

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 30, 2013

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File 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)

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes

No

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.

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

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

As of April 26, 2013, there were 87,132,889 shares of the registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION

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**PART I. FINANCIAL INFORMATION**  
**ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS**  
**HENRY SCHEIN, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	March 30, 2013 (unaudited)	December 29, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 90,562	\$ 122,080
Accounts receivable, net of reserves of \$71,256 and \$75,240	1,028,163	1,015,194
Inventories, net	1,136,043	1,203,507
Deferred income taxes	65,071	64,049
Prepaid expenses and other	265,576	299,547
Total current assets	2,585,415	2,704,377
Property and equipment, net	262,825	273,458
Goodwill	1,610,996	1,601,046
Other intangibles, net	453,502	462,182
Investments and other	292,948	292,934
Total assets	<u>\$ 5,205,686</u>	<u>\$ 5,333,997</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 609,028	\$ 787,658
Bank credit lines	50,073	27,166
Current maturities of long-term debt	1,908	17,992
Accrued expenses:		
Payroll and related	154,845	207,381
Taxes	137,114	132,774
Other	289,601	299,738
Total current liabilities	1,242,569	1,472,709
Long-term debt	600,599	488,121
Deferred income taxes	199,768	196,814
Other liabilities	119,713	125,314
Total liabilities	2,162,649	2,282,958
Redeemable noncontrolling interests	463,363	435,175
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, 87,381,543 outstanding on March 30, 2013 and 87,850,671 outstanding on December 29, 2012	874	879
Additional paid-in capital	339,856	375,946
Retained earnings	2,223,037	2,183,905
Accumulated other comprehensive income	14,462	52,855
Total Henry Schein, Inc. stockholders' equity	2,578,229	2,613,585
Noncontrolling interests	1,445	2,279
Total stockholders' equity	2,579,674	2,615,864
Total liabilities, redeemable noncontrolling interests and stockholders' equity	<u>\$ 5,205,686</u>	<u>\$ 5,333,997</u>

See accompanying notes.

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

	<b>Three Months Ended</b>	
	<b>March 30, 2013</b>	<b>March 31, 2012</b>
Net sales	\$ 2,293,511	\$ 2,099,019
Cost of sales	1,646,520	1,488,440
Gross profit	646,991	610,579
Operating expenses:		
Selling, general and administrative	493,362	465,452
Restructuring costs	-	11,832
Operating income	153,629	133,295
Other income (expense):		
Interest income	3,205	3,330
Interest expense	(12,727)	(7,640)
Other, net	(370)	525
Income before taxes and equity in earnings of affiliates	143,737	129,510
Income taxes	(45,852)	(41,840)
Equity in earnings of affiliates	801	1,391
Net income	98,686	89,061
Less: Net income attributable to noncontrolling interests	(7,208)	(8,309)
Net income attributable to Henry Schein, Inc.	\$ 91,478	\$ 80,752
<b>Earnings per share attributable to Henry Schein, Inc.:</b>		
Basic	\$ 1.06	\$ 0.92
Diluted	\$ 1.03	\$ 0.89
Weighted-average common shares outstanding:		
Basic	86,654	88,216
Diluted	88,792	90,666

See accompanying notes.

**HENRY SCHEIN, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(in thousands)**  
**(unaudited)**

	<b>Three Months Ended</b>	
	<b>March 30, 2013</b>	<b>March 31, 2012</b>
Net income	\$ 98,686	\$ 89,061
Other comprehensive income (loss), net of tax:		
Foreign currency translation gain (loss)	(40,441)	31,661
Unrealized gain (loss) from foreign currency hedging activities	(159)	915
Unrealized investment gain (loss)	(9)	33
Pension adjustment gain (loss)	738	(435)
Other comprehensive income (loss), net of tax	(39,871)	32,174
Comprehensive income	58,815	121,235
Comprehensive income attributable to noncontrolling interests:		
Net income	(7,208)	(8,309)
Foreign currency translation loss (gain)	1,478	(1,014)
Comprehensive income attributable to noncontrolling interests	(5,730)	(9,323)
Comprehensive income attributable to Henry Schein, Inc.	<u>\$ 53,085</u>	<u>\$ 111,912</u>

See accompanying notes.

**HENRY SCHEIN, INC.**  
**CONSOLIDATED STATEMENT 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	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount					
Balance, December 29, 2012	87,850,671	\$ 879	\$ 375,946	\$ 2,183,905	\$ 52,855	\$ 2,279	\$ 2,615,864
Net income (excluding \$7,134 attributable to Redeemable noncontrolling interests)	-	-	-	91,478	-	74	91,552
Foreign currency translation loss (excluding \$1,478 attributable to Redeemable noncontrolling interests)	-	-	-	-	(38,963)	-	(38,963)
Unrealized loss from foreign currency hedging activities, net of tax of \$83	-	-	-	-	(159)	-	(159)
Unrealized investment loss, net of tax benefit of \$6	-	-	-	-	(9)	-	(9)
Pension adjustment gain, net of tax of \$182	-	-	-	-	738	-	738
Dividends paid	-	-	-	-	-	(109)	(109)
Initial noncontrolling interests and adjustments related to business acquisitions	-	-	-	-	-	(799)	(799)
Change in fair value of redeemable securities	-	-	(17,656)	-	-	-	(17,656)
Other adjustments	-	-	(36)	-	-	-	(36)
Repurchase and retirement of common stock	(839,450)	(8)	(21,095)	(52,346)	-	-	(73,449)
Stock issued upon exercise of stock options, including tax benefit of \$8,035	291,418	2	19,832	-	-	-	19,834
Stock-based compensation expense	325,757	3	5,307	-	-	-	5,310
Shares withheld for payroll taxes	(246,853)	(2)	(22,308)	-	-	-	(22,310)
Liability for cash settlement stock-based compensation awards	-	-	(134)	-	-	-	(134)
Balance, March 30, 2013	<u>87,381,543</u>	<u>\$ 874</u>	<u>\$ 339,856</u>	<u>\$ 2,223,037</u>	<u>\$ 14,462</u>	<u>\$ 1,445</u>	<u>\$ 2,579,674</u>

See accompanying notes.

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

	<b>Three Months Ended</b>	
	<b>March 30, 2013</b>	<b>March 31, 2012</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 98,686	\$ 89,061
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	32,393	30,420
Accelerated amortization of deferred financing costs	6,203	-
Stock-based compensation expense	5,310	8,754
Provision for losses on trade and other accounts receivable	840	1,144
Provision for (benefit from) deferred income taxes	6,371	(8,182)
Equity in earnings of affiliates	(801)	(1,391)
Distributions from equity affiliates	2,881	3,324
Other	3,291	2,901
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(25,392)	(57,433)
Inventories	54,011	(12,532)
Other current assets	14,003	12,404
Accounts payable and accrued expenses	(235,843)	(117,075)
Net cash used in operating activities	<u>(38,047)</u>	<u>(48,605)</u>
<b>Cash flows from investing activities:</b>		
Purchases of fixed assets	(11,862)	(12,223)
Payments for equity investments and business acquisitions, net of cash acquired	(32,359)	(18,980)
Proceeds from sales of available-for-sale securities	-	1,150
Other	(68)	(2,051)
Net cash used in investing activities	<u>(44,289)</u>	<u>(32,104)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from (repayments of) bank borrowings	22,827	(50,016)
Proceeds from issuance of long-term debt	328,000	100,000
Debt issuance costs	(236)	-
Principal payments for long-term debt	(232,905)	(10,650)
Proceeds from issuance of stock upon exercise of stock options	11,799	30,039
Payments for repurchases of common stock	(73,449)	(38,565)
Excess tax benefits related to stock-based compensation	3,364	8,548
Distributions to noncontrolling shareholders	(2,792)	(2,081)
Acquisitions of noncontrolling interests in subsidiaries	(535)	(6,366)
Net cash provided by financing activities	<u>56,073</u>	<u>30,909</u>
Net change in cash and cash equivalents	(26,263)	(49,800)
Effect of exchange rate changes on cash and cash equivalents	(5,255)	4,329
Cash and cash equivalents, beginning of period	122,080	147,284
Cash and cash equivalents, end of period	<u>\$ 90,562</u>	<u>\$ 101,813</u>

See accompanying notes.

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

**Note 1 – Basis of Presentation**

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

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

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

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The results of operations for the three months ended March 30, 2013 are not necessarily indicative of the results to be expected for any other interim period or for the year ending December 28, 2013.

**Note 2 – Segment Data**

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

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

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



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

**Note 2 – Segment Data – (Continued)**

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

	<b>Three Months Ended</b>	
	<b>March 30, 2013</b>	<b>March 31, 2012</b>
<b>Net Sales:</b>		
Health care distribution (1):		
Dental	\$ 1,190,795	\$ 1,155,666
Medical	388,862	354,826
Animal health	639,142	525,590
Total health care distribution	2,218,799	2,036,082
Technology and value-added services (2)	74,712	62,937
Total	\$ 2,293,511	\$ 2,099,019

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

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

	<b>Three Months Ended</b>	
	<b>March 30, 2013</b>	<b>March 31, 2012</b>
<b>Operating Income:</b>		
Health care distribution	\$ 134,460	\$ 117,221
Technology and value-added services	19,169	16,074
Total	\$ 153,629	\$ 133,295

**Note 3 – Debt***Credit Facilities*

On September 12, 2012, we entered into a new \$500 million revolving credit agreement (the “Credit Agreement”) with a \$200 million expansion feature, which expires on September 12, 2017. This credit facility replaced our then existing \$400 million revolving credit facility with a \$100 million expansion feature, which would have expired on September 5, 2013. The borrowings outstanding under this revolving credit facility were \$305.0 million as of March 30, 2013. The interest rate is based on USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. The Credit Agreement provides, among other things, that we are required to maintain certain interest coverage and maximum leverage ratios, and contains customary representations, warranties and affirmative covenants. The Credit Agreement also contains customary negative covenants, subject to negotiated exceptions on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of March 30, 2013, there were \$9.2 million of letters of credit provided to third parties under the credit facility.

As of March 30, 2013, we had various other short-term bank credit lines available, of which \$50.1 million was outstanding. At March 30, 2013, borrowings under all of our credit lines had a weighted average interest rate of 1.62%.

Our credit lines are collateralized by assets with an aggregate net carrying value of \$94.5 million.

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

**Note 3 – Debt – (Continued)***Private Placement Facilities*

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

The components of our private placement facility borrowings as of March 30, 2013 are presented in the following table:

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

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

*Butler Schein Animal Health*

During the first quarter of 2013, we repaid the then outstanding debt related to the Butler Schein Animal Health (“BSAH”) transaction using our existing Credit Agreement. As part of this transaction, we recorded a one-time interest expense charge of \$6.2 million related to the accelerated amortization of deferred financing costs. On April 17, 2013, we entered into a facility agreement of up to \$300 million with a bank, as agent, based on the securitization of our U.S. trade accounts receivable. The new facility allowed us to replace public debt (approximately \$220 million) at a higher interest rate at BSAH during February 2013 and will provide funding for working capital and general corporate purposes. See Note 14 – “Subsequent Event” for details related to the new facility agreement.

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

**Note 4 – Redeemable Noncontrolling Interests**

Some minority shareholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value. Accounting Standards Codification (“ASC”) Topic 480-10 is applicable for noncontrolling interests where we are or may be required to purchase all or a portion of the outstanding interest in a consolidated subsidiary from the noncontrolling interest holder under the terms of a put option contained in contractual agreements. The components of the change in the Redeemable noncontrolling interests for the three months ended March 30, 2013 and the year ended December 29, 2012 are presented in the following table:

	<b>March 30, 2013</b>	<b>December 29, 2012</b>
Balance, beginning of period	\$ 435,175	\$ 402,050
Decrease in redeemable noncontrolling interests due to redemptions	-	(23,637)
Increase in redeemable noncontrolling interests due to business acquisitions	7,691	30,935
Net income attributable to redeemable noncontrolling interests	7,134	34,803
Dividends declared	(2,815)	(21,013)
Effect of foreign currency translation gain (loss) attributable to redeemable noncontrolling interests	(1,478)	904
Change in fair value of redeemable securities	17,656	53,769
Other adjustment to redeemable noncontrolling interests	-	(42,636)
Balance, end of period	<u>\$ 463,363</u>	<u>\$ 435,175</u>

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

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

**Note 5 – Comprehensive Income**

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

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

	March 30, 2013	December 29, 2012
Attributable to Redeemable noncontrolling interests:		
Foreign currency translation adjustment	\$ (2,327)	\$ (849)
Attributable to Henry Schein, Inc.:		
Foreign currency translation gain	\$ 33,197	\$ 72,160
Unrealized gain from foreign currency hedging activities	1,028	1,187
Unrealized investment loss	(424)	(415)
Pension adjustment loss	(19,339)	(20,077)
Accumulated other comprehensive income	<u>\$ 14,462</u>	<u>\$ 52,855</u>
Total Accumulated other comprehensive income	<u>\$ 12,135</u>	<u>\$ 52,006</u>

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

	Three Months Ended	
	March 30, 2013	March 31, 2012
Net income	\$ 98,686	\$ 89,061
Foreign currency translation gain (loss)	(40,441)	31,661
Tax effect	-	-
Foreign currency translation gain (loss)	<u>(40,441)</u>	<u>31,661</u>
Unrealized gain (loss) from foreign currency hedging activities	(76)	1,160
Tax effect	(83)	(245)
Unrealized gain (loss) from foreign currency hedging activities	<u>(159)</u>	<u>915</u>
Unrealized investment loss	(15)	(73)
Tax effect	6	106
Unrealized investment gain (loss)	<u>(9)</u>	<u>33</u>
Pension adjustment gain (loss)	920	(359)
Tax effect	(182)	(76)
Pension adjustment gain (loss)	<u>738</u>	<u>(435)</u>
Comprehensive income	<u>\$ 58,815</u>	<u>\$ 121,235</u>

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

	Three Months Ended	
	March 30, 2013	March 31, 2012
Comprehensive income attributable to Henry Schein, Inc.	\$ 53,085	\$ 111,912
Comprehensive income attributable to noncontrolling interests	74	104
Comprehensive income attributable to Redeemable noncontrolling interests	5,656	9,219
Comprehensive income	<u>\$ 58,815</u>	<u>\$ 121,235</u>

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

**Note 6 – Fair Value Measurements**

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

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

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

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

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

*Investments and notes receivable*

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

*Debt*

The fair value of our debt as of March 30, 2013 and December 29, 2012 was estimated at \$652.6 million and \$533.3 million, respectively. Factors that we considered when estimating the fair value of our debt include market conditions, prepayment and make-whole provisions, liquidity levels in the private placement market, variability in pricing from multiple lenders and term of debt.

*Derivative contracts*

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

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

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

**Note 6 – Fair Value Measurements – (Continued)***Redeemable noncontrolling interests*

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

The following table presents our assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of March 30, 2013 and December 29, 2012:

	<b>March 30, 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Derivative contracts	\$ -	\$ 631	\$ -	\$ 631
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 631</b>	<b>\$ -</b>	<b>\$ 631</b>
<b>Liabilities:</b>				
Derivative contracts	\$ -	\$ 1,820	\$ -	\$ 1,820
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 1,820</b>	<b>\$ -</b>	<b>\$ 1,820</b>
<b>Redeemable noncontrolling interests</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 463,363</b>	<b>\$ 463,363</b>
	<b>December 29, 2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets:</b>				
Available-for-sale securities	\$ -	\$ -	\$ 2,816	\$ 2,816
Derivative contracts	-	710	-	710
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 710</b>	<b>\$ 2,816</b>	<b>\$ 3,526</b>
<b>Liabilities:</b>				
Derivative contracts	\$ -	\$ 1,159	\$ -	\$ 1,159
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 1,159</b>	<b>\$ -</b>	<b>\$ 1,159</b>
<b>Redeemable noncontrolling interests</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 435,175</b>	<b>\$ 435,175</b>

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

**Note 7 – Business Acquisitions**

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

We completed certain acquisitions during the three months ended March 30, 2013. Such acquisitions were immaterial to our financial statements individually and in the aggregate.

Some prior owners of such acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain financial targets are met. For acquisitions completed prior to 2009, we accrue liabilities that may arise from these transactions when we believe that the outcome of the contingency is determinable beyond a reasonable doubt. For acquisitions completed in subsequent periods, we have accrued liabilities for the estimated fair value of additional purchase price consideration at the time of the acquisition. Any adjustments to these accrual amounts are recorded in our consolidated statements of income. For the three months ended March 30, 2013 and March 31, 2012, there were no material adjustments recorded in our consolidated statement of income relating to changes in estimated contingent purchase price liabilities.

**Note 8 – Plans of Restructuring**

During the years ended December 29, 2012 and December 25, 2010, we incurred restructuring costs of \$15.2 million (\$10.5 million after taxes) and \$12.3 million (\$8.3 million after taxes), respectively, consisting of employee severance pay and benefits related to the elimination of approximately 200 positions and 184 positions, respectively, facility closing costs, representing primarily lease terminations and property and equipment write-off costs, and outside professional and consulting fees directly related to the restructuring plan. These restructuring programs are complete and we do not expect any additional costs from these programs.

