terminated by the Company without Cause, if you resign for Good Reason or if the Company provides you with a notice of non-renewal, in each case, with respect to any period occurring prior to January 1, 2010, you will be paid as severance pay, (A) one times your Base Salary, payable in a lump sum in cash on the first business day immediately following the six-month anniversary of your employment termination date and (B) 100% of your prior year's incentive bonus, payable in cash within 30 business days after the calculation. Notwithstanding the foregoing, if your employment hereunder is terminated by the Company without Cause, if you resign for Good Reason or if the Company provides you with a non-renewal notice, in each year, with respect to any period after December 31, 2009, the Company shall have no severance pay obligations to you under this Letter Agreement.
 - iii. If your employment is terminated with Cause, any unvested stock options shall not vest and shall be forfeited.
- d. Retirement. If your employment terminates by reason of resignation without Good Reason ("RETIREMENT"), the Company will have no further obligation to you under this Letter Agreement, except that, unless otherwise required by any employee benefit plan and except as expressly set forth herein, you will be paid all Accrued Obligations to the date of termination.
- e. Termination Other Than for Cause or Due to Death or Disability. If your employment terminates for any reason by you or the Company other than for Cause or due to death or Disability, then (i) such termination of employment will be treated as a retirement under all equity plans, (ii) any shares of Company capital stock or other equity-based awards (other than stock options) previously granted to you and subject to restrictions will immediately vest in full, except that such shares or equity-based awards shall continue to be subject to any performance-based restrictions set forth in the applicable award agreement, and (iii) any stock options to purchase shares of capital stock of the Company previously granted to you will continue to vest (as scheduled) for 30 months following Retirement (at which time all unvested stock options will vest in full) and will remain exercisable for at least three years following such termination, but not beyond the original term of such awards. The terms of this section shall apply to all equity awards, whether heretofore or hereafter granted.
- f. Other. Notwithstanding the foregoing, upon your termination of employment from the Company for any reason whatsoever, you will retain your rights to indemnification as set forth in Section 10 of this Letter Agreement.

7. Treatment of Equity Due to Post-Termination Service. Notwithstanding anything to the contrary contained herein, if you serve as a director or consultant to the Company following your employment termination, equity-related awards with respect to shares of Company capital stock previously granted to you will continue to be exercisable, and, to the extent not fully vested, will continue to vest, in each case during such period, and any

stock options vested at the conclusion of such period shall remain exercisable for the period specified herein upon the applicable termination of employment, but measured from the cessation of such consulting or directorship (as the case may be), but not beyond their original term.

8. Confidential Information; Noncompetition; Etc.

- a. Both during and after the Employment Term, you will hold in a fiduciary capacity for the benefit of the Company and will not, without the prior written consent of the Company, communicate or divulge (other than in the regular course of the Company's business), to anyone other than the Company, its subsidiaries and those designated by it, any confidential or proprietary information, knowledge or data relating to the Company or any of its subsidiaries, or to any of their respective businesses, obtained by you before or during the Employment Term except to the extent (i) disclosure is made during the Employment Term by you in the course of your duties hereunder and you reasonably determine in good faith that it is in the best interest of the Company to do so, (ii) you are compelled pursuant to an order of a court or other body having jurisdiction over such matter to do so (in which case the Company shall be given prompt written notice of such intention to so divulge not less than five days prior to such disclosure or such shorter period as the circumstances may reasonably require) or (iii) such information, knowledge or data is or becomes public knowledge or is or becomes generally known within the Company's industry other than through improper disclosure by you.
- b. You acknowledge and agree that the whole interest in any invention, improvement, confidential information, copyright, design, plan, drawing or data, including all worldwide rights to copyrights or any other intellectual property rights (collectively, the "RIGHTS") arising out of or resulting from performance of your duties during the Employment Term shall be the sole and exclusive property of the Company. You undertake (at the expense of the Company) to execute any document or do any reasonably necessary act to enable the Company to obtain or to assist the Company in obtaining any Rights. You hereby irrevocably appoint the Company to be your attorney-in-fact to execute in your name and on your behalf any instrument required and take any actions reasonably necessary for the purpose of giving to the Company the full benefit of the provisions of this subsection; provided, however, that the Company shall notify you prior to executing any such instruments or taking any such actions.
- c. You will not (other than on behalf of the Company) directly or indirectly during the Employment Term, as an individual proprietor, partner, stockholder, officer, employee, director, joint venturer, investor, lender, or in any other capacity whatsoever (other than as the holder of not more than one percent of the total outstanding stock of a publicly held company) engage in any activity competitive with a material segment of the business of the Company. We recognize that you may serve on the boards of directors of one or more hospitals that are customers of the Company. You may serve on any such boards (including as the nonexecutive chairman or vice chairman of any such board), but you shall abstain from being involved in any purchase decisions with regard to the Company or products of a type the Company sells.

- d. If any restriction set forth in this section is found by any court of competent jurisdiction or arbitrator to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.
 - e. The restrictions contained in this section are necessary for the protection of the business and goodwill of the Company and are considered by you to be reasonable to such purpose. You acknowledge and agree that money damages would not adequately compensate the Company for any breach of this section, which would cause the Company substantial and irreparable damage. Therefore, in the event of any such breach, in addition to such other remedies which may be available, the Company shall have the right to seek specific performance and injunctive relief.
9. **No Mitigation; No Set-Off.** The Company agrees that if your employment with the Company is terminated prior to the Employment Expiration Date for any reason whatsoever, you are not required to seek other employment or to attempt in any way to reduce any amounts payable to you by the Company pursuant to this Letter Agreement. Further, the amount of any payment provided for in this Letter Agreement shall not be reduced by any compensation earned by you as the result of employment by another employer or otherwise. The Company's obligations to make the payments provided for in this Letter Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, or other similar right that the Company may have against you.
10. **Indemnification.** The Company will indemnify you (or, in the event of your death, your heirs, executors, administrators or legal representatives) and hold you harmless, in each case to the fullest extent permitted by the by-laws of the Company, against and in respect to any and all actions, suits, proceedings, claims, demands, judgments, costs, expenses (including attorney's fees), penalties, fines, settlements, losses, and damages resulting from, or in connection with, your employment with the Company, including but not limited to as an officer and director of any subsidiary or parent or as a fiduciary of any employee benefit plan. The Company will cover you under directors and officers liability insurance both during and after the termination or expiration of the Employment Term in the same amount and to the same extent as the Company covers its other senior executive officers and directors.
11. **No Assignments.** This Letter Agreement is personal to each of the parties hereto. Except as provided in the next sentence, no party may assign or delegate any rights or obligations hereunder without first obtaining the written consent of the other party hereto. As used in this Letter Agreement, the "Company" shall mean the Company and any successors or assigns. This Letter Agreement shall inure to the benefit of and be enforceable by you and your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder had you continued to live, all such amounts, unless otherwise provided herein, will be paid in accordance with the terms of this Letter Agreement to your estate.

