

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 25, 2010

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

Commission file number 0-27078

 **HENRY SCHEIN, INC.**

(Exact name of registrant as specified in its charter)

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

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

(631) 843-5500

(Registrant's telephone number, including area code)

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

<u>Title of each class</u> Common Stock, par value \$.01 per share	<u>Name of each exchange on which registered</u> The NASDAQ Global Select Market
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**Securities registered pursuant to Section 12(g) of the Act:**  
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
YES:  NO:

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  
YES:  NO:

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
YES:  NO:

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, computed by reference to the closing sales price as quoted on the NASDAQ Global Select Market on June 26, 2010 was approximately \$5,099,185,000.

As of February 11, 2011, there were 91,897,104 shares of registrant's Common Stock, par value \$.01 per share, outstanding.

**Documents Incorporated by Reference:**

Portions of the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year (December 25, 2010) are incorporated by reference in Part III hereof.

## TABLE OF CONTENTS

	<b>Page Number</b>
<b>PART I</b>	
<a href="#"><u>ITEM 1.</u></a>	3
<a href="#"><u>ITEM 1A.</u></a>	16
<a href="#"><u>ITEM 1B.</u></a>	24
<a href="#"><u>ITEM 2.</u></a>	25
<a href="#"><u>ITEM 3.</u></a>	25
<a href="#"><u>ITEM 4.</u></a>	25
<b>PART II</b>	
<a href="#"><u>ITEM 5.</u></a>	26
<a href="#"><u>ITEM 6.</u></a>	29
<a href="#"><u>ITEM 7.</u></a>	31
<a href="#"><u>ITEM 7A.</u></a>	51
<a href="#"><u>ITEM 8.</u></a>	52
<a href="#"><u>ITEM 9.</u></a>	104
<a href="#"><u>ITEM 9A.</u></a>	104
<a href="#"><u>ITEM 9B.</u></a>	107
<b>PART III</b>	
<a href="#"><u>ITEM 10.</u></a>	107
<a href="#"><u>ITEM 11.</u></a>	107
<a href="#"><u>ITEM 12.</u></a>	108
<a href="#"><u>ITEM 13.</u></a>	108
<a href="#"><u>ITEM 14.</u></a>	108
<b>PART IV</b>	
<a href="#"><u>ITEM 15.</u></a>	109
	110
	113

## PART I

### ITEM 1. Business

#### General

We believe we are the largest distributor of healthcare products and services primarily to office-based healthcare practitioners. We serve more than 700,000 customers worldwide, including dental practitioners and laboratories, physician practices and animal health clinics, as well as government and other institutions. We believe that we have a strong brand identity due to our more than 78 years of experience distributing healthcare products.

We are headquartered in Melville, New York, employ more than 13,500 people (of which over 6,000 are based outside the United States) and have operations in the United States, Australia, Austria, Belgium, Canada, China, the Czech Republic, France, Germany, Hong Kong SAR, Ireland, Israel, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Slovakia, Spain, Switzerland and the United Kingdom. We also have affiliates in Iceland, Saudi Arabia, Turkey and the United Arab Emirates.

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

We conduct our business through two reportable segments: healthcare distribution and technology. These segments offer different products and services to the same customer base. The healthcare distribution reportable segment aggregates our dental, medical, animal health and international operating segments. This segment consists of consumable products, small equipment, laboratory products, large dental equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins. Our technology group provides software, technology and other value-added services to healthcare practitioners, primarily in the United States, Canada, the United Kingdom, Australia and New Zealand. Our value-added practice solutions include practice management software systems for dental and medical practitioners and animal health clinics. Our technology group offerings also include financial services on a non-recourse basis, e-services and continuing education services for practitioners.

#### Industry

The healthcare products distribution industry, as it relates to office-based healthcare practitioners, is highly fragmented and diverse. This industry, which encompasses the dental, medical and animal health markets, was estimated to produce revenues of approximately \$28 billion in 2010 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 healthcare practitioners to store and manage large quantities of supplies in their offices, the distribution of healthcare supplies and small equipment to office-based healthcare practitioners has been characterized by frequent, small quantity orders, and a need for rapid, reliable and substantially complete order fulfillment. The purchasing decisions within an office-based healthcare practice are typically made by the practitioner or an administrative assistant. Supplies and small equipment are generally purchased from more than one distributor, with one generally serving as the primary supplier.

The healthcare products distribution industry continues to experience growth due to the aging population, increased healthcare awareness, the proliferation of medical technology and testing, new pharmacology treatments and expanded third-party insurance coverage, 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.