The costs associated with these restructurings 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 the three months ended March 30, 2013 and during our 2012, 2011 and 2010 fiscal years and the remaining accrued balance of restructuring costs as of March 30, 2013, which is included in Accrued expenses: Other and Other liabilities within our consolidated balance sheet:

	<b>Severance Costs</b>	<b>Facility Closing Costs</b>	<b>Total</b>
Balance, December 26, 2009	\$ 2,267	\$ 2,030	\$ 4,297
Provision	8,930	3,355	12,285
Payments and other adjustments	(9,205)	(3,034)	(12,239)
Balance, December 25, 2010	\$ 1,992	\$ 2,351	\$ 4,343
Provision	-	-	-
Payments and other adjustments	(1,423)	(1,800)	(3,223)
Balance, December 31, 2011	\$ 569	\$ 551	\$ 1,120
Provision	12,841	2,351	15,192
Payments and other adjustments	(11,584)	(1,671)	(13,255)
Balance, December 29, 2012	\$ 1,826	\$ 1,231	\$ 3,057
Provision	-	-	-
Payments and other adjustments	(1,002)	(510)	(1,512)
Balance, March 30, 2013	<u>\$ 824</u>	<u>\$ 721</u>	<u>\$ 1,545</u>

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

**Note 8 – Plans of Restructuring – (Continued)**

The following table shows, by reportable segment, the restructuring costs incurred during the three months ended March 30, 2013 and the fiscal years 2012, 2011 and 2010 and the remaining accrued balance of restructuring costs as of March 30, 2013:

	<b>Health Care Distribution</b>	<b>Technology and Value-Added Services</b>	<b>Total</b>
Balance, December 26, 2009	\$ 4,225	\$ 72	\$ 4,297
Provision	12,063	222	12,285
Payments and other adjustments	(11,945)	(294)	(12,239)
Balance, December 25, 2010	\$ 4,343	\$ -	\$ 4,343
Provision	-	-	-
Payments and other adjustments	(3,223)	-	(3,223)
Balance, December 31, 2011	\$ 1,120	\$ -	\$ 1,120
Provision	14,981	211	15,192
Payments and other adjustments	(13,058)	(197)	(13,255)
Balance, December 29, 2012	\$ 3,043	\$ 14	\$ 3,057
Provision	-	-	-
Payments and other adjustments	(1,498)	(14)	(1,512)
Balance, March 30, 2013	<u>\$ 1,545</u>	<u>\$ -</u>	<u>\$ 1,545</u>

We expect that a majority of the liability balance at March 30, 2013 will be paid in 2013.

**Note 9 – Earnings Per Share**

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

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

	<b>Three Months Ended</b>	
	<b>March 30, 2013</b>	<b>March 31, 2012</b>
Basic	86,654	88,216
Effect of dilutive securities:		
Stock options, restricted stock and restricted stock units	2,138	2,450
Diluted	<u>88,792</u>	<u>90,666</u>



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

**Note 10 – Income Taxes**

For the three months ended March 30, 2013, our effective tax rate was 31.9% compared to 32.3% for the prior year period. The difference between our effective tax rates and the federal statutory tax rates for both periods related primarily to state and foreign income taxes and interest expense.

The total amount of unrecognized tax benefits as of March 30, 2013 was approximately \$43.0 million, all of which would affect the effective tax rate if recognized. It is expected that the amount of unrecognized tax benefits will change in the next 12 months; however, we do not expect the change to have a material impact on our consolidated financial statements.

The total amounts of interest and penalties, which are classified as a component of the provision for income taxes, were approximately \$8.9 million and \$0, respectively, for the three months ended March 30, 2013.

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

**Note 11 – Derivatives and Hedging Activities**

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

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

**HENRY SCHEIN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**Note 12 – Stock-Based Compensation**

Our accompanying unaudited consolidated statements of income reflect share-based pre-tax compensation expense of \$5.3 million (\$3.6 million after-tax) and \$8.8 million (\$5.9 million after-tax) for the three months ended March 30, 2013 and March 31, 2012, respectively.

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

Stock-based awards are provided to certain employees and non-employee directors under the terms of our 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. Prior to March 2009, awards under the Plans principally included a combination of at-the-money stock options and restricted stock (including restricted stock units). Since March 2009, equity-based awards have been granted solely in the form of restricted stock and restricted stock units, with the exception of stock options for certain pre-existing contractual obligations.

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

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

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

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

Total unrecognized compensation cost related to non-vested awards as of March 30, 2013 was \$102.9 million, which is expected to be recognized over a weighted-average period of approximately 2.6 years.

**HENRY SCHEIN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
(in thousands, except per share data)  
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**Note 12 – Stock-Based Compensation – (Continued)**

The following table summarizes stock option activity under the Plans during the three months ended March 30, 2013:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life in Years	Aggregate Intrinsic Value
Outstanding at beginning of period	2,138	\$ 48.61		
Granted	-	-		
Exercised	(292)	40.95		
Forfeited	-	-		
Outstanding at end of period	<u>1,846</u>	<u>\$ 49.82</u>	3.5	\$ 78,865
Options exercisable at end of period	<u>1,846</u>	<u>\$ 49.82</u>	3.5	\$ 78,865

The following tables summarize the activity of our non-vested restricted stock/units for the three months ended March 30, 2013:

	<u>Time-Based Restricted Stock/Units</u>		
	Shares/Units	Weighted Average Grant Date Fair Value Per Share	Intrinsic Value Per Share
Outstanding at beginning of period	1,018	\$ 56.87	
Granted	182	88.87	
Vested	(275)	35.31	
Forfeited	(9)	65.15	
Outstanding at end of period	<u>916</u>	<u>\$ 69.60</u>	\$ 92.55

	<u>Performance-Based Restricted Stock/Units</u>		
	Shares/Units	Weighted Average Grant Date Fair Value Per Share	Intrinsic Value Per Share
Outstanding at beginning of period	1,315	\$ 53.27	
Granted	49	82.19	
Vested	(361)	56.55	
Forfeited	(10)	68.32	
Outstanding at end of period	<u>993</u>	<u>\$ 56.56</u>	\$ 92.55

**HENRY SCHEIN, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**Note 13 – Supplemental Cash Flow Information**

Cash paid for interest and income taxes was:

	<b>Three Months Ended</b>	
	<b>March 30, 2013</b>	<b>March 31, 2012</b>
Interest	\$ 6,979	\$ 6,891
Income taxes	10,541	24,747

During the three months ended March 30, 2013, we had a \$0.1 million non-cash net unrealized loss related to hedging activities. During the three months ended March 31, 2012, we had a \$1.2 million non-cash net unrealized gain related to hedging activities.

**Note 14 – Subsequent Event**

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

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

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

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

### Cautionary Note Regarding Forward-Looking Statements

In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, we provide the following cautionary remarks regarding important factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. All forward-looking statements made by us are subject to risks and uncertainties and are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are identified by the use of such terms as "may," "could," "expect," "intend," "believe," "plan," "estimate," "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: effects of a highly competitive market; our dependence on third parties for the manufacture and supply of our products; our dependence upon sales personnel, customers, suppliers and manufacturers; our dependence on our senior management; fluctuations in quarterly earnings; risks from expansion of customer purchasing power and multi-tiered costing structures; possible increases in the cost of shipping our products or other service issues with our third-party shippers; general global macro-economic conditions; disruptions in financial markets; possible volatility of the market price of our common stock; changes in the health care industry; implementation of health care laws; failure to comply with regulatory requirements and data privacy laws; risks associated with our global operations; transitional challenges associated with acquisitions and joint ventures, including the failure to achieve anticipated synergies; financial risks associated with acquisitions and joint ventures; litigation risks; the dependence on our continued product development, technical support and successful marketing in the technology segment; risks from rapid technological change; risks from disruption to our information systems; certain provisions in our governing documents that may discourage third-party acquisitions of us; and changes in tax legislation. The order in which these factors appear should not be construed to indicate their relative importance or priority.

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

### Executive-Level Overview

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

We are headquartered in Melville, New York, employ more than 15,500 people (of which more than 7,000 are based outside the United States) and have operations or affiliates in 25 countries, including the United States, Australia, Austria, Belgium, Canada, China, the Czech Republic, France, Germany, Hong Kong SAR, Iceland, Ireland, Israel, Italy, Luxembourg, Mauritius, the Netherlands, New Zealand, Portugal, Slovakia, Spain, Switzerland, Thailand, Turkey and the United Kingdom.

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

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

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

#### *Industry Overview*

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

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

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

#### *Industry Consolidation*

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

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

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

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

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

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

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

#### *Aging Population and Other Market Influences*

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

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

As a result of these market dynamics, annual expenditures for health care services continue to increase in the United States. Given current operating, economic and industry conditions, we believe that demand for our products and services will grow at slower rates. The Centers for Medicare and Medicaid Services, or CMS, published "National Health Expenditure Projections 2011-2021" indicating that total national health care spending reached approximately \$2.7 trillion in 2011, or 17.9% of the nation's gross domestic product, the benchmark measure for annual production of goods and services in the United States. Health care spending is projected to reach approximately \$4.8 trillion in 2021, approximately 19.6% of the nation's gross domestic product.

## *Government*

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

### *Health Care Reform*

For example, the Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act, each enacted in March 2010, generally known as the Health Care Reform Law, increased federal oversight of private health insurance plans and included a number of provisions designed to reduce Medicare expenditures and the cost of health care generally, to reduce fraud and abuse, and to provide access to increased health coverage. The Health Care Reform Law requirements include a 2.3% excise tax on domestic sales of many medical devices by manufacturers and importers beginning in 2013 and a fee on branded prescription drugs and biologics that was implemented in 2011, both of which may affect sales. On June 28, 2012, the United States Supreme Court upheld as constitutional a key provision in the Health Care Reform Law, often referred to as the “individual mandate,” which requires individuals without health insurance to pay a penalty. However, the decision also invalidated a provision in the Health Care Reform Law requiring states to expand their Medicaid programs or risk the complete loss of all federal Medicaid funding. The Court held that the federal government may offer states the option of accepting the expansion requirement, but that it may not take away pre-existing Medicaid funds in order to coerce states into complying with the expansion. A number of states have indicated a reluctance to accept the Medicaid expansion, so the full extent of increased health care coverage under the Health Care Reform Law is uncertain.

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

The final rule implementing the Physician Payment Sunshine Act is complex, ambiguous and broad in scope, and we are in the process of analyzing its application to our businesses. For example, the final rule is unclear as to whether the Physician Payment Sunshine Act requires that wholesale drug and device distributors that are not engaged in any repackaging or relabeling activities but which take title to the products they distribute, as we generally do, are to be treated as “applicable manufacturers” subject to full reporting requirements. The CMS commentary on the final rule indicates that they are to be treated as “applicable manufacturers” subject to full reporting requirements; however, this interpretation appears to be inconsistent with the language of the Physician Payment Sunshine Act itself. In addition, because certain of our subsidiaries manufacture drugs and devices, we will in any event likely be required to collect and report detailed information regarding certain financial relationships we have with physicians, dentists and teaching hospitals. It is difficult to predict how the new requirements may impact existing relationships among manufacturers, distributors, physicians, dentists and teaching hospitals. The Physician Payment Sunshine Act preempts similar state reporting laws, although we or our subsidiaries may be required to continue to report under certain of such state laws. While we expect to have adequate compliance programs and controls in place to comply with the Physician Payment Sunshine Act requirements, our compliance with the new final rule is likely to impose additional costs on us.



## *Health Care Fraud*

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

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

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

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

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

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

### *Operating and Security Standards*

At the federal level, the Federal Food, Drug, and Cosmetic Act, or FDC Act, requires certain wholesalers to provide a drug pedigree for each wholesale distribution of prescription drugs, which includes an identifying statement that records the chain of ownership of a prescription drug. On July 14, 2011, the United States Food and Drug Administration, or FDA, published a proposed rulemaking that would remove the requirement that a pedigree track back to the manufacturer and that certain information be identified on the pedigree. Currently, the FDA, in exercise of its enforcement discretion, requires these wholesalers to maintain drug pedigrees that include transaction dates, names and addresses regarding transactions going back to either the manufacturer or the last authorized distributor of record that handled the drugs. The FDA has continued to develop its policies regarding the integrity of the supply chain, such as by issuing a Final Guidance in 2010 regarding standardized numerical identification for prescription drug packages and by issuing a proposed rule in 2012 for a unique medical device identification system.

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

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

### *Regulated Software; Electronic Health Records*

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

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

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

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

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

## **E-Commerce**

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

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

**Results of Operations**

The following tables summarize the significant components of our operating results and cash flows for the three months ended March 30, 2013 and March 31, 2012 (in thousands):

	<b>Three Months Ended</b>	
	<b>March 30, 2013</b>	<b>March 31, 2012</b>
<b>Operating results:</b>		
Net sales	\$ 2,293,511	\$ 2,099,019
Cost of sales	<u>1,646,520</u>	<u>1,488,440</u>
Gross profit	646,991	610,579
<b>Operating expenses:</b>		
Selling, general and administrative	493,362	465,452
Restructuring costs	-	11,832
Operating income	<u>\$ 153,629</u>	<u>\$ 133,295</u>
Other expense, net	\$ (9,892)	\$ (3,785)
Net income	98,686	89,061
Net income attributable to Henry Schein, Inc.	91,478	80,752
<b>Cash flows:</b>		
Net cash used in operating activities	\$ (38,047)	\$ (48,605)
Net cash used in investing activities	(44,289)	(32,104)
Net cash provided by financing activities	56,073	30,909

**Plan of Restructuring**

During the three months ended March 31, 2012, we incurred restructuring costs of \$11.8 million (\$8.3 million after taxes) consisting of employee severance pay and benefits related to the elimination of approximately 150 positions, facility closing costs, representing primarily lease terminations and asset write-off costs, and outside professional and consulting fees directly related to the restructuring plan. This restructuring program is complete and we do not expect any additional costs from this program. We expect that a majority of the liability balance at March 30, 2013 will be paid in 2013.

**Three Months Ended March 30, 2013 Compared to Three Months Ended March 31, 2012****Net Sales**

Net sales for the three months ended March 30, 2013 and March 31, 2012 were as follows (in thousands):

	March 30,	% of	March 31,	% of	Increase	
	2013	Total	2012	Total	\$	%
<b>Health care distribution (1):</b>						
Dental	\$ 1,190,795	51.9%	\$ 1,155,666	55.1%	\$ 35,129	3.0%
Medical	388,862	16.9	354,826	16.9	34,036	9.6
Animal health	639,142	27.9	525,590	25.0	113,552	21.6
Total health care distribution	2,218,799	96.7	2,036,082	97.0	182,717	9.0
Technology and value-added services (2)	74,712	3.3	62,937	3.0	11,775	18.7
Total	\$ 2,293,511	100.0%	\$ 2,099,019	100.0%	\$ 194,492	9.3

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

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

The \$194.5 million, or 9.3%, increase in net sales for the three months ended March 30, 2013 includes an increase of 9.2% in local currency growth (3.3% increase in internally generated revenue and 5.9% growth from acquisitions) as well as an increase of 0.1% related to foreign currency exchange.

The \$35.1 million, or 3.0%, increase in dental net sales for the three months ended March 30, 2013 includes an increase of 2.9% in local currency growth (0.3% decrease in internally generated revenue and 3.2% growth from acquisitions) as well as an increase of 0.1% related to foreign currency exchange. The 2.9% increase in local currency sales was due to dental consumable merchandise sales growth of 3.9% (0.2% increase in internally generated revenue and 3.7% growth from acquisitions), partially offset by a decrease in dental equipment sales and service revenues of 0.7% (2.0% decrease in internally generated revenue and 1.3% growth from acquisitions).

The \$34.0 million, or 9.6%, increase in medical net sales for the three months ended March 30, 2013 includes an increase of 9.5% in local currency growth (8.3% increase in internally generated revenue and 1.2% growth from acquisitions) as well as an increase of 0.1% related to foreign currency exchange.

The \$113.6 million, or 21.6%, increase in animal health net sales for the three months ended March 30, 2013 includes an increase of 21.7% in local currency growth (6.8% increase in internally generated revenue and 14.9% growth from acquisitions) partially offset by a decrease of 0.1% related to foreign currency exchange.

The \$11.8 million, or 18.7%, increase in technology and value-added services net sales for the three months ended March 30, 2013 includes an increase of 18.9% in local currency growth (11.7% increase in internally generated revenue and 7.2% growth from acquisitions) partially offset by a decrease of 0.2% related to foreign currency exchange.

## Gross Profit

Gross profit and gross margin percentages by segment and in total for the three months ended March 30, 2013 and March 31, 2012 were as follows (in thousands):

	March 30,	Gross	March 31,	Gross	Increase	
	2013	Margin	2012	Margin	\$	%
Health care distribution	\$ 599,191	27.0%	\$ 569,542	28.0%	\$ 29,649	5.2%
Technology and value-added services	47,800	64.0	41,037	65.2	6,763	16.5
Total	<u>\$ 646,991</u>	28.2	<u>\$ 610,579</u>	29.1	<u>\$ 36,412</u>	6.0

For the three months ended March 30, 2013, gross profit increased \$36.4 million, or 6.0%, from the comparable prior year period. As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies. Additionally, we realize substantially higher gross margin percentages in our technology segment than in our health care distribution segment. These higher gross margins result from being both the developer and seller of software products and services, as well as certain financial services. The software industry typically realizes higher gross margins to recover investments in research and development.