12. Section Headings. The section headings used in this Letter Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Letter Agreement
13. Code Section 409A. It is intended that the provisions of this Letter Agreement comply with, or be exempt from, Section 409A of Internal Revenue Code of 1986 (as amended) and the regulations and guidance promulgated thereunder (collectively "CODE SECTION 409A"), and all provisions of this Letter Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. Notwithstanding the foregoing, the Company does not guarantee any particular tax treatment and the Company shall have no liability with regard to any failure to comply with Code Section 409A. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Letter Agreement providing for the payment of any amounts or benefits, which are subject to Code Section 409A, upon or following a termination of employment, unless such termination is also a "separation from service" within the meaning of Code Section 409A (and the guidance issued thereunder) and, for purposes of any such provision of this Letter Agreement, references to a "resignation," "termination," "termination of employment," "retirement" or like terms shall mean separation from service.
14. Miscellaneous. This Letter Agreement, together with any exhibits hereto (including the change of control agreement), sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein, and this Letter Agreement supersedes any prior written understanding entered into between the parties with respect to the subject matter hereof. No agreements or representations, oral or otherwise, express or implied, which are not expressly set forth in this Letter Agreement, have been made by either party with respect to the subject matter hereof. The validity, interpretation, construction and performance of this Letter Agreement shall be governed by the laws of the State of New York applicable to agreements made and to be performed entirely within such State.
15. Counterparts. This Letter Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instruments.

We look forward to having you at the Company. If you find the terms of this Letter Agreement acceptable, please sign below and return it to me.

Very truly yours,

Henry Schein, Inc.
Agreed and accepted:

By /s/ Stanley M. Bergman
STANLEY BERGMAN
EXECUTIVE CHAIRMAN
AND CHIEF EXECUTIVE OFFICER

Agreed and accepted:

/s/ Stanley Komaroff
STANLEY KOMAROFF

Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747

December 12, 2008

[name of executive officer]
c/o Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747

Dear [name of executive officer]:

In recognition of the Henry Schein, Inc.'s ("HSI" or the "Company") desire to assure your continued services in the event of a pending or actual Change in Control (as hereinafter defined) of HSI, the Company's Board of Directors is pleased to offer you the Change in Control protection outlined in this letter agreement (the "Agreement"). This Agreement amends and restates in its entirety any and all prior agreements between you and the Company relating to the subject matter hereof.

1. Term of Agreement. The term of this Agreement shall commence on December 11, 2008 (the "Effective Date") and continue in full force and effect indefinitely.
2. Entitlement to Severance Benefits.

(a) Cash Severance Benefit. In the event your employment is terminated (a "Termination") by the Company without Cause or by you for Good Reason, in either case within two years following a Change in Control, you shall be entitled to receive the sum of the following, payable in a cash: (i) Base Salary through the Termination date, which shall be paid no later than 15 days after the Termination date; (ii) a pro rata annual incentive compensation award at target for the year in which the Termination occurs, which shall be paid in the calendar year immediately following the calendar year in which the Termination date occurs, and (iii) an amount equal to 300% of the sum of your Base Salary plus your target annual cash bonus which will be paid on the first business day immediately following the six-month anniversary of the Termination date. In addition, notwithstanding the foregoing, in the event your employment is terminated by the Company without Cause or by you for Good Reason, in either case (x) within 90 days prior to the effective date of a Change in Control, or (y) after the first public announcement of the pendency of the Change in Control, such termination shall, upon the effective date of a Change in Control, be deemed to be a "Termination" covered under the preceding sentence of this Section 2(a), and you shall be entitled to the amounts provided for under the preceding sentence.

(b) Other Severance Benefits. In the event you are entitled to the amounts provided for in Section 2(a) hereof, and notwithstanding anything to the contrary contained in any stock option or restricted stock agreement, you shall also be entitled to the following: (i) immediate vesting of all outstanding stock options to the fullest extent permitted under the applicable stock option plan; (ii) elimination of all restrictions on any restricted or deferred stock awards outstanding at the time of Termination, (iii) immediate vesting of all restricted or deferred stock awards and non-qualified retirement benefits, (iv) settlement of all deferred compensation arrangements in accordance with any then applicable deferred compensation plan or election form (v) continued participation in all HSI's welfare benefit plans (including, without limitation, health coverage and other benefit plans and programs pursuant to which benefits are provided to you as of the Termination date) at the same benefit level at which you were participating on the Termination date for a period of 24 months unless and until the date or dates you receive substantially equivalent coverage from a subsequent employer. Notwithstanding the foregoing, in the event the plan under which you were receiving health benefits immediately prior to your Termination is not fully-insured, then the Company shall either (A) provide health coverage to you pursuant to a fully-insured replacement policy or (B) in lieu of such health coverage pay to you two annual cash payments equal to the cost for you to obtain a replacement policy (*i.e.*, the premium costs), on a grossed-up basis, as determined on the Termination date, which will be paid on each of the 12-month anniversary and the 24-month anniversary of your Termination date.

(c) Section 280G Gross-Up Protection. In the event you become entitled to payments, all or a portion of which become subject to tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any other similar tax, but excluding any income tax of any nature) ("Excise Tax"), HSI shall pay you an additional amount ("Gross-Up Payment") such that the amount retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax. The amount of the Gross-Up Payment shall be calculated by HSI's independent auditors. In the event that such Gross-Up Payment is finally determined to be less than the amount necessary to provide that the amount to be retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax, HSI shall pay an additional amount to you in respect of such deficiency (including any interest and penalties). In the event that such Gross-Up Payment is finally determined to exceed the amount necessary to provide that the amount to be retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax, you must promptly repay the entire amount of such excess Gross-Up Payment to HSI. The Gross-Up Payment shall be paid, (i) in the case of amounts required to be withheld and paid to the Internal Revenue Service by HSI, on the date such withholding is required to be paid, and (ii) in the case of any other amount required to be paid as a Gross-Up Payment hereunder, as soon as practicable during, and not later than the end of, the taxable year in which you remit the related taxes.

(d) No Mitigation; No Offset. In the event of any Termination, you shall be under no obligation to seek other employment and no amounts due to you under this Agreement shall be subject to offset due to any remuneration attributable to subsequent employment that you may obtain.

(e) Exclusivity of Severance Payments; Release. In the event you are entitled to the amounts provided for in this Section 2, you shall not be entitled to any other severance payments or severance benefits, whether contractual or not, from HSI or any payments by HSI on account of any claim by you of wrongful termination, including claims under any federal, state or local human and civil rights or labor laws. The Termination payments and benefits (other than the obligations specified in Section 2(a)(i) and (ii) above) provided in this Agreement shall be conditioned upon and subject to you executing a valid general release reasonably satisfactory to HSI, releasing any and all claims arising out of your employment (other than enforcement of this Agreement), any rights under HSI's incentive compensation and employee benefit plans, and any claim for any non-employment related tort for personal injury (the "Release"). The Company shall provide the Release to you within seven business days following the Termination date. In order to receive the payments and benefits provided in this Agreement, you shall be required to sign the Release within 45 days after it is provided to you, and not revoke it within the seven-day period following the date on which it is signed. Notwithstanding anything to the contrary contained herein, all payments and benefits delayed pursuant to this Section 2(e), except to the extent any such payments and benefits are subject to a six-month delay as required by Section 409A of the Code and the regulations and guidance promulgated thereunder (collectively "Code Section 409A"), shall be paid to you in a lump sum on the first Company payroll date on or following the 60th day after the Termination date, and any remaining payments or benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein.

3. Definitions. For purposes of this Agreement, the following terms shall have the meanings ascribed to them.

(a) "Base Salary" means the annualized rate of pay in effect on the Termination date, provided that if a reduction in Base Salary is the basis for a Termination for Good Reason, then "Base Salary" shall mean the rate of pay in effect immediately prior to such reduction. As used herein, the term "Base Salary" includes, without limitation, the annualized rate of any automobile allowance in effect on the date of Termination, and the amount, as applicable, of the Company's matching 401(k) contribution and/or supplemental employment retirement plan contribution for the full year preceding the date of the Change in Control.

(b) "Cause" shall exist if: (i) you are convicted of, or plead nolo contendere to, any felony which materially and adversely impacts HSI's financial condition or reputation, (ii) you engage in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out your duties which materially and adversely impacts HSI's financial condition or reputation, or (iii) you violate Section 4 of this Agreement.

(c) "Change in Control" shall be deemed to occur upon any of the following: (i) acquisition of "beneficial ownership" (within the meaning of Rule 13d-3 promulgated under the Securities and Exchange Act of 1934, as amended (the "Act")) by any one "person" (as such term is defined in Section 3(a)(9) of the Act) or by any two or more persons deemed to be one "person" (as used in Section 13(d) or 14(d) of the Act)(each referred to as a "Person") excluding HSI, any subsidiary of HSI and any employee benefit plan sponsored or maintained by HSI or any subsidiary of HSI (including any trustee of any such plan acting in his or its capacity as trustee), of 33% or more of the combined total voting power of the then-outstanding voting securities of HSI (the "Outstanding Voting Securities") without the prior express approval of the Board of Directors; (ii) acquisition of "beneficial ownership" by any Person excluding HSI, any

subsidiary of HSI and any employee benefit plan sponsored or maintained by HSI or any subsidiary of HSI (including any trustee of any such plan acting in his or its capacity as trustee), of more than 50% of the combined total voting power of the then Outstanding Voting Securities; (iii) directors elected to the Board of Directors over any 24-month period (except in the case of a Change in Control referred to in Section 2(a)(x) or (y), a twelve-month period) not nominated by HSI's Nominating & Corporate Governance Committee (or a committee of the Board of Directors performing functions substantially similar to such committee) represent 30% (except in the case of a Change in Control referred to in Section 2(a)(x) or (y), a majority) or more of the total number of directors constituting the Board of Directors at the beginning of the period, (or such nomination results from an actual or threatened proxy contest); (iv) any merger, consolidation or other corporate combination of HSI (a "Transaction"), other than (x) a Transaction involving only HSI and one or more of its subsidiaries, or (y) a Transaction immediately following which the stockholders of HSI immediately prior to the Transaction continue to be the beneficial owners of securities of the resulting entity representing more than 50% of the voting power in the resulting entity, in substantially the same proportions as their ownership of Outstanding Voting Securities immediately prior to the Transaction; and (v) upon the sale of all or substantially all of the consolidated assets of HSI, other than (x) a distribution to stockholders, or (y) a sale immediately following which the stockholders of HSI immediately prior to the sale are the beneficial owners of securities of the purchasing entity representing more than 50% of the voting power in the purchasing entity, in substantially the same proportions as their ownership of Outstanding Voting Securities immediately prior to the Transaction.

Solely for purposes of Section 2(a)(x) and (y), no Change in Control shall be deemed to have occurred unless the circumstances of such Change in Control would be treated as having resulted in the occurrence of a "change in control event" as such term is defined in Treasury Regulation Section 1.409A-3(i)(5)(i).

(d) "Confidential Information" shall mean all information concerning the business of HSI relating to any of their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of "Confidential Information" is information (i) that is or becomes part of the public domain, other than through your breach of this Agreement, or (ii) regarding HSI's business or industry properly acquired by you in the course of your career as an employee in HSI's industry and independent of your employment by HSI. For this purpose, information known or available generally within the trade or industry of HSI shall be deemed to be known or available to the public.

(e) "Good Reason" shall mean your termination of your employment based upon one or more of the following events (except as a result of a prior termination): (i) any change in your position or responsibilities or assignment of duties materially inconsistent with your status prior to the Change in Control; (ii) following a business combination related to a Change in Control, a failure to offer you a position in the combined business entity, having authority equivalent in scope to the authority in the position held by you in the Company immediately prior to such business combination; (iii) any decrease in your Base Salary, target annual incentive or long-term incentive opportunity; (iv) any breach of the terms of this Agreement by HSI after receipt of written notice from you and a reasonable opportunity to cure such breach; (v) HSI fails to obtain any successor entity's assumption of its obligations to you hereunder; or (vi) the Company requiring you to perform your services as an employee on an ongoing basis at a location more than 75 miles distant from the location at which you perform your services as of the date immediately prior to the Change in Control.

4. Non-Disclosure; Non-Solicitation; Non-Disparagement.

(a) During the term and thereafter, you shall not, without HSI's prior written consent disclose to anyone (except in good faith in the ordinary course of business) or make use of any Confidential Information except in the performance of your duties hereunder or when required to do so by law. In the event that you are so required by law, you shall give prompt written notice to HSI sufficient to allow HSI the opportunity to object to or otherwise resist such order.

(b) During the term and for a period of 24 months thereafter, you shall not, without HSI's prior written consent, solicit for employment, whether directly or indirectly, any person who (i) at the time is employed by HSI or any affiliate, or (ii) was employed by HSI or any affiliate within three months prior to such solicitation.