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

Health care distribution gross profit increased \$29.6 million, or 5.2%, for the three months ended March 30, 2013 compared to the prior year period. Health care distribution gross profit margin decreased to 27.0% for the three months ended March 30, 2013 from 28.0% for the comparable prior year period. The decrease in our health care distribution gross profit margin is primarily due to growth in sales within our animal health businesses, which typically include a greater percentage of lower-margin pharmaceutical products than our other operating units.

Technology and value-added services gross profit increased \$6.8 million, or 16.5%, for the three months ended March 30, 2013 compared to the prior year period. Technology gross profit margin decreased to 64.0% for the three months ended March 30, 2013 from 65.2% for the comparable prior year period, primarily due to changes in the product sales mix and from higher support costs associated with our growing number of software and eServices customers.

## Selling, General and Administrative

Selling, general and administrative expenses by segment and in total for the three months ended March 30, 2013 and March 31, 2012 were as follows (in thousands):

	March 30,	% of	March 31,	% of	Increase	
	2013	Respective	2012	Respective	\$	%
Health care distribution	\$ 464,731	20.9%	\$ 440,546	21.6%	\$ 24,185	5.5%
Technology and value-added services	28,631	38.3	24,906	39.6	3,725	15.0
Total	<u>\$ 493,362</u>	21.5	<u>\$ 465,452</u>	22.2	<u>\$ 27,910</u>	6.0

Selling, general and administrative expenses increased \$27.9 million, or 6.0%, to \$493.4 million for the three months ended March 30, 2013 from the comparable prior year period. As a percentage of net sales, selling, general and administrative expenses decreased to 21.5% from 22.2% for the comparable prior year period.

As a component of selling, general and administrative expenses, selling expenses increased \$21.1 million, or 7.1%, to \$320.4 million for the three months ended March 30, 2013 from the comparable prior year period. As a percentage of net sales, selling expenses decreased to 14.0% from 14.3% for the comparable prior year period.

As a component of selling, general and administrative expenses, general and administrative expenses increased \$6.8 million, or 4.1%, to \$173.0 million for the three months ended March 30, 2013 from the comparable prior year period. As a percentage of net sales, general and administrative expenses decreased to 7.5% from 7.9% for the comparable prior year period.

#### **Other Expense, Net**

Other expense, net, for the three months ended March 30, 2013 and March 31, 2012 were as follows (in thousands):

	<b>March 30,</b>	<b>March 31,</b>	<b>Variance</b>	
	<b>2013</b>	<b>2012</b>	<b>\$</b>	<b>%</b>
Interest income	\$ 3,205	\$ 3,330	\$ (125)	(3.8)%
Interest expense	(12,727)	(7,640)	(5,087)	(66.6)
Other, net	(370)	525	(895)	(170.5)
Other expense, net	<u>\$ (9,892)</u>	<u>\$ (3,785)</u>	<u>\$ (6,107)</u>	(161.3)

Other expense, net increased by \$6.1 million for the three months ended March 30, 2013 compared to the prior year period. Interest income decreased \$0.1 million primarily due to a decrease in late fee income, partially offset by higher investment income. Interest expense increased \$5.1 million primarily due to the \$6.2 million accelerated amortization of deferred financing costs resulting from the early repayment of our Butler Schein Animal Health ("BSAH") debt during February 2013. Other, net decreased by \$0.9 million due primarily to a reserve recorded during the first quarter of 2013 related to a loan to an equity affiliate.

#### **Income Taxes**

For the three months ended March 30, 2013, our effective tax rate was 31.9% compared to 32.3% for the prior year period. The difference between our effective tax rates and the federal statutory tax rates for both periods related primarily to state and foreign income taxes and interest expense.

#### **Net Income**

Net income increased \$9.6 million, or 10.8%, for the three months ended March 30, 2013, compared to the prior year period due to the factors noted above.

## Liquidity and Capital Resources

Our principal capital requirements include funding of acquisitions, purchases of additional noncontrolling interests, repayments of debt principal, the funding of working capital needs, purchases of securities and fixed assets and repurchases of common stock. Working capital requirements generally result from increased sales, special inventory forward buy-in opportunities and payment terms for receivables and payables. Historically, sales have tended to be stronger during the third and fourth quarters and special inventory forward buy-in opportunities have been most prevalent just before the end of the year, 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 finance our business primarily through cash generated from our operations, revolving credit facilities and debt placements. Our ability to generate sufficient cash flows from operations is dependent on the continued demand of our customers for our products and services, and access to products and services from our suppliers.

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

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

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

Net cash flow used in operating activities was \$38.0 million for the three months ended March 30, 2013, compared to \$48.6 million for the comparable prior year period. The net change of \$10.6 million was primarily attributable to net income improvements, partially offset by changes in net working capital.

Net cash used in investing activities was \$44.3 million for the three months ended March 30, 2013, compared to \$32.1 million for the comparable prior year period. The net change of \$12.2 million was primarily due to increases in payments for equity investments and business acquisitions. We expect to invest approximately \$45 million to \$55 million during the remainder of the fiscal year in capital projects to modernize and expand our facilities and computer systems and to integrate certain operations into our existing structure.

Net cash provided by financing activities was \$56.1 million for the three months ended March 30, 2013, compared to \$30.9 million for the comparable prior year period. The net change of \$25.2 million was primarily due to increased bank borrowings and increased net proceeds from long-term debt, partially offset by increased repurchases of common stock and lower proceeds from issuance of stock upon exercise of stock options.

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

	<b>March 30, 2013</b>	<b>December 29, 2012</b>
Cash and cash equivalents	\$ 90,562	\$ 122,080
Working capital	1,342,846	1,231,668
Debt:		
Bank credit lines	\$ 50,073	\$ 27,166
Current maturities of long-term debt	1,908	17,992
Long-term debt	600,599	488,121
Total debt	<u>\$ 652,580</u>	<u>\$ 533,279</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.



*Accounts receivable days sales outstanding and inventory turns*

Our accounts receivable days sales outstanding from operations increased to 40.6 days as of March 30, 2013 from 40.1 days as of March 31, 2012. During the three months ended March 30, 2013, we wrote off approximately \$2.2 million of fully reserved accounts receivable against our trade receivable reserve. Our inventory turns from operations decreased to 5.6 as of March 30, 2013 from 6.2 as of March 31, 2012. Our working capital accounts may be impacted by current and future economic conditions.

*Credit Facilities*

On September 12, 2012, we entered into a new \$500 million revolving credit agreement (the "Credit Agreement") with a \$200 million expansion feature, which expires on September 12, 2017. This credit facility replaced our then existing \$400 million revolving credit facility with a \$100 million expansion feature, which would have expired on September 5, 2013. The borrowings outstanding under this revolving credit facility were \$305.0 million as of March 30, 2013. The interest rate is based on the USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. The Credit Agreement provides, among other things, that we are required to maintain certain interest coverage and maximum leverage ratios, and contains customary representations, warranties and affirmative covenants. The Credit Agreement also contains customary negative covenants, subject to negotiated exceptions on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of March 30, 2013, there were \$9.2 million of letters of credit provided to third parties under the credit facility.

As of March 30, 2013, we had various other short-term bank credit lines available, of which approximately \$50.1 million was outstanding. During the three months ended March 30, 2013, borrowings under all of our credit lines had a weighted average interest rate of 1.62%.

*Private Placement Facilities*

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

The components of our private placement facility borrowings as of March 30, 2013 are presented in the following table:

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

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

*Butler Schein Animal Health*

During the first quarter of 2013, we repaid the then outstanding debt related to the BSAH transaction using our existing Credit Agreement. As part of this transaction, we recorded a one-time interest expense charge of \$6.2 million related to the accelerated amortization of deferred financing costs. On April 17, 2013, we entered into a facility agreement of up to \$300 million with a bank, as agent, based on the securitization of our U.S. trade accounts receivable. The new facility allowed us to replace public debt (approximately \$220 million) at a higher interest rate at BSAH during February 2013 and will provide funding for working capital and general corporate purposes. See Note 14 – “Subsequent Event” for details related to the new facility agreement.

*Stock Repurchases*

From June 21, 2004 through March 30, 2013, we repurchased \$873.3 million, or 14,595,513 shares, under our common stock repurchase programs, with \$226.7 million available for future common stock share repurchases.

*Redeemable Noncontrolling Interests*

Some minority shareholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value. ASC Topic 480-10 is applicable for noncontrolling interests where we are or may be required to purchase all or a portion of the outstanding interest in a consolidated subsidiary from the noncontrolling interest holder under the terms of a put option contained in contractual agreements. The components of the change in the Redeemable noncontrolling interests for the three months ended March 30, 2013 and the year ended December 29, 2012 are presented in the following table:

	<b>March 30, 2013</b>	<b>December 29, 2012</b>
Balance, beginning of period	\$ 435,175	\$ 402,050
Decrease in redeemable noncontrolling interests due to redemptions	-	(23,637)
Increase in redeemable noncontrolling interests due to business acquisitions	7,691	30,935
Net income attributable to redeemable noncontrolling interests	7,134	34,803
Dividends declared	(2,815)	(21,013)
Effect of foreign currency translation gain (loss) attributable to redeemable noncontrolling interests	(1,478)	904
Change in fair value of redeemable securities	17,656	53,769
Other adjustment to redeemable noncontrolling interests	-	(42,636)
Balance, end of period	<u>\$ 463,363</u>	<u>\$ 435,175</u>

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

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

## **Critical Accounting Policies and Estimates**

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

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

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

## **ITEM 4. CONTROLS AND PROCEDURES**

### *Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of March 30, 2013 to ensure that all material information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to them as appropriate to allow timely decisions regarding required disclosure and that all such information is recorded, processed, summarized and reported as specified in the SEC's rules and forms.

### *Changes in Internal Control Over Financial Reporting*

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

During the quarter ended March 30, 2013, we continued our post-acquisition related activities for animal health, dental and technology businesses acquired during 2012 representing aggregate annual revenues of approximately \$425.0 million. These acquisitions, the majority of which utilize separate information and financial accounting systems, have been included in our consolidated financial statements.

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

### *Limitations of the Effectiveness of Internal Control*

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

## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

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

As of March 30, 2013, we had accrued our best estimate of potential losses relating to claims that were probable to result in a liability and for which we were able to reasonably estimate a loss. This accrued amount, as well as related expenses, was not material to our financial position, results of operations or cash flows. Our method for determining estimated losses considers currently available facts, presently enacted laws and regulations and other external factors, including probable recoveries from third parties.

### **ITEM 1A. RISK FACTORS**

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

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS***Purchases of equity securities by the issuer*

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

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

As of March 30, 2013, we had repurchased \$873.3 million of common stock (14,595,513 shares) under these initiatives, with \$226.7 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 March 30, 2013:

<b>Fiscal Month</b>	<b>Total Number of Shares Purchased (1)</b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Our Publicly Announced Program</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under Our Program (2)</b>
12/30/12 through 02/02/13	301,450	\$ 84.47	301,450	3,137,099
02/03/13 through 03/02/13	256,000	88.33	256,000	2,837,025
03/03/13 through 03/30/13	282,000	89.99	282,000	2,449,113
	<u>839,450</u>		<u>839,450</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 end fiscal period based on the closing price of our common stock at that time.

**ITEM 6. EXHIBITS**

Exhibits.

- 10.1 Henry Schein Management Team Performance Incentive Plan and Plan Summary, effective as of January 1, 2013.+
- 10.2 Form of Restricted Stock Agreement for time-based restricted stock awards pursuant to the Henry Schein, Inc. 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007).+
- 10.3 Form of Restricted Stock Agreement for performance-based restricted stock awards pursuant to the Henry Schein, Inc. 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007).+
- 10.4 Form of Restricted Stock Unit Agreement for time-based restricted stock awards pursuant to the Henry Schein, Inc. 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007).+
- 10.5 Form of Restricted Stock Unit Agreement for performance-based restricted stock awards pursuant to the Henry Schein, Inc. 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007).+
- 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+
- 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+
- 32.1 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.+
- 101.INS XBRL Instance Document+
- 101.SCH XBRL Taxonomy Extension Schema Document+
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document+
- 101.DEF XBRL Taxonomy Definition Linkbase Document+
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document+
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document+

+ Filed herewith

**SIGNATURE**

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

Henry Schein, Inc.  
(Registrant)

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

Dated: May 7, 2013



***Management Team***

***Performance Incentive Plan and  
Plan Summary***

**Effective as of January 1, 2013**

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## 1. Introduction

As a member of the management team, you have direct impact to the profitability of Henry Schein. To align your interest with that of the Company, you have been nominated to participate in the Performance Incentive Plan (“PIP,” or the “Plan”), the incentive-based cash compensation program for the management team of Henry Schein, Inc. (the “Company”). This program was approved by the Compensation Committee of the Company’s Board of Directors (the “Compensation Committee”) on March 1, 2013, and is effective beginning January 1, 2013. This document serves as both the Plan and the Plan Summary.

Plan participants include the Company’s management team of directors and vice presidents who have been designated by the Company to participate in the Plan (the “Participant”). The Plan has been designed to align all Participants in a concerted effort to drive our business toward achieving common objectives that benefit the Company as a whole, the management team and each Participant. The Plan is specifically designed to:

- Foster achievement of specific corporate, business unit and individual performance goals on an annual basis (“Goals”);
- Provide each Participant with an annual cash bonus opportunity based on the achievement of the Goals (“PIP Award”); and
- Recognize and reward Participants for individual and group team achievements.

The Goals will be set forth in writing each year, and you will receive documentation regarding your annual Goals each year you are a Participant. Annual Goals may be modified from time to time, and any modification will also be set forth in writing. Any mid-year changes must be approved by the CEO, the appropriate EMC or by the Compensation Committee before the commencement of the fourth quarter. The Compensation Committee must be notified of any material changes. For purposes of the Plan, performance and achievement of Goals will be measured each calendar year or any other period specified by the Compensation Committee.

The PIP Award, in conjunction with a Participant’s base compensation, is intended to provide Participants with competitive total annual cash compensation for comparable positions at companies in our industry and at other similarly sized organizations.

The Chief Executive Officer of the Company (the “CEO”) (solely with respect to Participants other than executive officers) or the Compensation Committee has the sole authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the PIP and to construe and interpret the terms and provisions of the PIP and any PIP Award and make all other determinations and take any other action necessary or appropriate for the administration of the Plan, including, without limitation, correcting any defect, supplying any omission or reconciling any inconsistency in the Plan and any PIP Award in the manner and to the extent deemed necessary to carry the Plan into effect.

Any decision, interpretation or other action made or taken by or at the direction of the CEO (solely with respect to Participants other than executive officers) or the Compensation Committee will be final, binding and conclusive on Henry Schein and all Participants and their respective heirs, executors, administrators, successors and assigns. The CEO is authorized to act on behalf of the Compensation Committee under the Plan or to exercise any discretion that the Compensation Committee has under the Plan, provided that such act or exercise of discretion by the CEO may not apply to Participants who are executive officers.

The Compensation Committee may, in its sole discretion, delegate any of its responsibilities under the PIP (including administrative tasks) to the extent permitted by applicable law. The Compensation Committee may rely on information, and consider recommendations, provided by the Company's Board of Directors or members of Company management.

## **2. Eligibility**

The CEO annually determines eligibility for participation in the Plan, except that the Compensation Committee makes this determination with respect to executive officers. Participation is intended to be ongoing. However, changes in assignments may result in a Participants being ineligible to participate in the Plan. Participation in one year does not imply or guarantee participation in another year. Team Schein Members will be notified at the beginning of each year regarding their eligibility to participate in the Plan and will be notified during the year if that status changes.

PIP awards for newly hired or promoted TSMs will be pro-rated. However, no new entry will be included after September of each performance year.

## **3. PIP Awards and Individual Performance Goals**

PIP Awards are based on the following three goals:

### **a) Company Financial Performance Goals**

- The Company's annual profitability, specifically measured against earnings per share ("EPS"), net income or other predetermined profitability Goals.

### **b) Functional Area Financial Performance Goals**

- The Participant's business unit or functional area's level of achievement in financial and other performance Goals.

### **c) Individual Performance Goals**

- The Participant's achievement of his or her individual MBO Performance Goals.

The Company Financial Performance Goals are determined annually by the Compensation Committee. The Functional Financial Performance Goal and the MBO Performance Goal evaluation and analysis are conducted annually, unless otherwise specified. The PIP Award payouts corresponding to levels of achievement of Company Financial Performance Goals are determined by the Compensation Committee in its sole discretion on an annual basis. The PIP Award payouts for meeting or exceeding Functional Area Financial Goals and each Participant's individualized MBO Performance Goals are also determined by the Compensation Committee in its sole discretion on an annual basis.

Each Participant's Goals will be determined at the start of each year by their Manager and then reviewed, as applicable, by the Manager's Executive Management Committee (EMC) Member, CEO or the Compensation Committee. There will be an ongoing review of these Goals. Any changes during the year must be approved by the Manager, the Manager's EMC Member, Vice President – Global Human Resources and Financial Operations and, if appropriate, by the CEO. Each Participant and his or her Manager are encouraged to have performance evaluations during the year to monitor progress and, if necessary, to modify Goals (with the approval of the CEO and/or the Compensation Committee, if appropriate) for the balance of the year.