(c) You agree that, during the term and thereafter (including following any Termination for any reason) you will not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage or be damaging to HSI or its respective officers, directors, employees, advisors, businesses or reputations. Notwithstanding the foregoing, nothing in this Agreement shall preclude you from making truthful statements or disclosures that are required by applicable law, regulation or legal process.

5. Resolution of Disputes. Any controversy or claim arising out of or relating to this Agreement or any breach or asserted breach hereof shall be resolved by binding arbitration, to be held at an office closest to HSI's principal offices in accordance with the rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. Pending the resolution of any arbitration or court proceeding, HSI shall continue payment of all amounts and benefits due you hereunder. All reasonable costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be promptly paid on your behalf by HSI; provided, however, that no such expense reimbursement shall be made if and to the extent the arbitrator(s) determine(s) that any of your litigation assertions or defenses were in bad faith or frivolous.

6. Effect of Agreement on Other Benefits. Except as specifically provided in this Agreement, the existence of this Agreement shall not be interpreted to prohibit or restrict your participation in any other employee benefit or other plans or programs in which you currently participate.

7. Not an Employment Agreement. This Agreement is not a contract of employment between you and HSI. HSI may terminate your employment at any time, subject to the terms hereof or any other agreement that might exist between you and HSI.

8. Assignability; Binding Nature. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (as applies to you) and permitted assigns. HSI agrees that in the event of a sale or transfer of assets, it shall, as a condition of such sale, require such assignee or transferee to expressly assume HSI's liabilities, obligations and duties hereunder.

9. Governing Law/Jurisdiction. This Agreement shall be governed by and construed and interpreted in accordance with the laws of New York without reference to principles of conflict of laws.

10. Code Section 409A. It is intended that the provisions of this Agreement comply with Code Section 409A, and all provisions of this Agreement (or of any award of compensation, including equity compensation or benefits) shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Code Section 409A. Notwithstanding the foregoing, the Company shall have no liability with regard to any failure to comply with Code Section 409A. A termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of any amounts or benefits, which are subject to Code Section 409A, upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A (and the guidance issued thereunder) and, for purposes of any such provision of this Agreement, references to a "resignation," "termination," "termination of employment," "retirement" or like terms shall mean separation from service.

Please acknowledge your acceptance of the terms of this Agreement by executing below and returning a copy to HSI.

HENRY SCHEIN, INC.

By: _____
Stanley M. Bergman
Chairman and CEO

Dated: December 12, 2008

Accepted: _____
[name of executive officer]

Portions of this agreement have been omitted and separately filed with the SEC with a request for confidential treatment. The location of those omissions have been noted by [**].

**AMENDMENT TO DISTRIBUTION AGREEMENT
FOR FLUVIRAL™ (INFLUENZA VACCINE)**

THIS AMENDMENT is entered into as of the October 2, 2006, by and between ID Biomedical Corporation (“IDB”) and Henry Schein, Inc. (“HSI”) (the “Amendment”).

WHEREAS, HSI and IDB have entered into a certain Distribution Agreement for *Fluviral*™ influenza vaccine as of December 2, 2004 (“Agreement”);

WHEREAS, in December 2005, IDB became a wholly-owned subsidiary of GlaxoSmithKline Inc, a wholly-owned subsidiary of GlaxoSmithKline plc and an Affiliate of SmithKline Beecham Corporation d/b/a GlaxoSmithKline (“GSK”);

WHEREAS, IDB has informed HSI that Marketing Authorization for Product in the Territory will not be received prior to April 1, 2006 and that the manufacture and delivery of some portion of the Product for the 2006/2007 Flu Season will occur after [**], and IDB and HSI desire to amend the Agreement as set forth below in this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants contained hereto, the parties, intending to be legally bound, agree to amend the Agreement to accommodate certain revisions for the 2006/2007 Flu Season as follows:

This Amendment applies to the 2006/2007 Flu Season only.

1. Section 1.20 is hereby amended to add the following new first sentence to the beginning thereof:

“1.20“**Territory**” for the 2006/2007 Flu season shall mean the United States of America, including all fifty states, the District of Columbia (excluding Puerto Rico and any U.S. possessions and territories).”

2. Section 2.3 is hereby amended and restated in its entirety to read as follows:

“2.3 As Product distributor, HSI shall determine the prices and other terms and conditions under which it offers Product for sale and sells Product to customers within the Territory. On or prior to the Commencement Date, HSI shall provide IDB with a resale certificate in such form, and containing such information, as required by IDB. On a monthly basis during the Term, beginning after the Commencement Date, HSI shall provide a detailed written report to IDB, in a mutually agreeable format, describing forecast and actual Product sales for a given Flu season, broken down by customer segment and type of Product [**] and other reasonably relevant information requested by IDB. Such report shall also include information IDB may request to allow IDB or any of its Affiliates to comply with any government reporting obligations IDB or such Affiliates may have pertaining to sales of Product. IDB shall have the right to have all or a portion of the information contained in the monthly report provided to an independent third party reviewer selected by IDB (the “Auditor”) in lieu of the information being provided directly to IDB. In addition, for purposes of monitoring compliance with Section 6.1, HSI shall also provide, either as part of the monthly report or, at the election of IDB, in a separate report provided at the same time as the monthly report to the Auditor, information and data, as reasonably requested by IDB and/or its Auditor, [**], HSI shall deliver the monthly reports to IDB or the Auditor (if directed

[**] - Confidential or proprietary information redacted.

by IDB) prior to the monthly meetings conducted pursuant to Section 6.3, and, if IDB elects to have the [**] data provided to the Auditor rather than to IDB, HSI shall deliver such separate report to the Auditor at the same time it delivers the monthly report to IDB. IDB will require the Auditor to maintain the confidentiality of any information provided to it in accordance with obligations of IDB under Section 9 of the Agreement. IDB will bear the expenses of any outside auditor it elects to use under this provision. Notwithstanding the foregoing, HSI shall not be required to identify names or address of customers of Product or [**] and shall not be required to provide information which HSI is prohibited by contract or law from providing to third parties. HSI shall report its sales of Product and competing products where applicable, to IMS Health (DDD) or another third-party data vendor.”

3. Section 2.5 is hereby amended to add the following new second, third and fourth sentences:

“2.5 For the 2006/2007 Flu Season, IDB shall have the right to make available through a Federal Supply Schedule contract of IDB or one or more of its Affiliates (the “FSS Contract”) up to one percent (1%) of the total doses of Product it makes available for sale or distribution for the 2006/2007 Flu Season. IDB shall inform HSI in writing of the amount it intends to make available through the FSS Contract for the 2006/2007 Flu Season no later than [**]. In the event IDB supplies Product to any United States government agency or body or supplies Product through the FSS Contract pursuant to this Section, the Minimum Quantity of HSI’s pro rata share of doses shall be reduced by such amount for the 2006/2007 Flu Season.”

4. The following language is inserted before the existing second sentence of Section 3.1:

“For the 2006/2007 Flu Season, HSI hereby commits to purchase the Minimum Quantity of Product provided by IDB to HSI for the 2006/2007 Flu Season for the Purchase Price described in Schedule 1 (plus the Federal Excise Taxes described in Section 4.1) for all of Product delivered to HSI’s warehouses CBER released and available for sale to customers by [**] for the 2006/2007 Flu Season. For any Product delivered to HSI’s warehouses, CBER released and available for sale to customers after [**] and on or before [**] (hereinafter “November Product”):

(a) [**] percent ([**]%) of the November Product shall be shipped on a non-returnable basis except as set forth in Sections 3.7 and 5.3 and except if there is a Product recall. The remaining [**] percent ([**]%) of the November Product will be returnable. In the event that IDB fails to deliver to HSI’s warehouses (CBER released and available for sale) [**] percent ([**]%) of the total doses delivered in [**], any such the shortfall shall also be returnable. Solely for purposes of the calculation of whether any additional doses are returnable in accordance with the previous sentence, if doses scheduled for delivery in November under Schedule 1 are delivered ahead of schedule in October, such doses shall be counted as having been delivered in November and prior to [**]. IDB shall use commercially reasonable efforts to distribute the November Product in approximately equal weekly allotments during the month of November (or IDB shall, if practicable, accelerate weekly allotments to supply November Product as early as practicable during such month). For any Product to be delivered and released after [**], HSI hereby declines to exercise its rights to receive such doses under Section 3.7 and IDB may sell any such doses on its own. In the event that doses are available for delivery and release in December and IDB is able to find a purchaser for such doses and requires distribution services, HSI hereby agrees to provide distribution services in connection with the sales of such doses and to charge the end use customer no more than the price negotiated by IDB with the end user customer (HSI may charge less if it elects to do so), and HSI shall pay IDB for such doses the Purchase Price set for in Section 2(A)(v) of Schedule 1 of the Agreement. Such doses shall not be part of the Minimum Quantity and shall not count towards the calculation of Average Selling Price or in other

[**] - Confidential or proprietary information redacted.

calculations, however, the normal terms for the purchase and sale of Product contained in this Agreement (e.g., terms of sale, payment terms, etc.) shall apply;

(b) as an alternative to HSI purchasing the November Product under the terms and conditions of subsection (a) of this provision, HSI may, by providing written notice to IDB by [***], elect to take delivery of and purchase only a portion of the product available for delivery and release in November and such product shall be sold on a non-returnable basis, except as set forth in Sections 3.7 and 5.3, and except if there is a Product recall. Any written notice from HSI must specify the amount of Product it elects to purchase for delivery and release in November and a requested delivery schedule that is consistent with the estimated delivery schedule described in subsection (a) above, and IDB shall use commercially reasonable efforts to distribute product in accordance with such proposed delivery schedule. For any Product available for delivery and release in November that HSI elects not to take under this provision and for Product to be delivered and released after [***], HSI hereby declines to exercise its rights to receive such doses under Section 3.7 and IDB may sell any such doses on its own. In the event that such doses are available for delivery and release in November or December and IDB is able to find a purchaser for such doses and requires distribution services, HSI hereby agrees to provide distribution services in connection with the sales of such doses and to charge the end use customer no more than the price negotiated by IDB with the end user customer (HSI may charge less if it elects to do so), and HSI shall pay IDB for such doses the Purchase Price set forth in Section 2(A)(v) of Schedule 1 of the Agreement. Such doses shall not be part of the Minimum Quantity and shall not count towards the calculation of [***] or in other calculations, however, the normal terms for the purchase and sale of Product contained in this Agreement (e.g., terms of sale, payment terms, etc.) shall apply.”

5. Section 3.6 is hereby amended by adding the following sentence at the end thereof:

“Notwithstanding the foregoing, prior to the initial Marketing Authorization and during the 2006/2007 Flu Season, IDB or an Affiliate will be the importer of record of Product into the Territory. During the 2006/2007 Flu Season, Product will be shipped to a GSK warehouse in [***] or [***] prior to reshipment to HSI.”

6. The following new sentence is inserted before the existing third sentence of Section 3.7:

“However, IDB shall use its commercially reasonable efforts to obtain the necessary Regulatory Authority releases to the extent reasonably possible by the delivery dates set forth in Section 1 of Schedule 1 for the 2006/2007 Flu Season; provided, that, if and to the extent that the Product is not manufactured or available for release, or that some or all Regulatory Authority releases are not obtained, on or before either the delivery schedule in Section 1 of Schedule 1 for the 2006/2007 Flu Season, irrespective of the reason therefore, (i) IDB shall not be deemed to have breached any obligations under this Agreement or be liable to HSI hereunder provided that IDB has used its commercially reasonable efforts to obtain necessary Regulatory Authority releases as soon as reasonably possible for the 2006/2007 Flu Season, and (ii) notwithstanding the provisions of Section 10 below, if one hundred percent (100%) of the Minimum Quantity of Product is not released by [***] of the 2006/2007 Flu Season, then HSI hereby declines to exercise its rights to purchase the amount of Product that was not released by such date and all such doses shall be excluded from the Minimum Quantity for the 2006/2007 Flu Season as further provided in Section 3.1.”

7. Section 4.1 is hereby amended by adding the following sentence at the end thereof:

[***] - Confidential or proprietary information redacted.

“In addition to the Purchase Price, for the 2006/2007 Flu Season, HSI shall also pay IDB all applicable Federal excise taxes in effect on the date of IDB’s shipment of Product to HSI (the “Federal Excise Taxes”).”

8. Section 5.1 is hereby amended by adding the following sentence to the beginning thereof:

“5.1 IDB agrees to deliver all Product for the 2006/2007 Flu Season ordered by HSI in accordance with Section 5.5.”

9. Section 5.2 is hereby amended by adding the following after the first sentence thereto:

“For the 2006/2007 Flu Season, all Product is shipped on a non-returnable basis except only as set forth in Sections 3.1, 3.7 and 5.3 and except if there is a Product recall.”

10. Section 5.4 is hereby amended by deleting the term “[**]” wherever it appears in Section 5.4 with respect to the 2006/2007 Flu Season and replacing each such term with the following terms:

“[**] of the 2006/2007 Flu Season.”