The following table illustrates Performance Goals for different types of management positions. This table is intended to provide guidelines for the development of a specific performance plan for each Participant based upon individual positions, roles and other factors. Final weighting of performance Goals for each Participant will be determined by the Participant’s Manager and, if appropriate, approved by the CEO and/or the Compensation Committee.

<b>Performance Goals Based on Position and Role</b>			
<b>Management Segment</b>	<b>Range of Performance Goal Categories</b>		
	<b>Functional Financial Performance</b>	<b>Company Financial Performance</b>	<b>MBO Performance</b>
Corporate Management Participants (e.g. Finance, Supply Chain TSM’s, etc)	10% - 40%	15% - 40%	30% - 50%
Major Business Unit Participants (e.g. Dental Group, Medical Group TSM’s, etc.)	55% - 65%	15% - 35%	10% - 25%
Supporting Corporate Function Participants (e.g. Legal Department, Human Resources Department TSM’s, etc.)	10% - 20%	15% - 35%	40% - 60%

#### **4. Company Financial Performance Goals**

The Company Financial Performance Goals are determined by the Compensation Committee in its sole discretion with input from the Executive Management team. Each year, the Compensation Committee may, as it decides in its sole discretion, make adjustments to the Company Financial Performance Goals in accordance with Section 7 below.

In determining whether the Company Financial Performance Goals have been achieved, the Compensation Committee, in its sole discretion, will take into account the quality of earnings and/or circumstances of achievement.

#### **5. Functional Area Financial Performance Goals**

For Participants managing a Group, Division or Subsidiary: Functional Area Financial Goals are based on the financial performance of the Group, Division or Subsidiary measured against annual financial budgets, in the following areas:

- Group/Divisional/Subsidiary sales Goals.
- Group/Divisional/Subsidiary gross profit Goals.
- Group/Divisional/Subsidiary pre-tax income after “service and capital charge” Goals.
- Group/Divisional/Subsidiary net income Goals.

For all other Participants: Goals are based on expense performance relative to the budget.

In determining whether Functional Area Financial Goals have been achieved, the Compensation Committee, in its sole discretion, will take into account the quality of earnings and/or circumstances of achievement.

## **6. MBO Performance Goals**

Specific, measurable MBO Performance Goals will be approved for each Participant by the CEO, the appropriate EMC, or by the Compensation Committee in its sole discretion, with respect to executive officers. These MBO Performance Goals should drive toward and support five enterprise-wide initiatives: Profitability; Process Excellence; Customer Satisfaction; Strategic Planning; and Organizational Development. To drive performance and to focus management energy, it is recommended that the number of MBOs be limited to five to nine critical objectives.

- Profitability - e.g., reduce expenses as a percent of sales; increase gross profit percentage and gross profit dollars; increase business unit sales; reduce inventory.
- Process Excellence - e.g., implement a new policy; reduce errors to customers; reduce DSOs; increase inventory turns.
- Customer Satisfaction - e.g., increase frequency of salesperson to customer contacts; implement project to develop computer screens to aid in positive customer interactions; support internal customer by completing all recruits within a reasonable predetermined time period; develop customer feedback program, such as surveys and focus groups.
- Strategic Planning - e.g., develop strategic plan based on individual responsibilities; benchmark Participant's unit against similar companies' functions.
- Organizational Development - e.g. personal business development; succession planning; diversity Goals; staff development; recruitment goals.

MBO Performance Goals should be specific, measurable, attainable, realistic and time-bound. In order to obtain an award of over 100% of the original MBO target amount, performance must have substantially exceeded the original parameters and expectations of the MBO Performance Goal in a measurable way. In summary, awards earned in excess of 100% should only be considered when significant benefits are realized when compared to the original MBO Performance Goal.

In determining whether MBO Performance Goals have been achieved or exceeded, the Compensation Committee, in its sole discretion, will take into account the quality of earnings and/or circumstances of achievement.

## **7. Adjustments to EPS Goals**

Each year, the Compensation Committee may adjust, as it decides in its sole discretion, the Company Financial Performance, Functional Area Financial and MBO Performance Goals (the "Goals") for:

- Acquisitions and new business ventures (based on the approved model) not initially considered when developing the target including:
  - Accretion or dilution, relating to unbudgeted acquisitions (or dispositions), and
  - Unbudgeted acquisition and professional fees and expenses relating to closed acquisitions or dispositions; and
  - Unbudgeted acquisition and professional fees and expenses relating to individual unclosed acquisitions or dispositions, where such fees and expenses exceed \$300,000, in which case all such fees and expenses (from the first dollar) shall be excluded;

- Certain capital transactions (including capital stock repurchases);
- Other budgeted changes in average outstanding shares (other than those resulting from capital transactions referred to above);
- Changes in a designated foreign exchange rate outside a pre-established range;
- Unforeseen events or circumstances affecting the Company; and
- Changes in accounting principles or in applicable laws or regulations.

In addition, the Compensation Committee may further adjust the Goals for any other unforeseeable event or other facts and circumstances beyond the control of the Company, by an amount equal to a reasonable estimate of the expected accretion or dilution, based on information provided to them by the Executive Management team. In the event the Compensation Committee makes adjustments in accordance with the preceding sentence, the Compensation Committee in its sole discretion will determine the PIP Award payouts that correspond to the levels of achievement of the adjusted Goal.

## **8. PIP Awards**

During the first fiscal quarter of each year, individual performance for the previous year is evaluated relative to Goals. PIP Awards are determined for each performance category, as applicable. A Participant's total PIP Award will equal the sum of the awards earned in each category for the previous year's performance.

Notwithstanding anything herein to the contrary, the Compensation Committee or the CEO (solely with respect to Participants other than executive officers) may, at any time, provide that all or a portion of a PIP Award is payable: (i) upon the attainment of any goal (including the Goals), as determined by the Compensation Committee or the CEO, as applicable; or (ii) regardless of whether the applicable Goals are attained, subject to the Compensation Committee's or the CEO's (solely with respect to Participants other than executive officers) sole discretion as to the quality of earnings and the circumstances of their achievement.

Any action by the Compensation Committee (or its delegate) hereunder will be made pursuant to resolutions documenting such action.

In order to receive any PIP Award, Participants must be actively employed on the payment date of the year the PIP Award is to be paid out. A prorated PIP Award may be available, at the discretion of the Compensation Committee or the CEO (solely with respect to Participants other than executive officers), if a Participant in the Plan dies, becomes permanently disabled, retires at the normal Social Security retirement age during the Plan year, or in other special circumstances.

PIP awards, less applicable withholdings, will be made by the end of the first fiscal quarter of each year.

To the extent applicable, unless payments are deferred as may be permitted by the Company, payments under the Plan are intended to be short-term deferrals within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the guidance issued thereunder (collectively, "Section 409A") that are exempt from the applicable requirements of Section 409A and the Plan will be limited, construed and interpreted in accordance with such intent.

Notwithstanding anything to the contrary, the Company does not guarantee, and nothing in the Plan or otherwise is intended to provide a guarantee of, any particular tax treatment with respect to payments or benefits under the Plan or otherwise, and the Company will not be responsible for their compliance with or exemption from Section 409A.

## **9. Forfeiture Conditions and Recoupment**

Notwithstanding anything herein to the contrary, each PIP Award granted under the Plan is conditioned on the applicable Participant not engaging in any Competitive Activity (as defined below) from the effective date of the grant of the PIP Award through the first anniversary of the applicable payment date of such PIP Award (such applicable payment date, the "Payment Date"). If, on or after the effective date of grant of the PIP Award but prior to the Payment Date, a Participant engages in a Competitive Activity, 100% of all PIP Awards issued and payable to such Participant under the Plan shall be immediately forfeited in its entirety, and such Participant shall have no further rights or interests with respect to such PIP Awards. In the event that a Participant engages in a Competitive Activity on or after the Payment Date but on or prior to the first anniversary of such Payment Date, the Company will have the right to recoup from the Participant, and such Participant will repay to the Company, within thirty (30) days following demand by the Company, an amount in cash equal to 100% of the PIP Awards paid to the Participant on the Payment Date pursuant to the Plan. The Company also has the right to set off (or cause to be set off) any amounts otherwise due to a Participant from the Company in satisfaction of such repayment obligation, provided that any such amounts are exempt from, or set off in a manner intended to comply with, the requirements of Section 409A.

Participants receiving PIP Awards hereby acknowledge and agree that the forfeiture and recoupment conditions set forth in this section 9, in view of the nature of the business in which the Company and its affiliates are engaged, are reasonable in scope and necessary in order to protect the legitimate business interests of the Company and its affiliates, and that any violation thereof would result in irreparable harm to the Company and its affiliates. Each Participant hereby acknowledge and agree that (i) it is a material inducement and condition to the Company's issuance of the PIP Award that such Participant agrees to be bound by such forfeiture and recoupment conditions and, further, that the amounts required to be forfeited or repaid to the Company pursuant to this Section 9 are reasonable, and (ii) nothing in the Plan is intended to preclude the Company (or any affiliate thereof) from seeking any remedies available at law, in equity, under contract to the Company or otherwise, and the Company (or any affiliate thereof) shall have the right to seek any such remedy with respect to the PIP Award or otherwise.

For purposes of the Plan, the Participant will be deemed to engage in a "Competitive Activity" if, either directly or indirectly, without the express prior written consent of the Company, the Participant (i) takes other employment with, render services to, or otherwise engages in any business activities with, companies or other entities that are competitors of the Company or any of its affiliates, (ii) solicits or induces, or in any manner attempts to solicit or induce, any person employed by or otherwise providing services to the Company or any of its affiliates, to terminate such person's employment or service relationship, as the case may be, with the Company or any of its affiliates, (iii) diverts, or attempts to divert, any person or entity from doing business with the Company or any of its affiliates or induces, or attempts to induce, any such person or entity from ceasing to be a customer or other business partner of the Company or any of its affiliates, (iv) violates any agreement between the Participant and the Company or any of its affiliates relating to the non-disclosure of proprietary or confidential information of the Company or any of its affiliates, and/or (v) conducts himself or herself in a manner adversely affecting the Company or any of its affiliates, including, without limitation, making false, misleading or negative statements, either orally or in writing, about the Company or any of its affiliates. The determination as to whether a Participant has engaged in a Competitive Activity shall be made by the Compensation Committee in its sole discretion.

## 10. *Miscellaneous*

All expenses of the Plan will be borne by the Company.

This Plan is not intended to, nor does it constitute, a contract or guarantee of continued employment. Nothing in the Plan or in any notice of a PIP Award will affect the right of the Company or any of its affiliates to terminate the employment or service of any Participant or to increase or decrease the compensation payable to the Participant from the rate in effect at the commencement of a year or to otherwise modify the terms of such Participant's employment.

Except to the extent required by applicable law, no PIP Award or payment thereof nor any right or benefit under the Plan will be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, garnishment, execution or levy of any kind or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, charge, garnish, execute upon or levy upon the same will be void and will not be recognized or given effect by the Company.

No person will have any claim or right to participate in the Plan or to receive any PIP Award for any particular year.

The Company reserves the right to amend, suspend or terminate the Plan at any time without notice.

The Plan has not been adopted by shareholders and is not designed for Code Section 162(m) compliance.

No member of the Compensation Committee and no other director or TSM of the Company or its affiliates to whom any duty or power relating to the administration or interpretation of the Plan has been delegated will be liable for any action, omission, or determination relating to the Plan, and the Company will indemnify and hold harmless each member of the Compensation Committee and each other director or TSM of the Company or its affiliates to whom any duty or power relating to the administration or interpretation of the Plan has been delegated against any cost or expense (including counsel fees, which fees shall be paid as incurred) or liability (including any sum paid in settlement of a claim with the approval of the Compensation Committee) arising out of or in connection with any action, omission or determination relating to the Plan, unless, in each case, such action, omission or determination was taken or made by such member, director or TSM in bad faith and without reasonable belief that it was in the best interests of the Company. The foregoing provisions of this paragraph are in addition to and shall not be deemed to limit or modify, any exculpatory rights or rights to indemnification or the advancement of expenses that any such persons may now or hereafter have, whether under the Company's Amended and Restated Certificate of Incorporation (as amended), the Company's Amended and Restated Bylaws (as amended), the Delaware General Corporation Law or otherwise.

In the event that any one or more of the provisions contained in the Plan will, for any reason, be held to be invalid, illegal or unenforceable, in any respect, such invalidity, illegality or unenforceability will not affect any other provision of the Plan and the Plan will be construed as if such invalid, illegal or unenforceable provisions had never been contained therein.

The Company will have the right to make any provisions that it deems necessary or appropriate to satisfy any obligations it may have under law to withhold federal, state or local income or other taxes incurred by reason of payments pursuant to the Plan.

The Plan and any amendments thereto will be construed, administered, and governed in all respects in accordance with the laws of the State of New York (regardless of the law that might otherwise govern under applicable principles of conflict of laws).

**FORM OF RESTRICTED STOCK AGREEMENT  
PURSUANT TO THE  
HENRY SCHEIN, INC. 1994 STOCK INCENTIVE PLAN  
(AS AMENDED AND RESTATED EFFECTIVE AS OF MARCH 27, 2007)**

THIS AGREEMENT (the "Agreement") is made as of [grant date], by and between Henry Schein, Inc. (the "Company") and [Participant Name] (the "Participant").

**W I T N E S S E T H:**

**WHEREAS**, the Company has adopted the Henry Schein, Inc. 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007), as amended from time to time (the "Plan") (a copy of which is on file with the Company's Corporate Human Resources Department and is available for Participant to review upon request at reasonable intervals as determined by the Company), which is administered by a Committee appointed by the Company's Board of Directors (the "Committee"); and

**WHEREAS**, pursuant to Section 9(a) of the Plan, the Committee may grant to Key Employees shares of its common stock, par value \$0.01 per share ("Common Stock" or the "Shares") in the amount set forth below; and

**WHEREAS**, the Participant is a Key Employee of the Company or a Subsidiary; and

**WHEREAS**, such Shares are to be subject to certain restrictions.

**NOW, THEREFORE**, for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Grant of Shares.** Subject to the restrictions, terms and conditions of this Agreement, the Company hereby awards to the Participant [# of shares] shares of validly issued Common Stock. If the Participant is a new hire, to the extent required by law, the Participant shall pay the Company the par value (\$0.01) for each Share awarded to the Participant simultaneously with the execution of this Agreement. Pursuant to Section 2 hereof, the Shares are subject to certain restrictions. While such restrictions are in effect, the Shares subject to such restrictions shall be referred to herein as "Restricted Stock."

2. **Restrictions on Transfer.** The Participant shall not sell, transfer, pledge, hypothecate, assign or otherwise dispose of the Shares, except as set forth in the Plan or this Agreement. Any attempted sale, transfer, pledge, hypothecation, assignment or other disposition of the Shares in violation of the Plan or this Agreement shall be void and of no effect and the Company shall have the right to disregard the same on its books and records and to issue "stop transfer" instructions to its transfer agent.

3. **Restricted Stock.**

(a) **Retention of Certificates.** Promptly after the date of this Agreement, the Company shall issue stock certificates representing the Restricted Stock unless it elects to recognize such ownership through book entry or another similar method pursuant to Section 8 herein. The stock certificates shall be registered in the Participant's name and shall bear any legend required under the Plan or Section 4 of this Agreement. Such stock certificates shall be held in custody by the Company (or its designated agent) until the restrictions thereon shall have lapsed. Upon the Company's request, the Participant shall deliver to the Company a duly signed stock power, endorsed in blank, relating to the Restricted Stock.

(b) **Rights with Regard to Restricted Stock.** The Participant will have the right to vote the Restricted Stock, to receive and retain any dividends payable to holders of Shares of record on and after the transfer of the Restricted Stock (although such dividends shall be treated, to the extent required by applicable law, as additional compensation for tax purposes if paid on Restricted Stock), and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to the Restricted Stock set forth in the Plan, with the exceptions that: (i) the Participant will not be entitled to delivery of the stock certificate or certificates representing the Restricted Stock until the Restriction Period shall have expired; (ii) the Company (or its designated agent) will retain custody of the stock certificate or certificates representing the Restricted Stock and the other RS Property (as defined below) during the Restriction Period; (iii) no RS Property shall bear interest or be segregated in separate accounts during the Restriction Period; (iv) any dividends will be subject to the restrictions provided in Sections 3(c) and 3(d); and (v) the Participant may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Stock during the Restriction Period.

(c) **Treatment of Dividends and RS Property.** In the event the Participant receives a dividend on the Restricted Stock or the Shares of Restricted Stock are split or the Participant receives any other shares, securities, moneys or property representing a dividend on the Restricted Stock or representing a distribution or return of capital upon or in respect of the Restricted Stock or any part thereof, or resulting from a split-up, reclassification or other like changes of the Restricted Stock, or otherwise received in exchange therefor, and any warrants, rights or options issued to the Participant in respect of the Restricted Stock (collectively "RS Property"), the Participant will also immediately deposit with and deliver to the Company any of such RS Property, including any certificates representing shares duly endorsed in blank or accompanied by stock powers duly executed in blank, and such RS Property shall be subject to the same restrictions, including that of Section 3(d), as the Restricted Stock with regard to which they are issued and shall herein be encompassed within the term "Restricted Stock." Any RS Property issued in the form of cash will not be reinvested in Shares and will be held uninvested and without interest until delivered to the Participant at the end of the Restriction Period, if applicable.