11. Section 5.5 is hereby amended to add the following sentence to the end thereof:

“For the 2006/2007 Flu Season, HSI shall handle and store Product in a clean and orderly location and in a manner, which will assure that the quality of the Product is maintained. HSI shall comply with GSK criteria on proper storage and shipping of Product as provided in Addendum I attached to this Amendment and incorporated by reference herein.” To the extent HSI incurs additional out-of-pocket costs in the 2006/2007 Flu Season in connection with the use of the TagAlert required by Addendum 1 over and above those costs HSI would have incurred in using the system it currently uses to maintain appropriate temperature for Product it ships, IDB will reimburse HSI for such costs up to a maximum amount of \$[**]. HSI shall provide reasonable documentation for any reimbursement for such additional costs and IDB shall have the right to review those costs.

12. Section 7.2 is hereby amended and restated in its entirety as follows:

“7.2 If IDB receives the initial Marketing Authorization on or before [**], the Commencement Date shall be the date of the initial Marketing Authorization. With respect to the 2006/2007 Flu Season, If IDB receives the initial Marketing Authorization by [**], then HSI shall have the obligation to purchase the Minimum Quantity of Product for the 2006/2007 Flu Season as set forth in Schedule 1. If IDB receives the initial Marketing Authorization after [**], then HSI shall have no obligation to acquire Product for the 2006/2007 Flu Season, unless the Parties otherwise agree in writing.

13. The last sentence of Section 7.5 of the Agreement shall be deleted and replaced with the following:

“For the 2006/2007 Flu Season, HSI recognizes and understands that IDB, as a pharmaceutical company, is subject to certain federal, state and local laws and regulations governing the promotion and marketing of prescription drugs and as such IDB needs to control tightly any such promotional or marketing activities in accordance therewith. To the extent required, IDB shall provide to HSI promotional or marketing materials for the Product. HSI shall not use any promotional or marketing materials or revise and use any IDB created promotional or marketing

[**] - Confidential or proprietary information redacted.

materials, unless such materials have first been submitted to and approved by IDB in advance in writing.”

14. Schedule 1 to the Agreement is amended as follows:

- a. In Section 1 of the Schedule, the introductory clause in the first three lines under the heading “Total Minimum Quantity per Flu Season” is amended to read as follows:

“Subject to reduction of the Minimum Quantity as provided in Sections 2.5, 3.1, 3.2, 3.7, 3.9 and 7.4 of the Agreement,”

- b. In Section 1 of the Schedule, under the heading “Delivery Date per Flu Season,” the paragraph is amended to add the following new sentence:

“For the 2006/2007 Flu Season, the foregoing percentages of Minimum Quantity and respective delivery dates shall not apply. As of the date of this Amendment, IDB estimates it will have delivered to distributors’ warehouses by [**] a total of approximately [**] doses which will be CBER released and available for sale by such date (approximately [**]% of the total doses anticipated to be available by [**]) and will deliver to distributors’ warehouses by [**] an additional approximately [**] doses, which will be CBER released and available for sale by such date (approximately [**]% of the total doses anticipated to be available by [**]). HSI’s respective portion of these doses shall be the Minimum Percentage (approximately [**] doses estimated to be Delivered to HSI’s warehouses CBER released and available for sale by [**]) and another approximately [**] doses estimated (if HSI elects the terms of Section 3.1(a) above) or the reduced amount (if HSI elects the terms of Section 3.1(b) above) to be delivered to HSI’s warehouses, CBER released and available for sale by [**]. IDB will use commercially reasonable efforts to deliver and obtain releases for HSI’s doses by the dates set forth above.”

- c. Section 2(A) (iv) of the Agreement is hereby amended by adding the follow at the end thereof:

“Notwithstanding the foregoing, for the 2006/2007 Flu Season only, with respect to all doses of Product sold by HSI to Other Distributors as permitted under Paragraph 3 of this Schedule 1 below, HSI shall pay IDB [**].”

- d. Section 2(A) of the Agreement is hereby amended by adding the following paragraph at the end thereof:

“(v) With respect to Product sold to HSI in December 2006 for resale to customers for which IDB has requested distribution services as provided in Section 3.1 of the Agreement, HSI shall pay IDB [**].”

- e. In Section 3 of the Schedule, under the heading “Resale to Other Distributors”, the following new first sentence is added to the beginning thereof:

“The foregoing limits on the amount of Product HSI may resell to Other Distributors for further sale or distribution shall not apply to the 2006/2007 Flu Season.”

All remaining terms and conditions of the Agreement not expressly amended herein shall remain in full force and effect.

[**] - Confidential or proprietary information redacted.

In the event of a conflict between any of the terms contained in this Amendment and the terms contained in the Agreement, the terms of the Amendment shall govern.

All defined terms and conditions not expressly defined herein shall have the meaning ascribed to such terms in the Agreement.

If this Agreement is not signed and returned on or by the date on which IDB notifies HSI of IDB's receipt of the Initial Marketing Authorization, then IDB withdraws this proposal and the proposed terms and conditions contained herein.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date last written below.

ID Biomedical Corporation

Henry Schein, Inc.

By: /s/ Paul Pinonnault
Title: Secretary

By: /s/ Michael Racioppi
Title: President Medical Group

Date: 10/03/06

Date: 10/2/06

[**] - Confidential or proprietary information redacted.

**SECOND AMENDMENT TO
DISTRIBUTION AGREEMENT
FOR FLUVIRAL™ (INFLUENZA VACCINE)**

THIS SECOND AMENDMENT is entered into as of the 5th day of October, 2006, by and between ID Biomedical Corporation (“IDB”) and Henry Schein, Inc. (“HSI”) (the “Second Amendment”).

WHEREAS, HSI and IDB have entered into a certain Distribution Agreement for *Fluviral*™ influenza vaccine as of December 2, 2004, as amended by the Amendment effective October 2, 2006 (“Agreement”);

WHEREAS, HSI and IDB desire to further amend certain terms of the Amendment for the 2006/2007 Flu Season only;

NOW, THEREFORE, in consideration of the mutual covenants contained hereto, the parties, intending to be legally bound, agree to further amend the Amendment that applies to the 2006/2007 Flu Season only as follows:

1. The next to the last sentence of subparagraph (a) of the revised Section 3.1 of the Amendment is hereby deleted and restated in its entirety as follows:

“HSI hereby agrees to provide distribution services in connection with the sales of such doses and to charge the end use customer no more than the price negotiated by IDB with the end user customer (HSI may charge less if it elects to do so), and HSI shall pay IDB for such doses the Purchase Price set forth in Section 2(A)(v) of Schedule 1 of the Agreement, provided that HSI’s obligation to pay IDB the Purchase Price for such doses shall be contingent on HSI’s receipt of payment from the end user customer for the doses.”

2. The second sentence of subparagraph 3.1 (b) is deleted and restated in its entirety as follows:

“Any written notice from HSI must specify the amount of Product it elects to purchase for delivery and release in November and a requested delivery schedule that is consistent with the estimated delivery schedule described in subsection (a) above, and IDB shall use commercially reasonable efforts to distribute product in accordance with such proposed delivery schedule, provided that any Product which IDB fails to deliver in accordance with the proposed delivery schedule shall be returnable to IDB for full refund.”

3. The next to the last sentence of subparagraph (b) of the revised Section 3.1 of the Amendment is hereby deleted and restated in its entirety as follows:

“In the event that such doses are available for delivery and release in November or December and IDB is able to find a purchaser for such doses and requires distribution services, HSI hereby agrees to provide distribution services in connection with the sales of such doses and to charge the end use customer no more than the price negotiated by IDB with the end user customer (HSI may charge less if it elects to do so), and HSI shall pay IDB for such doses the Purchase Price set for in Section 2(A)(v) of Schedule 1 of the Agreement, provided that HSI’s obligation to pay IDB the Purchase Price for such doses shall be contingent on HSI’s receipt of payment from the end user customer for the doses.”

4. Section 4.1 is amended to add the following sentence to the end thereof:

“During the 2006/2007 Flu season only, General Injectables & Vaccines, Inc. (“GIV”), a wholly-owned subsidiary of HSI, shall be billed for Product delivered hereunder and HSI shall cause GIV to pay all such bills due and owing.”

5. The following words are inserted in line 12 of the revised subparagraph (b) of Schedule 1 to the Amendment after the term “October 31, 2006”.

“(the “October Doses”)”

6. The following new sentence is added to the end of the revised subparagraph (b) of Schedule 1 to the Amendment:

“Notwithstanding anything to the contrary contained in the Agreement, any October Doses that are not delivered to HSI’s warehouses and released for sale by October 31, 2006 shall be returnable to IDB for full refund.”

7. The following new provision 5.6 is added for the 2006/2007 Flu season only:

“HSI desires and GSK agrees to ship to HSI designated locations other than the HSI warehouse and in exchange for GSK shipping to the other HSI designated locations, HSI agrees to pay the accrual shipping costs not to exceed five thousand dollars (\$5,000.00) per week for such shipments.”

All remaining terms and conditions of the Agreement as amended not expressly amended herein shall remain in full force and effect.

In the event of a conflict between any of the terms contained in this Second Amendment and the terms contained in the Agreement, the terms of the Second Amendment shall govern.

All defined terms and conditions not expressly defined herein shall have the meaning ascribed to such terms in the Agreement.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date last written below.

ID Biomedical Corporation

Henry Schein, Inc.

By: /s/ Paul Pinsonnault
Title Secretary
Date November 3, 2006

By: /s/ Philip Baseil
Title VP Business Development
Date 10/25/06

AMENDMENT TO DISTRIBUTION AGREEMENT

This Amendment (this "Amendment") is entered into as of December 20, 2007, by and between ID Biomedical Corporation ("IDB") and Henry Schein, Inc. ("HSI").

HSI and IDB have entered into a certain Distribution Agreement for Fluviral influenza and vaccine as of December 2, 2004 and have entered into certain amendments to that agreement from time to time (as amended, the "Agreement"). In December 2005, IDB became a wholly owned subsidiary of GlaxoSmithKline Inc., a wholly owned subsidiary of GlaxoSmithKline plc and an affiliate of SmithKline Beecham Corporation d/b/a GlaxoSmithKline ("GSK"). HSI and IDB desire to make certain amendments to the Agreement as set forth herein, including a clarification regarding a dispute of the appropriate interpretation of the Agreement with respect to payments by HSI to IDB of the Federal excise tax, currently in the amount of \$0.75 per dose, levied against the sale of flu vaccine in the United States.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and upon the terms and subject to conditions set forth below, HSI and IDB, intending to be legally bound hereby, agree to amend the Agreement as follows:

1. **Definitions.** All capitalized terms used in this Amendment without definition shall have the meanings set forth in the Agreement.
 2. **Federal Excise Tax.** Section 4.1 is hereby amended, for the 2007/2008 Flu Season, by adding the following sentences at the end thereof: "For purposes of clarification, in addition to the Purchase Price, HSI shall also pay to IDB for all Product shipped to HSI for the 2007/2008 Flu Season all applicable Federal excise taxes on all Product shipped to HSI in effect on the date of IDB's shipment of Product to HSI; and any such Federal excise tax shall not be included in the calculation of the Net Sales Revenue either as amounts invoiced or as a reduction of the gross amounts invoiced. In the event that any Product sold to HSI on which HSI has paid IDB the Federal excise tax is not used in the 2007/2008 Flu Season by a customer of HSI (or not sold by HSI), HSI may return such Product to IDB's designated location for such returns and IDB will seek reimbursement for the Federal excise tax paid by HSI from the Federal government and will pay any such reimbursement to HSI. Any such return or reimbursement will not include a refund or reimbursement by IDB of the Purchase Price of such Product. In the event that the laws, rules or regulations governing the Federal excise tax change from time to time, the parties will negotiate in good faith reasonable amendments to the Agreement to address those changes consistent with this provision."
 3. **Effect of Amendment.** Except as expressly modified by this Amendment, the terms and provisions of the Agreement shall remain in full force and effect. In the event of any conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment shall control.
-

4. **Miscellaneous.** Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be reasonably necessary or appropriate in order to carryout the purposes and intent of this Amendment.

5. **Counterparts.** This Amendment may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each Party has caused this Amendment to the Agreement to be executed on its behalf by its duly authorized office as of the date first above written.

ID Biomedical Corporation

Henry Schein, Inc.

By: /s/ Kurt Henjes
Title: Director

By: /s/ Philip A. Baseil
Title: V.P. Vendor Relations
Henry Schein Inc., Medical

Portions of this agreement have been omitted and separately filed with the SEC with a request for confidential treatment. The location of those omissions have been noted by [**].

AMENDMENT TO DISTRIBUTION AGREEMENT

This Amendment (this "Amendment") is entered into as of October 15, 2008, by and between ID Biomedical Corporation ("IDB") and Henry Schein, Inc. ("HSI").