(d) **Vesting.**

(i) Unless otherwise provided expressly in a written agreement between the Participant and the Company, subject to Section 3(e) below, the Shares of Restricted Stock granted pursuant to Section 1 above shall become vested and cease to be Restricted Stock (but shall remain subject to Section 5 of this Agreement) on the earliest of (i) the Participant's death, (ii) the Participant's Disability, (iii) a Termination of Employment by the Company without Cause occurring within the 2-year period following a Change of Control and (iv) the fourth anniversary of the date of grant; provided that the Participant has not had a Termination of Employment any time prior to such date.



(ii) There shall be no proportionate or partial vesting in the periods prior to the vesting date and all vesting shall occur only on the vesting date; provided that no Termination of Employment has occurred prior to such date.

(iii) For purposes of this Agreement, "Disability" shall mean the approval of, and receiving benefits for, long term disability by the disability insurance carrier under the Company's (or if applicable, Subsidiary's) long term disability plan.

(iv) When any Shares of Restricted Stock become vested, the Company shall promptly issue and deliver, unless the Company is using book entry, to the Participant a new stock certificate registered in the name of the Participant for such Shares without the legend set forth in Section 4 hereof and deliver to the Participant any related other RS Property, subject to applicable withholding.

(e) **Forfeiture and Recoupment.**

(i) The Participant shall forfeit to the Company, without compensation, other than repayment of any par value paid by the Participant for such Shares, any and all unvested Shares of Restricted Stock (but no vested portion of the Shares of Restricted Stock) and RS Property upon the Participant's Termination of Employment for any reason.

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(ii) Notwithstanding anything herein or in the Plan to the contrary, the Shares of Restricted Stock and any RS Property provided for under this Agreement are conditioned on the Participant not engaging in any Competitive Activity (as defined below) from the date that is twelve (12) months prior to the applicable vesting date set forth in Section 3(d) above (such applicable vesting date, the "Payment Date") through the first anniversary of such Payment Date. If, on or after the date that is twelve (12) months prior to the Payment Date but prior to the Payment Date, the Participant engages in a Competitive Activity, all Shares of Restricted Stock and any RS Property (whether or not vested) shall be immediately forfeited in their entirety, and the Participant shall have no further rights or interests with respect to such Shares of Restricted Stock and RS Property. In the event that the Participant engages in a Competitive Activity on or after the Payment Date but on or prior to the first anniversary of such Payment Date, the Company shall have the right to recoup from the Participant, and the Participant shall repay to the Company, within thirty (30) days following demand by the Company, a payment equal to the Fair Market Value of the aggregate Shares of Restricted Stock and any RS Property payable to the Participant, and any dividends or other distributions thereafter paid thereon; provided, that, the Company may require the Participant to satisfy such payment obligations hereunder either by forfeiting and returning to the Company such Shares of Restricted Stock, RS Property or any other Shares, or making a cash payment or any combination of these methods as determined by the Company in its sole discretion. The Company, in its discretion, shall have the right to set off (or cause to be set off) any amounts otherwise due to the Participant from the Company in satisfaction of such repayment obligation, provided that any such amounts are exempt from, or set off in a manner intended to comply with, the requirements of Section 409A of the Code.

(iii) The Participant hereby acknowledges and agrees that the forfeiture and recoupment conditions set forth in this Section 3(e), in view of the nature of the business in which the Company and its affiliates are engaged, are reasonable in scope and necessary in order to protect the legitimate business interests of the Company and its affiliates, and that any violation thereof would result in irreparable harm to the Company and its affiliates. The Participant also acknowledges and agrees that (i) it is a material inducement and condition to the Company's issuance of the Shares of Restricted Stock and any RS Property that such Participant agrees to be bound by such forfeiture and recoupment conditions and, further, that the amounts required to be forfeited or repaid to the Company pursuant to forfeiture and recoupment conditions set forth above are reasonable, and (ii) nothing in this Agreement or the Plan is intended to preclude the Company (or any affiliate thereof) from seeking any remedies available at law, in equity, under contract to the Company or otherwise, and the Company (or any affiliate thereof) shall have the right to seek any such remedy with respect to the Shares of Restricted Stock, any RS Property or otherwise.

(iv) For purposes of this Agreement, the Participant will be deemed to engage in a "Competitive Activity" if, either directly or indirectly, without the express prior written consent of the Company, the Participant (i) takes other employment with, renders services to, or otherwise engages in any business activities with, companies or other entities that are competitors of the Company or any of its affiliates, (ii) solicits or induces, or in any manner attempts to solicit or induce, any person employed by or otherwise providing services to the Company or any of its affiliates, to terminate such person's employment or service relationship, as the case may be, with the Company or any of its affiliates, (iii) diverts, or attempts to divert, any person or entity from doing business with the Company or any of its affiliates or induces, or attempts to induce, any such person or entity from ceasing to be a customer or other business partner of the Company or any of its affiliates, (iv) violates any agreement between the Participant and the Company or any of its affiliates relating to the non-disclosure of proprietary or confidential information of the Company or any of its affiliates, and/or (v) conducts himself or herself in a manner adversely affecting the Company or any of its affiliates, including, without limitation, making false, misleading or negative statements, either orally or in writing, about the Company or any of its affiliates. The determination as to whether the Participant has engaged in a Competitive Activity shall be made by the Committee in its sole discretion.

(f) **Withholding.** Participant shall pay, or make arrangements to pay, in a manner satisfactory to the Company, an amount equal to the amount of all applicable foreign, federal, state, provincial and local taxes that the Company is required to withhold at any time. In the absence of such arrangements, the Company or one of its Subsidiaries shall have the right to withhold such taxes from the Participant's normal pay or other amounts payable to the Participant. In addition, any statutorily required withholding obligation may be satisfied, in whole or in part, at the Participant's election, in the form and manner prescribed by the Committee, by delivery of Shares of Common Stock (including Shares issuable under this Agreement).

(g) **Section 83(b).** If the Participant properly elects (as required by Section 83(b) of the U. S. Internal Revenue Code (the "Code")) within 30 days after the issuance of the Restricted Stock to include in gross income for federal income tax purposes in the year of issuance the fair market value of such Shares of Restricted Stock, the Participant shall pay to the Company or make arrangements satisfactory to the Company to pay to the Company upon such election, any federal, state or local taxes required to be withheld with respect to the Restricted Stock. If the Participant shall fail to make such payment, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock, as well as the rights set forth in Section 3(e) hereof. The Participant acknowledges that it is his or her sole responsibility, and not the Company's, to file timely and properly the election under Section 83(b) of the Code and any corresponding provisions of state tax laws if he or she elects to utilize such election.

(h) **Delivery Delay.** The delivery of any certificate representing the Restricted Stock or other RS Property may be postponed by the Company for such period as may be required for it to comply with any applicable foreign, federal, state or provincial securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or deliver any securities if, in the opinion of counsel for the Company, the issuance of such Shares shall constitute a violation by the Participant or the Company of any provisions of any applicable foreign, federal, state, local or provincial law or of any regulations of any governmental authority or any national securities exchange. If the Participant is currently a resident or is likely to become a resident in the United Kingdom at any time during the period that the Shares are subject to restriction, the Participant acknowledges and understands that the Company intends to meet its delivery obligations in Common Stock with respect to the Shares of Restricted Stock, except as may be prohibited by law or described in this Agreement or supplementary materials.

4. **Legend.** All certificates representing the Restricted Stock shall have endorsed thereon the following legends:

(a) "The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Henry Schein, Inc. (the "Company") 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007) (the "Plan") and an Award Agreement entered into between the registered owner and the Company. Copies of such Plan and Award Agreement are on file at the principal office of the Company."

(b) Any legend required to be placed thereon by applicable blue sky laws of any state.

Notwithstanding the foregoing, in no event shall the Company be obligated to issue a certificate representing the Restricted Stock prior to the vesting date set forth above.

5. **Securities Representations.** The Shares are being issued to the Participant and this Agreement is being made by the Company in reliance upon the following express representations and warranties of the Participant.

The Participant acknowledges, represents and warrants that:

(a) He or she has been advised that he or she may be an “affiliate” within the meaning of Rule 144 under the Securities Act of 1933, as amended (the “Act”) and in this connection the Company is relying in part on his or her representations set forth in this section.

(b) If he or she is deemed an affiliate within the meaning of Rule 144 of the Act, the Shares must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a “re-offer prospectus”) with regard to such Shares and the Company is under no obligation to register the Shares (or to file a “re-offer prospectus”).

(c) If he or she is deemed an affiliate within the meaning of Rule 144 of the Act, he or she understands that the exemption from registration under Rule 144 will not be available unless (i) a public trading market then exists for the Common Stock of the Company, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 or any exemption therefrom are complied with; and that any sale of the Shares may be made only in limited amounts in accordance with such terms and conditions.

6. **No Obligation to Continue Employment.** This Agreement is not an agreement of employment. This Agreement does not guarantee that the Company or its Subsidiaries will employ or retain, or to continue to employ or retain, the Participant during the entire, or any portion of the, term of this Agreement, including but not limited to any period during which the Restricted Stock is outstanding, nor does it modify in any respect the Company or its Subsidiary’s right to terminate or modify the Participant’s employment or compensation.

7. **Power of Attorney.** The Company, its successors and assigns, is hereby appointed the attorney-in-fact, with full power of substitution, of the Participant for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments which such attorney-in-fact may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. The Company, as attorney-in-fact for the Participant, may in the name and stead of the Participant, make and execute all conveyances, assignments and transfers of the Restricted Stock, Shares and property provided for herein, and the Participant hereby ratifies and confirms all that the Company, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, the Participant shall, if so requested by the Company, execute and deliver to the Company all such instruments as may, in the judgment of the Company, be advisable for the purpose.

8. **Uncertificated Shares.** Notwithstanding anything else herein, to the extent permitted under applicable foreign, federal, state, local or provincial law, the Committee may, issue the Shares in the form of uncertificated shares. Such uncertificated shares of Restricted Stock shall be credited to a book entry account maintained by the Company (or its designee) on behalf of the Participant. If thereafter certificates are issued with respect to the uncertificated shares of Restricted Stock, such issuance and delivery of certificates shall be in accordance with the applicable terms of this Agreement.

9. **Rights as a Stockholder.** Except as otherwise specifically provided for in this Agreement (including without limitation, in Section 3(b) hereof), or the Plan, the Participant shall have no rights as a stockholder with respect to any Shares covered by the Restricted Stock unless and until the Participant has become the holder of record of the Shares, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such Shares.

10. **Provisions of Plan Control.** This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. Capitalized terms in this Agreement that are not otherwise defined shall have the same meaning as set forth in the Plan. Subject to Section 3(e), if and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements between the Company and the Participant with respect to the subject matter hereof.

11. **Amendment.** To the extent applicable, the Board or the Committee may at any time and from time to time amend, in whole or in part, any or all of the provisions of this Agreement to comply with Section 409A of the Code and the regulations thereunder or any other applicable law and may also amend, suspend or terminate this Agreement subject to the terms of the Plan. The award of Restricted Stock pursuant to this Agreement is not intended to be considered "deferred compensation" for purposes of Section 409A of the Code. With respect to any dividend equivalents, however, this Agreement is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in a manner so as to comply therewith.

12. **Notices.** Any notice or communication given hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, or by regular United States mail, first class and prepaid, to the appropriate party at the address set forth below (or such other address as the party shall from time to time specify):

If to the Company, to:

Henry Schein, Inc.  
135 Duryea Road  
Melville, New York 11747  
Attention: General Counsel

If to the Participant, to the address on file with the Company.

13. **Acceptance.** The requirement of your acceptance as provided in Section 9(c) (ii) of the Plan is hereby waived and you are deemed to have accepted the Restricted Stock upon receipt of this Agreement.

14. **Transfer of Personal Data.** If the Participant is currently a resident or is likely to become a resident in the United Kingdom at any time during the period that the Shares are subject to restriction, the Participant authorizes, agrees and unambiguously consents to the transmission by the Company (or any Subsidiary) of any personal data information related to Restricted Stock awarded under this Agreement, for legitimate business purposes (including, without limitation, the administration of the Plan) out of the Participant's home country and including to countries with less data protection laws than the data protection laws provided by the Participant's home country. This authorization/consent is freely given by the Participant.

15. **Section 431.** If the Participant is currently a resident or is likely to become a resident in the United Kingdom at any time during the period that the Shares are subject to restriction, as determined by the Company, when requested and as directed by the Company, the Participant agrees to enter into a Joint Election with the Company under Section 431 of the Income Tax (Earnings and Pensions) Act of 2003 ("ITEPA") for full or partial disapplication of Chapter 2 ITEPA under the laws of the United Kingdom. The election must be signed and dated by the Participant and returned to the Company within 14-days of each grant of Shares.

16. **Miscellaneous.**

(a) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(b) This Agreement shall be governed and construed in accordance with the laws of New York (regardless of the law that might otherwise govern under applicable New York principles of conflict of laws).

(c) This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one contract.

(d) The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

**HENRY SCHEIN, INC.**

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Michael S. Ettinger  
Senior Vice President and General  
Counsel

**PARTICIPANT**

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[Participant Name]

**FORM OF RESTRICTED STOCK AGREEMENT  
PURSUANT TO THE  
HENRY SCHEIN, INC. 1994 STOCK INCENTIVE PLAN  
(AS AMENDED AND RESTATED EFFECTIVE AS OF MARCH 27, 2007)**

THIS AGREEMENT (the "Agreement") is made as of [grant date], by and between Henry Schein, Inc. (the "Company") and [Participant Name] (the "Participant").

**WITNESSETH:**

**WHEREAS**, the Company has adopted the Henry Schein, Inc. 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007), as amended from time to time (the "Plan") (a copy of which is on file with the Company's Corporate Human Resources Department and is available for Participant to review upon request at reasonable intervals as determined by the Company), which is administered by a Committee appointed by the Company's Board of Directors (the "Committee"); and

**WHEREAS**, pursuant to Section 9(a) of the Plan, the Committee may grant to Key Employees shares of its common stock, par value \$0.01 per share ("Common Stock" or the "Shares") in the amount set forth below; and

**WHEREAS**, the Participant is a Key Employee of the Company or a Subsidiary; and

**WHEREAS**, such Shares are to be subject to certain restrictions.

**NOW, THEREFORE**, for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Grant of Shares.** Subject to the restrictions, terms and conditions of this Agreement, the Company hereby awards to the Participant [# of shares] shares of validly issued Common Stock. If the Participant is a new hire, to the extent required by law, the Participant shall pay the Company the par value (\$0.01) for each Share awarded to the Participant simultaneously with the execution of this Agreement. Pursuant to Section 2 hereof, the Shares are subject to certain restrictions, which restrictions relate to the passage of time as an employee of the Company or its Subsidiaries and/or the satisfaction of specified targets and Performance Goal(s) (as defined below). While such restrictions are in effect, the Shares subject to such restrictions shall be referred to herein as "Restricted Stock."

2. **Restrictions on Transfer.** The Participant shall not sell, transfer, pledge, hypothecate, assign or otherwise dispose of the Shares, except as set forth in the Plan or this Agreement. Any attempted sale, transfer, pledge, hypothecation, assignment or other disposition of the Shares in violation of the Plan or this Agreement shall be void and of no effect and the Company shall have the right to disregard the same on its books and records and to issue "stop transfer" instructions to its transfer agent.

3. **Restricted Stock.**

(a) **Retention of Certificates.** Promptly after the date of this Agreement, the Company shall issue stock certificates representing the Restricted Stock unless it elects to recognize such ownership through book entry or another similar method pursuant to Section 8 herein. The stock certificates shall be registered in the Participant's name and shall bear any legend required under the Plan or Section 4 of this Agreement. Such stock certificates shall be held in custody by the Company (or its designated agent) until the restrictions thereon shall have lapsed. Upon the Company's request, the Participant shall deliver to the Company a duly signed stock power, endorsed in blank, relating to the Restricted Stock.

(b) **Rights with Regard to Restricted Stock.** The Participant will have the right to vote the Restricted Stock, to receive and retain any dividends payable to holders of Shares of record on and after the transfer of the Restricted Stock (although such dividends shall be treated, to the extent required by applicable law, as additional compensation for tax purposes if paid on Restricted Stock), and to exercise all other rights, powers and privileges of a holder of Common Stock with respect to the Restricted Stock set forth in the Plan, with the exceptions that: (i) the Participant will not be entitled to delivery of the stock certificate or certificates representing the Restricted Stock until the Restriction Period shall have expired; (ii) the Company (or its designated agent) will retain custody of the stock certificate or certificates representing the Restricted Stock and the other RS Property (as defined below) during the Restriction Period; (iii) no RS Property shall bear interest or be segregated in separate accounts during the Restriction Period; (iv) any dividends will be subject to the restrictions provided in Sections 3(c) and 3(d); and (v) the Participant may not sell, assign, transfer, pledge, exchange, encumber or dispose of the Restricted Stock during the Restriction Period.

(c) **Treatment of Dividends and RS Property.** In the event the Participant receives a dividend on the Restricted Stock or the Shares of Restricted Stock are split or the Participant receives any other shares, securities, moneys or property representing a dividend on the Restricted Stock or representing a distribution or return of capital upon or in respect of the Restricted Stock or any part thereof, or resulting from a split-up, reclassification or other like changes of the Restricted Stock, or otherwise received in exchange therefor, and any warrants, rights or options issued to the Participant in respect of the Restricted Stock (collectively "RS Property"), the Participant will also immediately deposit with and deliver to the Company any of such RS Property, including any certificates representing shares duly endorsed in blank or accompanied by stock powers duly executed in blank, and such RS Property shall be subject to the same restrictions, including that of Section 3(d), as the Restricted Stock with regard to which they are issued and shall herein be encompassed within the term "Restricted Stock." Any RS Property issued in the form of cash will not be reinvested in Shares and will be held uninvested and without interest until delivered to the Participant at the end of the Restriction Period, if applicable.

(d) **Vesting.**

(i) Except as set forth in Sections 3 (d)(iii), (iv) and (v), the Restricted Stock awarded under this Agreement shall not vest and the restrictions on such Restricted Stock shall not lapse unless and until (1) the Committee determines and certifies that the target(s) and performance goal(s), which Participant acknowledges were previously explained to Participant and a copy of which is on file with the Company's Corporate Human Resources Department and is available for Participant to review upon reasonable request and at reasonable intervals as determined by the Company (collectively, the

“Performance Goal(s)”, have been satisfied with respect to the three-year period beginning on or about January 1 of the year the grant was made and (2) the third anniversary of the date of grant; provided, however, that if the satisfaction of the Performance Goal(s) exceed 100% of the targets, the Committee shall issue to the Participant such additional Shares in an amount that corresponds to the incremental percentage of the goal(s) achieved in excess of 100% of the targets up to a maximum of 200% of targets, provided that any such additional Shares shall be subject to the terms and conditions of this Agreement. It is intended that the Restricted Stock awarded hereunder constitutes a “performance-based award” for purposes of Section 162(m) of the Code and, accordingly, any such determination shall be made in accordance with the requirements of Section 162(m) of the Code. Except as set forth in Sections 3(d)(iii), (iv) and (v), if the targets and Performance Goal(s) are not satisfied in accordance with this Section 3(d), the Restricted Stock awarded under this Agreement shall be forfeited. Notwithstanding anything herein to the contrary, but except as set forth in Sections 3(d)(iii), (iv) and (v), the Participant must be employed by the Company or a Subsidiary at the times the targets and Performance Goal(s) are satisfied and on the third anniversary of the date of grant. The Participant acknowledges and agrees that the Performance Goal(s) are confidential and shall not be disclosed or otherwise communicated to any other person.

(ii) Except as set forth in Sections 3(d)(iii), (iv) and (v), there shall be no proportionate or partial vesting in the periods prior to the vesting date and all vesting shall occur only on the vesting date; provided that no Termination of Employment has occurred prior to such date.

(iii) The Shares of Restricted Stock shall become fully vested, assuming target levels have been achieved, upon a Termination of Employment by the Company without Cause occurring within the 2-year period following a Change of Control, provided that no Termination of Employment has occurred prior to such date, unless otherwise provided expressly in a written agreement between the Participant and the Company.

(iv) The Shares of Restricted Stock shall vest on a pro-rated basis, assuming target levels have been achieved, upon the Participant’s death, provided that no Termination of Employment has occurred prior to such date, unless otherwise provided expressly in a written agreement between the Participant and the Company.

(v) The Shares of Restricted Stock shall vest on a pro-rated basis, assuming target levels have been achieved, upon the Participant’s Disability, provided that no Termination of Employment has occurred prior to such date, unless otherwise provided expressly in a written agreement between the Participant and the Company. For purposes of this Agreement, “Disability” shall mean the approval of, and receiving benefits for, long term disability by the disability insurance carrier under the Company’s (or if applicable, Subsidiary’s) long term disability plan.

(vi) For purposes of Sections 3(d), (iv) and (v), vesting on a pro-rated basis shall be calculated by multiplying the number of shares of Common Stock set forth under Section 1 by a fraction, the numerator of which is the number of days from the date of grant to the date of the Participant’s death or Disability, as applicable, and the denominator of which is 1095.

(vii) When any Shares of Restricted Stock become vested, the Company shall promptly issue and deliver, unless the Company is using book entry, to the Participant a new stock certificate registered in the name of the Participant for such Shares without the legend set forth in Section 4 hereof and deliver to the Participant any related other RS Property, subject to applicable withholding.

(e) **Forfeiture and Recoupment.**

(i) The Participant shall forfeit to the Company, without compensation, other than repayment of any par value paid by the Participant for such Shares, any and all unvested Shares of Restricted Stock (but no vested portion of the Shares of Restricted Stock) and RS Property upon the Participant’s Termination of Employment for any reason.

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(ii) Notwithstanding anything herein or in the Plan to the contrary, the Shares of Restricted Stock and any RS Property provided for under this Agreement are conditioned on the Participant not engaging in any Competitive Activity (as defined below) from the date that is twelve (12) months prior to the applicable vesting date set forth in Section 3(d) above (such applicable vesting date, the "Payment Date") through the first anniversary of such Payment Date. If, on or after the date that is twelve (12) months prior to the Payment Date but prior to the Payment Date, the Participant engages in a Competitive Activity, all Shares of Restricted Stock and any RS Property (whether or not vested) shall be immediately forfeited in their entirety, and the Participant shall have no further rights or interests with respect to such Shares of Restricted Stock and RS Property. In the event that the Participant engages in a Competitive Activity on or after the Payment Date but on or prior to the first anniversary of such Payment Date, the Company shall have the right to recoup from the Participant, and the Participant shall repay to the Company, within thirty (30) days following demand by the Company, a payment equal to the Fair Market Value of the aggregate Shares of Restricted Stock and any RS Property payable to the Participant, and any dividends or other distributions thereafter paid thereon; provided, that, the Company may require the Participant to satisfy such payment obligations hereunder either by forfeiting and returning to the Company such Shares of Restricted Stock, RS Property or any other Shares, or making a cash payment or any combination of these methods as determined by the Company in its sole discretion. The Company, in its discretion, shall have the right to set off (or cause to be set off) any amounts otherwise due to the Participant from the Company in satisfaction of such repayment obligation, provided that any such amounts are exempt from, or set off in a manner intended to comply with, the requirements of Section 409A of the Code.

(iii) The Participant hereby acknowledges and agrees that the forfeiture and recoupment conditions set forth in this Section 3(e), in view of the nature of the business in which the Company and its affiliates are engaged, are reasonable in scope and necessary in order to protect the legitimate business interests of the Company and its affiliates, and that any violation thereof would result in irreparable harm to the Company and its affiliates. The Participant also acknowledges and agrees that (i) it is a material inducement and condition to the Company's issuance of the Shares of Restricted Stock and any RS Property that such Participant agrees to be bound by such forfeiture and recoupment conditions and, further, that the amounts required to be forfeited or repaid to the Company pursuant to forfeiture and recoupment conditions set forth above are reasonable, and (ii) nothing in this Agreement or the Plan is intended to preclude the Company (or any affiliate thereof) from seeking any remedies available at law, in equity, under contract to the Company or otherwise, and the Company (or any affiliate thereof) shall have the right to seek any such remedy with respect to the Shares of Restricted Stock, any RS Property or otherwise.

(iv) For purposes of this Agreement, the Participant will be deemed to engage in a "Competitive Activity" if, either directly or indirectly, without the express prior written consent of the Company, the Participant (i) takes other employment with, renders services to, or otherwise engages in any business activities with, companies or other entities that are competitors of the Company or any of its affiliates, (ii) solicits or induces, or in any manner attempts to solicit or induce, any person employed by or otherwise providing services to the Company or any of its affiliates, to terminate such person's employment or service relationship, as the case may be, with the Company or any of its affiliates, (iii) diverts, or attempts to divert, any person or entity from doing business with the Company or any of its affiliates or induces, or attempts to induce, any such person or entity from ceasing to be a customer or other business partner of the Company or any of its affiliates, (iv) violates any agreement between the Participant and the Company or any of its affiliates relating to the non-disclosure of proprietary or confidential information of the Company or any of its affiliates, and/or (v) conducts himself or herself in a manner adversely affecting the Company or any of its affiliates, including, without limitation, making false, misleading or negative statements, either orally or in writing, about the Company or any of its affiliates. The determination as to whether the Participant has engaged in a Competitive Activity shall be made by the Committee in its sole discretion.

(f) **Withholding.** Participant shall pay, or make arrangements to pay, in a manner satisfactory to the Company, an amount equal to the amount of all applicable foreign, federal, state, provincial and local taxes that the Company is required to withhold at any time. In the absence of such arrangements, the Company or one of its Subsidiaries shall have the right to withhold such taxes from the Participant's normal pay or other amounts payable to the Participant. In addition, any statutorily required withholding obligation may be satisfied, in whole or in part, at the Participant's election, in the form and manner prescribed by the Committee, by delivery of Shares of Common Stock (including Shares issuable under this Agreement).

(g) **Section 83(b).** If the Participant properly elects (as required by Section 83(b) of the U. S. Internal Revenue Code (the "Code") within 30 days after the issuance of the Restricted Stock to include in gross income for federal income tax purposes in the year of issuance the fair market value of such Shares of Restricted Stock, the Participant shall pay to the Company or make arrangements satisfactory to the Company to pay to the Company upon such election, any federal, state or local taxes required to be withheld with respect to the Restricted Stock. If the Participant shall fail to make such payment, the Company shall, to the extent permitted by law, have the right to deduct from any payment of any kind otherwise due to the Participant any federal, state or local taxes of any kind required by law to be withheld with respect to the Restricted Stock, as well as the rights set forth in Section 3(e) hereof. The Participant acknowledges that it is his or her sole responsibility, and not the Company's, to file timely and properly the election under Section 83(b) of the Code and any corresponding provisions of state tax laws if he or she elects to utilize such election.

(h) **Delivery Delay.** The delivery of any certificate representing the Restricted Stock or other RS Property may be postponed by the Company for such period as may be required for it to comply with any applicable foreign, federal, state or provincial securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or deliver any securities if, in the opinion of counsel for the Company, the issuance of such Shares shall constitute a violation by the Participant or the Company of any provisions of any applicable foreign, federal, state, local or provincial law or of any regulations of any governmental authority or any national securities exchange. If the Participant is currently a resident or is likely to become a resident in the United Kingdom at any time during the period that the Shares are subject to restriction, the Participant acknowledges and understands that the Company intends to meet its delivery obligations in Common Stock with respect to the Shares of Restricted Stock, except as may be prohibited by law or described in this Agreement or supplementary materials.

4. **Legend.** All certificates representing the Restricted Stock shall have endorsed thereon the following legends:

(a) "The anticipation, alienation, attachment, sale, transfer, assignment, pledge, encumbrance or charge of the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Henry Schein, Inc. (the "Company") 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007) (the "Plan") and an Award Agreement entered into between the registered owner and the Company. Copies of such Plan and Award Agreement are on file at the principal office of the Company."

(b) Any legend required to be placed thereon by applicable blue sky laws of any state.

Notwithstanding the foregoing, in no event shall the Company be obligated to issue a certificate representing the Restricted Stock prior to the vesting date set forth above.



5. **Securities Representations.** The Shares are being issued to the Participant and this Agreement is being made by the Company in reliance upon the following express representations and warranties of the Participant.

The Participant acknowledges, represents and warrants that:

(a) He or she has been advised that he or she may be an “affiliate” within the meaning of Rule 144 under the Securities Act of 1933, as amended (the “Act”) and in this connection the Company is relying in part on his or her representations set forth in this section.

(b) If he or she is deemed an affiliate within the meaning of Rule 144 of the Act, the Shares must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a “re-offer prospectus”) with regard to such Shares and the Company is under no obligation to register the Shares (or to file a “re-offer prospectus”).

(c) If he or she is deemed an affiliate within the meaning of Rule 144 of the Act, he or she understands that the exemption from registration under Rule 144 will not be available unless (i) a public trading market then exists for the Common Stock of the Company, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 or any exemption therefrom are complied with; and that any sale of the Shares may be made only in limited amounts in accordance with such terms and conditions.

6. **No Obligation to Continue Employment.** This Agreement is not an agreement of employment. This Agreement does not guarantee that the Company or its Subsidiaries will employ or retain, or to continue to, employ or retain the Participant during the entire, or any portion of the, term of this Agreement, including but not limited to any period during which the Restricted Stock is outstanding, nor does it modify in any respect the Company or its Subsidiary’s right to terminate or modify the Participant’s employment or compensation.

7. **Power of Attorney.** The Company, its successors and assigns, is hereby appointed the attorney-in-fact, with full power of substitution, of the Participant for the purpose of carrying out the provisions of this Agreement and taking any action and executing any instruments which such attorney-in-fact may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. The Company, as attorney-in-fact for the Participant, may in the name and stead of the Participant, make and execute all conveyances, assignments and transfers of the Restricted Stock, Shares and property provided for herein, and the Participant hereby ratifies and confirms all that the Company, as said attorney-in-fact, shall do by virtue hereof. Nevertheless, the Participant shall, if so requested by the Company, execute and deliver to the Company all such instruments as may, in the judgment of the Company, be advisable for the purpose.

8. **Uncertificated Shares.** Notwithstanding anything else herein, to the extent permitted under applicable foreign, federal, state, local or provincial law, the Committee may, issue the Shares in the form of uncertificated shares. Such uncertificated shares of Restricted Stock shall be credited to a book entry account maintained by the Company (or its designee) on behalf of the Participant. If thereafter certificates are issued with respect to the uncertificated shares of Restricted Stock, such issuance and delivery of certificates shall be in accordance with the applicable terms of this Agreement.

9. **Rights as a Stockholder.** Except as otherwise specifically provided for in this Agreement (including without limitation, in Section 3(b) hereof), or the Plan, the Participant shall have no rights as a stockholder with respect to any Shares covered by the Restricted Stock unless and until the Participant has become the holder of record of the Shares, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such Shares.

10. **Provisions of Plan Control.** This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. Capitalized terms in this Agreement that are not otherwise defined shall have the same meaning as set forth in the Plan. Subject to Section 3(e), if and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements between the Company and the Participant with respect to the subject matter hereof.

11. **Amendment.** To the extent applicable, the Board or the Committee may at any time and from time to time amend, in whole or in part, any or all of the provisions of this Agreement to comply with Section 409A of the Code and the regulations thereunder or any other applicable law and may also amend, suspend or terminate this Agreement subject to the terms of the Plan. The award of Restricted Stock pursuant to this Agreement is not intended to be considered "deferred compensation" for purposes of Section 409A of the Code. With respect to any dividend equivalents, however, this Agreement is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in a manner so as to comply therewith.

12. **Notices.** Any notice or communication given hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, or by regular United States mail, first class and prepaid, to the appropriate party at the address set forth below (or such other address as the party shall from time to time specify):

If to the Company, to:

Henry Schein, Inc.  
135 Duryea Road  
Melville, New York 11747  
Attention: General Counsel

If to the Participant, to the address on file with the Company.

13. **Acceptance.** The requirement of your acceptance as provided in Section 9(c) (ii) of the Plan is hereby waived and you are deemed to have accepted the Restricted Stock upon receipt of this Agreement.

14. **Transfer of Personal Data.** If the Participant is currently a resident or is likely to become a resident in the United Kingdom at any time during the period that the Shares are subject to restriction, the Participant authorizes, agrees and unambiguously consents to the transmission by the Company (or any Subsidiary) of any personal data information related to Restricted Stock awarded under this Agreement, for legitimate business purposes (including, without limitation, the administration of the Plan) out of the Participant's home country and including to countries with less data protection laws than the data protection laws provided by the Participant's home country. This authorization/consent is freely given by the Participant.

15. **Section 431.** If the Participant is currently a resident or is likely to become a resident in the United Kingdom at any time during the period that the Shares are subject to restriction, as determined by the Company, when requested and as directed by the Company, the Participant agrees to enter into a Joint Election with the Company under Section 431 of the Income Tax (Earnings and Pensions) Act of 2003 ("ITEPA") for full or partial disapplication of Chapter 2 ITEPA under the laws of the United Kingdom. The election must be signed and dated by the Participant and returned to the Company within 14-days of each grant of Shares.

16. **Miscellaneous.**

(a) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(b) This Agreement shall be governed and construed in accordance with the laws of New York (regardless of the law that might otherwise govern under applicable New York principles of conflict of laws).

(c) This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one contract.

(d) The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

**IN WITNESS WHEREOF**, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

**HENRY SCHEIN, INC.**

\_\_\_\_\_  
Michael S. Ettinger  
Senior Vice President and General  
Counsel

**PARTICIPANT**

\_\_\_\_\_  
[Participant Name]

**FORM OF RESTRICTED STOCK UNIT AGREEMENT  
PURSUANT TO THE  
HENRY SCHEIN, INC. 1994 STOCK INCENTIVE PLAN  
(AS AMENDED AND RESTATED EFFECTIVE AS OF MARCH 27, 2007)**

THIS AGREEMENT (the "Agreement") is made as of [grant date] (the "Grant Date"), by and between Henry Schein, Inc. (the "Company") and [Participant Name] (the "Participant").