HSI and IDB have entered into a certain Distribution Agreement for Fluviral influenza vaccine as of December 2, 2004 and have entered into certain amendments to that agreement from time to time (as amended, the "Agreement"). In December 2005, IDB became a wholly owned subsidiary of GlaxoSmithKline Inc., a wholly owned subsidiary of GlaxoSmithKline plc and an affiliate of SmithKline Beecham Corporation d/b/a GlaxoSmithKline ("GSK"). HSI and IDB desire to make certain amendments to the Agreement as set forth herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements contained herein, and upon the terms and subject to conditions set forth below, HSI and IDB, intending to be legally bound hereby, agree to amend the Agreement as follows:

1. **Definitions.** All capitalized terms used in this Amendment without definition shall have the meanings set forth in the Agreement.
2. **Federal Excise Tax.** Section 4.1 is hereby amended, retroactively to the Effective Date of the Agreement and for all Flu Seasons under the Agreement, by adding the following sentences at the end thereof: "For purposes of clarification, in addition to the Purchase Price, HSI shall also pay to IDB for all Product shipped to HSI all applicable Federal excise taxes on all Product shipped to HSI in effect on the date of IDB's shipment of Product to HSI; and any such Federal excise tax shall not be included in the calculation of [**] either as amounts invoiced or as a reduction of the gross amounts invoiced. In the event that any Product sold to HSI on which HSI has paid IDB the Federal excise tax is not used in a Flu Season, HSI may return each Product to IDB's designated location for such returns and IDB will seek reimbursement for the Federal excise tax paid by HSI from the Federal government and will pay any such reimbursement to HSI. Any such return or reimbursement will not include a refund or reimbursement by IDB of the Purchase Price of such Product, except as otherwise specifically provided in the Agreement. In the event that the laws, rules or regulations governing the Federal excise tax change from time to time, the parties will negotiate in good faith reasonable amendments to the Agreement to address those changes consistent with this provision."
3. **Termination.** Section 15.1 is hereby amended to shorten the term of the Agreement by two years by deleting "2014/2015 Flu Season" and replacing it with "2012/2013 Flu Season."
4. **Minimum Quantity.**
 - 4.1 The text under the heading of "Total Minimum Quantity per Flu Season" of Paragraph 1 of Schedule 1 of the Agreement is hereby amended and restated to read in full as follows:

[**] - Confidential or proprietary information redacted.

“Subject to Sections 3.2 and 3.9 of the Agreement, the Minimum Quantity per Flu Season to be supplied by IDB and purchased by HSI shall be the lesser of (i) [**] doses of Product (“Minimum Doses”) or (ii) [**] percent [**] (“Minimum Percentage”) of Product that IDB ships to the Territory for sale or distribution in the Territory for such Flu Season.”

4.2 Section 3.1 is hereby amended to delete the last sentence.

4.3 Section 3.4 is hereby deleted in its entirety.

4.4 Section 3.9 is hereby amended and restated to read in full as follows:

“If, at any time during the Term, (i) a New Flu Vaccine (as defined below) has received Regulatory Authority authorization for marketing and sale in the Territory, and (ii) sales of such New Flu Vaccine captured [**]% of the total market share for all seasonal influenza virus vaccines in the Territory (measured in terms of total doses sold for a given Flu Season) for at least one (1) Flu Season, then the Minimum Quantity shall be reduced in subsequent Flu Seasons by the same percentage that such New Flu Vaccine has in total market shares as calculated above. For the purposes of this Section 3.9, “New Flu Vaccine” shall mean a new universal influenza virus vaccine that competes with and can be used in place of currently produced seasonal trivalent influenza virus vaccines.”

4.5 Section 7.4 is hereby amended to delete the third and fourth sentences.

5. **Purchase Price.**

5.1 Paragraph 2(A)(ii) of Schedule 1 is amended and restated to read in full as follows:

“[**],”

5.2 Paragraph 2(A)(iii) of Schedule 1 is amended and restated to read in full as follows:

“[**],”

6. **Minimum Purchase Price.** Section 2(C) of Schedule 1 is amended and restated to read in full as follows:

“Minimum Purchase Price. [**]”

7. **Treatment of Rebates.** Section 1.11.2 is hereby amended and restated to read in full as follows:

“[**],”

8. **Effect of Amendment.** Except as expressly modified by this Amendment, the terms and provisions of the Agreement shall remain in full force and effect. In the event of any conflict between the terms of this Amendment and the terms of the Agreement, the terms of this Amendment shall control.

9. **Miscellaneous.** Each party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be reasonably necessary or appropriate in order to carry out the purposes and intent of this Amendment.

10. **Counterparts.** This Amendment may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, each party has caused this Amendment to the Agreement to be executed on its behalf by its duly authorized officer as of the date first above written.

ID Biomedical Corporation

Henry Schein, Inc

By: /s/ Kurt Henjes
Title: Director

By: /s/ Steven Paladino
Title: EVP, CFO

List of Subsidiaries

<u>Subsidiary</u>	<u>Jurisdiction of incorporation or organization</u>
Henry Schein Practice Solutions Inc.	Utah
Henry Schein Europe, Inc.	Delaware
Henry Schein Holding GmbH ¹	Germany

¹ Henry Schein Holding GmbH is the parent company of 34 consolidated wholly-owned subsidiaries, all of which operate in the dental distribution field outside the United States.

Consent of Independent Registered Public Accounting Firm

Henry Schein, Inc.
Melville, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-111914, 333-91778, 333-35144, 333-39893, 333-33193, and 333-05453) of Henry Schein, Inc. of our reports dated February 23, 2009, relating to the consolidated financial statements, financial statement schedule and the effectiveness of Henry Schein, Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO SEIDMAN, LLP

New York, New York
February 23, 2009

CERTIFICATION

I, Stanley M. Bergman, certify that:

1. I have reviewed this annual report on Form 10-K of Henry Schein, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: February 24, 2009

/s/ Stanley M. Bergman
Stanley M. Bergman
Chairman and Chief Executive Officer

CERTIFICATION

I, Steven Paladino, certify that:

1. I have reviewed this annual report on Form 10-K of Henry Schein, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: February 24, 2009

/s/ Steven Paladino
Steven Paladino
Executive Vice President and
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of Henry Schein, Inc. (the "Company") for the period ended December 27, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stanley M. Bergman, the Chairman and Chief Executive Officer of the Company, and I, Steven Paladino, Executive Vice President and Chief Financial Officer of the Company, do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated February 24, 2009

/s/ Stanley M. Bergman
Stanley M. Bergman
Chairman and Chief Executive Officer

Dated February 24, 2009

/s/ Steven Paladino
Steven Paladino
Executive Vice President and
Chief Financial Officer

This certification accompanies each Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.