**W I T N E S S E T H:**

**WHEREAS**, the Company has adopted the Henry Schein, Inc. 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007), as amended from time to time (the "Plan") (a copy of which is on file with the Company's Corporate Human Resources Department and is available for Participant to review upon request at reasonable intervals as determined by the Company), which is administered by a Committee appointed by the Company's Board of Directors (the "Committee"); and

**WHEREAS**, pursuant to Section 9 of the Plan, the Committee may grant Restricted Stock Units to Key Employees under the Plan; and

**WHEREAS**, the Participant is a Key Employee of the Company.

**NOW, THEREFORE**, for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**1. Grant of Restricted Stock Units.**

Subject to the restrictions and other conditions set forth herein, the Committee has authorized this grant of [# of units] Restricted Stock Units to the Participant on the Grant Date.

**2. Vesting and Payment.**

(a) Except as set forth in Sections 2(c) and 2(d), the Restricted Stock Units shall vest on the fourth anniversary of the Grant Date (the "Scheduled Payment Date"); provided that the Participant has not had a Termination of Employment at any time prior to the Scheduled Payment Date.

(b) Except as set forth in Section 2(c), there shall be no proportionate or partial vesting in the periods prior to the vesting date and all vesting shall occur only on the vesting date; provided that no Termination of Employment has occurred prior to such date.

(c) The Restricted Stock Units shall vest on a pro-rated basis upon the Participant's Retirement, unless otherwise provided expressly in a written agreement between the Participant and the Company. For purposes of this Section 2(c), the Participant shall qualify for "Retirement" if (i) the Participant's age (minimum 55) plus years of service with the Company and its Subsidiaries equal or exceed 70 and (ii) the Participant has provided written notice of the Participant's retirement to the Company at least 12 months prior to such retirement. For purposes of determining the age and service requirement under Section 2(c)(i), the Participant's age and years of service shall be determined by the Participant's most recent birthday and employment anniversary, respectively. For purposes of this Section 2(c), vesting on a pro-rated basis shall be calculated by multiplying the number of Restricted Stock Units set forth under Section 1 by a fraction, the numerator of which is the number of days from the date of grant to the date of the Participant's Retirement, and the denominator of which is 1460.

(d) The Restricted Stock Units shall become fully vested on the earliest of (i) a Termination of Employment by the Company without Cause occurring within the 2-year period following a Change of Control, (ii) the Participant's Disability and (iii) the Participant's death; provided that no Termination of Employment has occurred prior to any such event, unless otherwise provided expressly in a written agreement between the Participant and the Company. For purposes of this Agreement, a "Change of Control" shall mean the occurrence of a Section 409A Change of Control (as defined in Section 3). For purposes of this Agreement, "Disability" shall mean the approval of, and receiving benefits for, long term disability by the disability insurance carrier under the Company's (or if applicable, Subsidiary's) long term disability plan.

(e) The Participant shall be entitled to receive one share of Common Stock with respect to one vested Restricted Stock Unit. The Participant shall be paid one share of Common Stock with respect to each vested Restricted Stock Unit within thirty (30) days of the Scheduled Payment Date; except that, in the event of (i) a Termination of Employment by the Company without Cause occurring within the 2-year period following a Change of Control, (ii) death or (iii) Disability, the Participant shall be paid within thirty (30) days of such employment termination, death or Disability; provided no Termination of Employment has occurred prior to each such date. In the event of Retirement, the Participant shall be paid one share of Common Stock with respect to each vested Restricted Stock Unit within thirty (30) days of the Scheduled Payment Date.

**3. Change of Control Defined.**

For purposes of this Agreement, a "Section 409A Change of Control" shall have the meaning set forth in Appendix A, attached hereto; provided, that, no event shall constitute a "Change of Control" for purposes of this Agreement unless such event also qualifies as a "change in control event" for purposes of Treasury Regulation § 1.409A-3(i)(5).

**4. Forfeiture and Recoupment.**

(a) All unvested Restricted Stock Units will be forfeited on the Participant's Termination of Employment.

(b) Notwithstanding anything herein or in the Plan to the contrary, the grant of Restricted Stock Units (including any dividends credited thereupon) provided for under this Agreement is conditioned on the Participant not engaging in any Competitive Activity (as defined below) from the date that is twelve (12) months prior to the applicable settlement date set forth in Section 2(e) above (such applicable settlement date, the "Payment Date") through the first anniversary of such Payment Date. If, on or after the date that is twelve (12) months prior to the Payment Date but prior to the Payment Date, the Participant engages in a Competitive Activity, all Restricted Stock Units (including any dividends credited thereupon) (whether or not vested) shall be immediately forfeited in their entirety, and the Participant shall have no further rights or interests with respect to such Restricted Stock Units (including any such dividends). In the event that the Participant engages in a Competitive Activity on or after the Payment Date but on or prior to the first anniversary of such Payment Date, the Company shall have the right to recoup from the Participant, and the Participant shall repay to the Company, within thirty (30) days following demand by the Company, a payment equal to the Fair Market Value of the aggregate shares of Common Stock payable in respect of such Restricted Stock Units on the Payment Date (including any dividends or other distributions thereafter paid thereon); provided, that, the Company may require the Participant to satisfy such payment obligations hereunder either by forfeiting and returning to the Company such shares of Common Stock, Restricted Stock Units or any other Shares, or making a cash payment or any combination of these methods as determined by the Company in its sole discretion. The Company, in its discretion, shall have the right to set off (or cause to be set off) any amounts otherwise due to the Participant from the Company in satisfaction of such repayment obligation, provided that any such amounts are exempt from, or set off in a manner intended to comply with, the requirements of Section 409A of the Code.

(c) The Participant hereby acknowledges and agrees that the forfeiture and recoupment conditions set forth in this Section 4, in view of the nature of the business in which the Company and its affiliates are engaged, are reasonable in scope and necessary in order to protect the legitimate business interests of the Company and its affiliates, and that any violation thereof would result in irreparable harm to the Company and its affiliates. The Participant also acknowledges and agrees that (i) it is a material inducement and condition to the Company's issuance of the Restricted Stock Units (including any dividends credited thereupon) that such Participant agrees to be bound by such forfeiture and recoupment conditions and, further, that the amounts required to be forfeited or repaid to the Company pursuant to forfeiture and recoupment conditions set forth above are reasonable, and (ii) nothing in this Agreement or the Plan is intended to preclude the Company (or any affiliate thereof) from seeking any remedies available at law, in equity, under contract to the Company or otherwise, and the Company (or any affiliate thereof) shall have the right to seek any such remedy with respect to the Restricted Stock Units, dividends credited thereupon or otherwise.

(d) For purposes of this Agreement, the Participant will be deemed to engage in a "Competitive Activity" if, either directly or indirectly, without the express prior written consent of the Company, the Participant (i) takes other employment with, renders services to, or otherwise engages in any business activities with, companies or other entities that are competitors of the Company or any of its affiliates, (ii) solicits or induces, or in any manner attempts to solicit or induce, any person employed by or otherwise providing services to the Company or any of its affiliates, to terminate such person's employment or service relationship, as the case may be, with the Company or any of its affiliates, (iii) diverts, or attempts to divert, any person or entity from doing business with the Company or any of its affiliates or induces, or attempts to induce, any such person or entity from ceasing to be a customer or other business partner of the Company or any of its affiliates, (iv) violates any agreement between the Participant and the Company or any of its affiliates relating to the non-disclosure of proprietary or confidential information of the Company or any of its affiliates, and/or (v) conducts himself or herself in a manner adversely affecting the Company or any of its affiliates, including, without limitation, making false, misleading or negative statements, either orally or in writing, about the Company or any of its affiliates. The determination as to whether the Participant has engaged in a Competitive Activity shall be made by the Committee in its sole discretion.

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5. **Dividend Equivalents.**

Cash dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to the Participant, provided that such cash dividends shall not be deemed to be reinvested in Shares and will be held uninvested and without interest. The Participant's right to receive any such cash dividends shall vest if and when the related Restricted Stock Unit vests, and such cash dividends shall be paid in cash to the Participant if and when the related Restricted Stock Unit is paid to the Participant. Stock dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to the Participant. The Participant's right to receive any such stock dividends shall vest if and when the related Restricted Stock Unit vests, and such stock dividends shall be paid in stock to the Participant if and when the related Restricted Stock Unit is paid to the Participant.

6. **Rights as a Stockholder.**

The Participant shall have no rights as a stockholder with respect to any Shares covered by any Restricted Stock Unit unless and until the Participant has become the holder of record of the Shares, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such Shares, except as otherwise specifically provided for in this Agreement or the Plan.

7. **Provisions of Plan Control.**

This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. Capitalized terms in this Agreement that are not otherwise defined shall have the same meaning as set forth in the Plan. Subject to Section 4, if and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements between the Company and the Participant with respect to the subject matter hereof.

8. **Amendment.**

The Board or the Committee may amend, suspend or terminate this Agreement subject to the terms of the Plan. Except as otherwise provided in the Plan, no modification or waiver of any of the provisions of this Agreement shall be effective unless in writing and signed by the party against whom it is sought to be enforced.

9. **Notices.**

Any notice or communication given hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, or by regular United States mail, first class and prepaid, to the appropriate party at the address set forth below (or such other address as the party shall from time to time specify):

If to the Company, to:

Henry Schein, Inc.  
135 Duryea Road  
Melville, New York 11747  
Attention: General Counsel

If to the Participant, to the address on file with the Company.

10. **No Obligation to Continue Employment.**

This Agreement is not an agreement of employment. This Agreement does not guarantee that the Company or its Subsidiaries will employ or retain, or to continue to, employ or retain the Participant during the entire, or any portion of the, term of this Agreement, including but not limited to any period during which the Restricted Stock Unit is outstanding, nor does it modify in any respect the Company or its Subsidiary's right to terminate or modify the Participant's employment or compensation.

11. **Legend.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing Shares issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing Shares acquired pursuant to this Agreement in the possession of the Participant in order to carry out the provisions of this Section 11.

12. **Securities Representations.**

The grant of the Restricted Stock Units and issuance of Shares upon vesting of the Restricted Stock Units shall be subject to, and in compliance with, all applicable requirements of federal, state or foreign securities law. No Shares may be issued hereunder if the issuance of such Shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. As a condition to the settlement of the Restricted Stock Units, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation.

The Shares are being issued to the Participant and this Agreement is being made by the Company in reliance upon the following express representations and warranties of the Participant. The Participant acknowledges, represents and warrants that:

(a) He or she has been advised that he or she may be an “affiliate” within the meaning of Rule 144 under the Securities Act of 1933, as amended (the “Act”) and in this connection the Company is relying in part on his or her representations set forth in this section.

(b) If he or she is deemed an affiliate within the meaning of Rule 144 of the Act, the Shares must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a “re-offer prospectus”) with regard to such Shares and the Company is under no obligation to register the Shares (or to file a “re-offer prospectus”).

(c) If he or she is deemed an affiliate within the meaning of Rule 144 of the Act, he or she understands that the exemption from registration under Rule 144 will not be available unless (i) a public trading market then exists for the Common Stock of the Company, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 or any exemption therefrom are complied with; and that any sale of the Shares may be made only in limited amounts in accordance with such terms and conditions.

13. **Transfer of Personal Data.**

The Participant authorizes, agrees and unambiguously consents to the transmission by the Company of any personal data information related to the Restricted Stock Units awarded under this Agreement, for legitimate business purposes (including, without limitation, the administration of the Plan) out of the Participant’s home country and including to countries with less data protection laws than the data protection laws provided by the Participant’s home country. This authorization/consent is freely given by the Participant.

14. **Section 409A.**

Any provisions in this Agreement providing for the payment of “nonqualified deferred compensation” (as defined in Section 409A of the Code and the Treasury regulations thereunder) to the Participant are intended to comply with the requirements of Section 409A of the Code, and this Agreement shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate or defer the timing of the payment of any such nonqualified deferred compensation, except in compliance with Section 409A of the Code and this Agreement, and no amount shall be paid prior to the earliest date on which it is permitted to be paid under Section 409A of the Code and this Agreement. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Participant as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. Any amounts payable hereunder that satisfy the short-term deferral exception in Treas. Reg. §1.409A-1(b)(4) shall not be subject to Section 409A of the Code. Whenever a payment under this Agreement may be paid within a specified period, the actual date of payment within the specified period shall be within the Company’s sole discretion.

15. **Delivery Delay.**

The delivery of any certificate representing the Common Stock may be postponed by the Company for such period as may be required for it to comply with any applicable foreign, federal, state or provincial securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or deliver any securities if, in the opinion of counsel for the Company, the issuance of such Shares shall constitute a violation by the Participant or the Company of any provisions of any applicable foreign, federal, state or provincial law or of any regulations of any governmental authority or any national securities exchange. The Participant acknowledges and understands that the Company intends to meet its delivery obligations in Common Stock with respect to Restricted Stock Units, except as may be prohibited by law or described in this Agreement or supplementary materials.

16. **Miscellaneous.**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(a) This Agreement shall be governed and construed in accordance with the laws of New York (regardless of the law that might otherwise govern under applicable New York principles of conflict of laws).

(b) This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one contract.

(c) The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the day and year first set forth above.

**HENRY SCHEIN, INC.**

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Michael S. Ettinger  
Senior Vice President and General  
Counsel

**PARTICIPANT**

\_\_\_\_\_  
[Participant Name]



## Appendix A

This is Appendix A to the Restricted Stock Unit Agreement Pursuant to the Henry Schein, Inc. 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007) (the “RSU Agreement”). For purposes of Section 3 of the RSU Agreement, a “Section 409A Change of Control” shall be deemed to have occurred upon:

(i) an acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of (A) 50% or more of the then outstanding Shares or (B) 33% or more of the total combined voting power of the then outstanding voting securities of HSI 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 conditions described in clauses (A), (B) and (C) of paragraph (iii) below are satisfied; or

(ii) within any 12-month period beginning on or after the date of the RSU Agreement, the individuals who constitute the Board immediately before the beginning of such period (the Board as of the date hereof shall be hereinafter referred to as the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided that for purposes of this Subsection any individual who becomes a member of the Board subsequent to the date hereof whose election, or nomination for election by HSI’s stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who are also members of the Incumbent Board (or deemed to be such pursuant to 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 Act) 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 consummation of a Corporate Transaction or, if consummation of such Corporate Transaction is subject to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the outstanding Shares 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 Shares 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 Shares 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

(iv) 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.

(v) No event set forth herein shall constitute a “Section 409A Change of Control” unless such event also qualifies as a “change in control event” for purposes of Treasury Regulation § 1.409A-3(i)(5). Accordingly, the definition of “Section 409A Change of Control” set forth herein shall be limited, construed and interpreted in accordance with Section 409A and the regulations issued thereunder.

**FORM OF RESTRICTED STOCK UNIT AGREEMENT  
PURSUANT TO THE  
HENRY SCHEIN, INC. 1994 STOCK INCENTIVE PLAN  
(AS AMENDED AND RESTATED EFFECTIVE AS OF MARCH 27, 2007)**

THIS AGREEMENT (the "Agreement") is made as of [grant date] (the "Grant Date"), by and between Henry Schein, Inc. (the "Company") and [Participant Name] (the "Participant").

**W I T N E S S E T H:**

**WHEREAS**, the Company has adopted the Henry Schein, Inc. 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007), as amended from time to time (the "Plan") (a copy of which is on file with the Company's Corporate Human Resources Department and is available for Participant to review upon request at reasonable intervals as determined by the Company), which is administered by a Committee appointed by the Company's Board of Directors (the "Committee"); and

**WHEREAS**, pursuant to Section 9 of the Plan, the Committee may grant Restricted Stock Units to Key Employees under the Plan; and

**WHEREAS**, the Participant is a Key Employee of the Company.

**NOW, THEREFORE**, for and in consideration of the mutual promises herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

**1. Grant of Restricted Stock Units.**

Subject to the restrictions and other conditions set forth herein, the Committee has authorized this grant of [# of units] Restricted Stock Units to the Participant on the Grant Date.

**2. Vesting and Payment.**

(a) Except as otherwise provided in Sections 2(d) and 2(e), the Restricted Stock Units awarded under this Agreement shall not vest unless and until (1) the Committee determines and certifies that the target(s) and performance goal(s), which Participant acknowledges were previously explained to Participant and a copy of which is on file with the Company's Corporate Human Resources Department and is available for Participant to review upon reasonable request and at reasonable intervals as determined by the Company (collectively, the "Performance Goal(s)"), have been satisfied with respect to the three-year period beginning on or about January 1 of the year the grant was made and (2) the third anniversary of the date of grant (the "Scheduled Payment Date"); provided, however, that if the satisfaction of the Performance Goal(s) exceed 100% of the targets, the Committee shall issue to the Participant such additional Shares in an amount that corresponds to the incremental percentage of the goal(s) achieved in excess of 100% of the targets up to a maximum of 200% of targets, provided that any such additional Shares shall be subject to the terms and conditions of this Agreement. It is intended that the Restricted Stock Units awarded hereunder constitute a "performance-based award" for purposes of Section 162(m) of the Code and, accordingly, any such determination shall be made in accordance with the requirements of Section 162(m) of the Code. Except as set forth in Sections 2(c), 2(d) and 2(f), if the targets and Performance Goal(s) are not satisfied in accordance with this Section 2(a), the Restricted Stock Unit awarded under this Agreement shall be forfeited. Notwithstanding anything herein to the contrary, but except as set forth in Sections 2(c), 2(d) and 2(f), the Participant must be employed by the Company or a Subsidiary at the times the targets and Performance Goal(s) are satisfied and on the third anniversary of the date of grant. The Participant acknowledges and agrees that the Performance Goal(s) are confidential and shall not be disclosed or otherwise communicated to any other person.

(b) Except as set forth in Sections 2(c), 2(d) and 2(f), there shall be no proportionate or partial vesting in the periods prior to the vesting date and all vesting shall occur only on the vesting date; provided that no Termination of Employment has occurred prior to such date.

(c) The Restricted Stock Units shall vest on a pro-rated basis, assuming the performance goals have been achieved, upon the Participant's Retirement, unless otherwise provided expressly in a written agreement between the Participant and the Company. For purposes of this Section 2, the Participant shall qualify for "Retirement" if (i) the Participant's age (minimum 55) plus years of service with the Company and its Subsidiaries equal or exceed 70 and (ii) the Participant has provided written notice of the Participant's retirement to the Company at least 12 months prior to such retirement. For purposes of determining the age and service requirement under Section 2(b) (i), the Participant's age and years of service shall be determined by the Participant's most recent birthday and employment anniversary, respectively.

(d) The Restricted Stock Units shall vest on a pro-rated basis, assuming the performance goals have been achieved, upon the Participant's Disability, provided that no Termination of Employment has occurred prior to such date, unless otherwise provided expressly in a written agreement between the Participant and the Company. For purposes of this Agreement, "Disability" shall mean the approval of, and receiving benefits for, long term disability by the disability insurance carrier under the Company's (or if applicable, Subsidiary's) long term disability plan.

(e) The Restricted Stock Units shall vest in full, assuming target levels have been achieved, upon a Termination of Employment by the Company without Cause occurring within the 2-year period following a Change of Control; provided that no Termination of Employment has occurred prior to such date, unless otherwise provided expressly in a written agreement between the Participant and the Company. For purposes of this Agreement, a "Change of Control" shall mean the occurrence of a Section 409A Change of Control (as defined in Section 3).

(f) The Restricted Stock Units shall vest on a pro-rated basis, assuming target levels have been achieved, upon the Participant's death, provided that no Termination of Employment has occurred prior to such date, unless otherwise provided expressly in a written agreement between the Participant and the Company.

(g) For purposes of Sections 2(c), 2(d) and 2(f), vesting on a pro-rated basis shall be calculated by multiplying the number of Restricted Stock Units set forth under Section 1 by a fraction, the numerator of which is the number of days from the date of grant to the date of the Participant's death, Disability or Retirement, as applicable, and the denominator of which is 1095.

(h) The Participant shall be entitled to receive one share of Common Stock with respect to one vested Restricted Stock Unit. The Participant shall be paid one share of Common Stock with respect to each vested Restricted Stock Unit within thirty (30) days of the Scheduled Payment Date; except that (i) in the event of a Termination of Employment by the Company without Cause occurring within the 2-year period following a Change of Control, the Participant shall be paid within thirty (30) days of such employment termination and (ii) in the event of the Participant's death, the Participant's estate shall be paid within thirty (30) days of the Participant's death; provided no Termination of Employment has occurred prior to such dates. In the event of Retirement or Disability, the Participant shall be paid one share of Common Stock with respect to each vested Restricted Stock Unit within thirty (30) days of the Scheduled Payment Date.

### 3. **Change of Control Definition.**

For purposes of this Agreement, a "Section 409A Change of Control" shall have the meaning set forth in Appendix A, attached hereto; provided, that, no event shall constitute a "Change of Control" for purposes of this Agreement unless such event also qualifies as a "change in control event" for purposes of Treasury Regulation § 1.409A-3(i)(5).

### 4. **Forfeiture and Recoupment.**

(a) All unvested Restricted Stock Units will be forfeited on the Participant's Termination of Employment.

(b) Notwithstanding anything herein or in the Plan to the contrary, the grant of Restricted Stock Units (including any dividends credited thereupon) provided for under this Agreement is conditioned on the Participant not engaging in any Competitive Activity (as defined below) from the date that is twelve (12) months prior to the applicable settlement date set forth in Section 2(h) above (such applicable settlement date, the "Payment Date") through the first anniversary of such Payment Date. If, on or after the date that is twelve (12) months prior to the Payment Date but prior to the Payment Date, the Participant engages in a Competitive Activity, all Restricted Stock Units (including any dividends credited thereupon) (whether or not vested) shall be immediately forfeited in their entirety, and the Participant shall have no further rights or interests with respect to such Restricted Stock Units (including any such dividends). In the event that the Participant engages in a Competitive Activity on or after the Payment Date but on or prior to the first anniversary of such Payment Date, the Company shall have the right to recoup from the Participant, and the Participant shall repay to the Company, within thirty (30) days following demand by the Company, a payment equal to the Fair Market Value of the aggregate shares of Common Stock payable in respect of such Restricted Stock Units on the Payment Date (including any dividends or other distributions thereafter paid thereon); provided, that, the Company may require the Participant to satisfy such payment obligations hereunder either by forfeiting and returning to the Company such shares of Common Stock, Restricted Stock Units or any other Shares, or making a cash payment or any combination of these methods as determined by the Company in its sole discretion. The Company, in its discretion, shall have the right to set off (or cause to be set off) any amounts otherwise due to the Participant from the Company in satisfaction of such repayment obligation, provided that any such amounts are exempt from, or set off in a manner intended to comply with, the requirements of Section 409A of the Code.

(c) The Participant hereby acknowledges and agrees that the forfeiture and recoupment conditions set forth in this Section 4, in view of the nature of the business in which the Company and its affiliates are engaged, are reasonable in scope and necessary in order to protect the legitimate business interests of the Company and its affiliates, and that any violation thereof would result in irreparable harm to the Company and its affiliates. The Participant also acknowledges and agrees that (i) it is a material inducement and condition to the Company's issuance of the Restricted Stock Units (including any dividends credited thereupon) that such Participant agrees to be bound by such forfeiture and recoupment conditions and, further, that the amounts required to be forfeited or repaid to the Company pursuant to forfeiture and recoupment conditions set forth above are reasonable, and (ii) nothing in this Agreement or the Plan is intended to preclude the Company (or any affiliate thereof) from seeking any remedies available at law, in equity, under contract to the Company or otherwise, and the Company (or any affiliate thereof) shall have the right to seek any such remedy with respect to the Restricted Stock Units, dividends credited thereupon or otherwise.

(d) For purposes of this Agreement, the Participant will be deemed to engage in a "Competitive Activity" if, either directly or indirectly, without the express prior written consent of the Company, the Participant (i) takes other employment with, renders services to, or otherwise engages in any business activities with, companies or other entities that are competitors of the Company or any of its affiliates, (ii) solicits or induces, or in any manner attempts to solicit or induce, any person employed by or otherwise providing services to the Company or any of its affiliates, to terminate such person's employment or service relationship, as the case may be, with the Company or any of its affiliates, (iii) diverts, or attempts to divert, any person or entity from doing business with the Company or any of its affiliates or induces, or attempts to induce, any such person or entity from ceasing to be a customer or other business partner of the Company or any of its affiliates, (iv) violates any agreement between the Participant and the Company or any of its affiliates relating to the non-disclosure of proprietary or confidential information of the Company or any of its affiliates, and/or (v) conducts himself or herself in a manner adversely affecting the Company or any of its affiliates, including, without limitation, making false, misleading or negative statements, either orally or in writing, about the Company or any of its affiliates. The determination as to whether the Participant has engaged in a Competitive Activity shall be made by the Committee in its sole discretion.

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5. **Dividend Equivalents.**

Cash dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to the Participant, provided that such cash dividends shall not be deemed to be reinvested in Shares and will be held uninvested and without interest. The Participant's right to receive any such cash dividends shall vest if and when the related Restricted Stock Unit vests, and such cash dividends shall be paid in cash to the Participant if and when the related Restricted Stock Unit is paid to the Participant. Stock dividends on Shares shall be credited to a dividend book entry account on behalf of the Participant with respect to each Restricted Stock Unit granted to the Participant. The Participant's right to receive any such stock dividends shall vest if and when the related Restricted Stock Unit vests, and such stock dividends shall be paid in stock to the Participant if and when the related Restricted Stock Unit is paid to the Participant.

6. **Rights as a Stockholder.**

The Participant shall have no rights as a stockholder with respect to any Shares covered by any Restricted Stock Unit unless and until the Participant has become the holder of record of the Shares, and no adjustments shall be made for dividends in cash or other property, distributions or other rights in respect of any such Shares, except as otherwise specifically provided for in this Agreement or the Plan.

7. **Provisions of Plan Control.**

This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Committee and as may be in effect from time to time. The Plan is incorporated herein by reference. Capitalized terms in this Agreement that are not otherwise defined shall have the same meaning as set forth in the Plan. Subject to Section 4, if and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. This Agreement contains the entire understanding of the parties with respect to the subject matter hereof and supersedes any prior agreements between the Company and the Participant with respect to the subject matter hereof.

8. **Amendment.**

The Board or the Committee may amend, suspend or terminate this Agreement subject to the terms of the Plan. Except as otherwise provided in the Plan, no modification or waiver of any of the provisions of this Agreement shall be effective unless in writing and signed by the party against whom it is sought to be enforced.

9. **Notices.**

Any notice or communication given hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, or by regular United States mail, first class and prepaid, to the appropriate party at the address set forth below (or such other address as the party shall from time to time specify):

If to the Company, to:

Henry Schein, Inc.  
135 Duryea Road  
Melville, New York 11747  
Attention: General Counsel

If to the Participant, to the address on file with the Company.

10. **No Obligation to Continue Employment.**

This Agreement is not an agreement of employment. This Agreement does not guarantee that the Company or its Subsidiaries will employ or retain, or to continue to, employ or retain the Participant during the entire, or any portion of the, term of this Agreement, including but not limited to any period during which the Restricted Stock Unit is outstanding, nor does it modify in any respect the Company or its Subsidiary's right to terminate or modify the Participant's employment or compensation.

11. **Legend.**

The Company may at any time place legends referencing any applicable federal, state or foreign securities law restrictions on all certificates representing Shares issued pursuant to this Agreement. The Participant shall, at the request of the Company, promptly present to the Company any and all certificates representing Shares acquired pursuant to this Agreement in the possession of the Participant in order to carry out the provisions of this Section 11.

12. **Securities Representations.**

The grant of the Restricted Stock Units and issuance of Shares upon vesting of the Restricted Stock Units shall be subject to, and in compliance with, all applicable requirements of federal, state or foreign securities law. No Shares may be issued hereunder if the issuance of such Shares would constitute a violation of any applicable federal, state or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Shares may then be listed. As a condition to the settlement of the Restricted Stock Units, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate, to evidence compliance with any applicable law or regulation.

The Shares are being issued to the Participant and this Agreement is being made by the Company in reliance upon the following express representations and warranties of the Participant. The Participant acknowledges, represents and warrants that:

(a) He or she has been advised that he or she may be an “affiliate” within the meaning of Rule 144 under the Securities Act of 1933, as amended (the “Act”) and in this connection the Company is relying in part on his or her representations set forth in this section.

(b) If he or she is deemed an affiliate within the meaning of Rule 144 of the Act, the Shares must be held indefinitely unless an exemption from any applicable resale restrictions is available or the Company files an additional registration statement (or a “re-offer prospectus”) with regard to such Shares and the Company is under no obligation to register the Shares (or to file a “re-offer prospectus”).

(c) If he or she is deemed an affiliate within the meaning of Rule 144 of the Act, he or she understands that the exemption from registration under Rule 144 will not be available unless (i) a public trading market then exists for the Common Stock of the Company, (ii) adequate information concerning the Company is then available to the public, and (iii) other terms and conditions of Rule 144 or any exemption therefrom are complied with; and that any sale of the Shares may be made only in limited amounts in accordance with such terms and conditions.

13. **Transfer of Personal Data.**

The Participant authorizes, agrees and unambiguously consents to the transmission by the Company of any personal data information related to the Restricted Stock Units awarded under this Agreement, for legitimate business purposes (including, without limitation, the administration of the Plan) out of the Participant’s home country and including to countries with less data protection laws than the data protection laws provided by the Participant’s home country. This authorization/consent is freely given by the Participant.

14. **Section 409A.**

Any provisions in this Agreement providing for the payment of “nonqualified deferred compensation” (as defined in Section 409A of the Code and the Treasury regulations thereunder) to the Participant are intended to comply with the requirements of Section 409A of the Code, and this Agreement shall be interpreted in accordance therewith. Neither party individually or in combination may accelerate or defer the timing of the payment of any such nonqualified deferred compensation, except in compliance with Section 409A of the Code and this Agreement, and no amount shall be paid prior to the earliest date on which it is permitted to be paid under Section 409A of the Code and this Agreement. In no event whatsoever shall the Company be liable for any additional tax, interest or penalty that may be imposed on the Participant as a result of Section 409A of the Code or any damages for failing to comply with Section 409A of the Code. Any amounts payable hereunder that satisfy the short-term deferral exception in Treas. Reg. §1.409A-1(b)(4) shall not be subject to Section 409A of the Code. Whenever a payment under this Agreement may be paid within a specified period, the actual date of payment within the specified period shall be within the Company’s sole discretion.

15. **Delivery Delay.**

The delivery of any certificate representing the Common Stock may be postponed by the Company for such period as may be required for it to comply with any applicable foreign, federal, state or provincial securities law, or any national securities exchange listing requirements and the Company is not obligated to issue or deliver any securities if, in the opinion of counsel for the Company, the issuance of such Shares shall constitute a violation by the Participant or the Company of any provisions of any applicable foreign, federal, state or provincial law or of any regulations of any governmental authority or any national securities exchange. The Participant acknowledges and understands that the Company intends to meet its delivery obligations in Common Stock with respect to Restricted Stock Units, except as may be prohibited by law or described in this Agreement or supplementary materials.

16. **Miscellaneous.**

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors and assigns.

(a) This Agreement shall be governed and construed in accordance with the laws of New York (regardless of the law that might otherwise govern under applicable New York principles of conflict of laws).

(b) This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one contract.

(c) The failure of any party hereto at any time to require performance by another party of any provision of this Agreement shall not affect the right of such party to require performance of that provision, and any waiver by any party of any breach of any provision of this Agreement shall not be construed as a waiver of any continuing or succeeding breach of such provision, a waiver of the provision itself, or a waiver of any right under this Agreement.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of the day and year first set forth above.

**HENRY SCHEIN, INC.**

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Michael S. Ettinger  
Senior Vice President and General  
Counsel

**PARTICIPANT**

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[Participant Name]

## Appendix A

This is Appendix A to the Restricted Stock Unit Agreement Pursuant to the Henry Schein, Inc. 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007) (the “RSU Agreement”). For purposes of Section 3 of the RSU Agreement, a “Section 409A Change of Control” shall be deemed to have occurred upon:

(i) an acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of (A) 50% or more of the then outstanding Shares or (B) 33% or more of the total combined voting power of the then outstanding voting securities of HSI 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 conditions described in clauses (A), (B) and (C) of paragraph (iii) below are satisfied; or

(ii) within any 12-month period beginning on or after the date of the RSU Agreement, the individuals who constitute the Board immediately before the beginning of such period (the Board as of the date hereof shall be hereinafter referred to as the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board; provided that for purposes of this Subsection any individual who becomes a member of the Board subsequent to the date hereof whose election, or nomination for election by HSI’s stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who are also members of the Incumbent Board (or deemed to be such pursuant to 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 Act) 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 consummation of a Corporate Transaction or, if consummation of such Corporate Transaction is subject to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the outstanding Shares 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 Shares 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 Shares 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

(iv) 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.

(v) No event set forth herein shall constitute a “Section 409A Change of Control” unless such event also qualifies as a “change in control event” for purposes of Treasury Regulation § 1.409A-3(i)(5). Accordingly, the definition of “Section 409A Change of Control” set forth herein shall be limited, construed and interpreted in accordance with Section 409A and the regulations issued thereunder.

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Stanley M. Bergman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Henry Schein, Inc.;
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.

Date: May 7, 2013

/s/ Stanley M. Bergman

Stanley M. Bergman

Chairman and Chief Executive Officer



**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**

I, Steven Paladino, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Henry Schein, Inc.;
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.

Date: May 7, 2013

/s/ Steven Paladino

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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 quarterly report on Form 10-Q of Henry Schein, Inc. (the "Company") for the period ending March 30, 2013, 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: May 7, 2013

/s/ Stanley M. Bergman

Stanley M. Bergman  
Chairman and Chief Executive Officer

Dated: May 7, 2013

/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.