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

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

## **Competition**

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

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

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

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

## Competitive Strengths

We have more than 78 years of experience in distributing products to healthcare practitioners resulting in strong awareness of the “Henry Schein” brand. Our competitive strengths include:

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

- *Field sales consultants.* We have approximately 3,100 field sales consultants, including equipment sales specialists, covering major North American, European and other international markets. These consultants complement our direct marketing and telesales efforts and enable us to better market, service and support the sale of more sophisticated products and equipment.
- *Direct marketing.* During 2010, we distributed approximately 30.8 million pieces of direct marketing material, including catalogs, flyers, order stuffers and other promotional materials to existing and potential office-based healthcare customers.
- *Telesales.* We support our direct marketing effort with approximately 1,600 inbound and outbound telesales representatives, who facilitate order processing and generate new sales through direct and frequent contact with customers.

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

- *Consumable supplies and equipment.* We offer over 90,000 Stock Keeping Units, or SKUs, to our customers. Of the SKUs offered, approximately 51,000 are offered to our dental customers, approximately 38,000 to our medical customers and approximately 21,000 to our animal health customers. We offer over 100,000 additional SKUs to our customers in the form of special order items.
- *Technology and other value-added products and services.* We sell practice management software systems to our dental, medical and animal health customers. Our practice management and electronic medical records software solutions provide practitioners with patient treatment history, billing, accounts receivable analyses and management, appointment calendars, electronic claims processing and word processing programs. As of December 25, 2010, we have an active user base of more than 70,000 practices, including Dentrrix®, Easy Dental®, Oasis® and EXACT® for dental practices, MicroMD® for physician practices and AVImark® and DVM Manager® for animal health clinics.
- *Repair services.* We have 188 equipment sales and service centers worldwide that provide a variety of repair, installation and technical services for our healthcare customers. Our ProRepair technicians provide installation and repair services for dental handpieces; dental, medical and animal health small equipment; table top sterilizers; and large dental equipment.
- *Financial services.* We offer our customers solutions in operating their practices by providing access to a number of financial services and products (including non-recourse financing for equipment, technology and software products; non-recourse patient financing; collection services and credit card processing) at rates that we believe are generally lower than what they would be able to secure independently. We also provide dental practice valuation and brokerage services.

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

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

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

*Cost-effective purchasing.* We believe that cost-effective purchasing is a key element to maintaining and enhancing our position as a competitive-pricing provider of healthcare products. We continuously evaluate our purchase requirements and suppliers' offerings and prices in order to obtain products at the lowest possible cost. In 2010, our top 10 healthcare distribution suppliers and our single largest supplier accounted for approximately 31% and 8%, respectively, of our aggregate purchases.

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

**Products**

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Healthcare Distribution</b>			
Dental:			
Consumable dental products, dental laboratory products and small equipment (1)	42.2 %	45.9 %	46.4 %
Large dental equipment (2)	<u>15.5</u>	<u>17.1</u>	<u>17.9</u>
Total dental	<u>57.7</u>	<u>63.0</u>	<u>64.3</u>
Medical products (3)	19.2	23.4	22.9
Animal health products (4)	20.4	11.0	10.2
<b>Total Healthcare Distribution</b>	<u>97.3</u>	<u>97.4</u>	<u>97.4</u>
<b>Technology</b>			
Software and related products and other value-added products (5)	<u>2.7</u>	<u>2.6</u>	<u>2.6</u>
<b>Total</b>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

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

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

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

(4) Includes branded and generic pharmaceuticals, surgical and consumable products and services and equipment.

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

## Business Strategy

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

- *Increase penetration of our existing customer base.* We have over 700,000 customers worldwide and we intend to increase sales to our existing customer base and enhance our position as their primary supplier.
- *Increase the number of customers we serve.* This strategy includes increasing the number and productivity of field sales consultants, as well as using our customer database to focus our marketing efforts.
- *Leverage our value-added products and services.* We continue to increase cross-selling efforts for key product lines. In the dental business, we have significant cross-selling opportunities between our dental practice management software users and our dental distribution customers. In the medical business, we have opportunities to expand our vaccine, injectables and other pharmaceuticals sales to medical distribution customers, as well as cross-selling core products and practice management software with these key products. In the animal health business, we have opportunities to cross-sell practice management software and other products.
- *Pursue strategic acquisitions and joint ventures.* Our acquisition strategy includes acquiring businesses and entering into joint ventures complementary to ours that will provide, among other things, additional sales to be channeled through our existing distribution infrastructure, access to additional product lines and field sales consultants and an opportunity to further expand into new geographic markets.

## Markets Served

Demographic trends indicate that our markets are growing, as an aging U.S. population is increasingly using healthcare services. Between 2010 and 2020, the 45 and older population is expected to grow by approximately 15%. Between 2010 and 2030, this age group is expected to grow by approximately 29%. This compares with expected total U.S. population growth rates of approximately 10% between 2010 and 2020 and approximately 20% between 2010 and 2030.

In the dental industry, there is predicted to be a rise in oral healthcare expenditures as the 45 and older segment of the population increases. Cosmetic dentistry is another growing aspect of dental practices as new technologies allow dentists to offer cosmetic solutions that patients seek. At the same time, there is an expected increase in dental insurance coverage.

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

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

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

For information on revenues and long-lived assets by geographic area, see Note 15 of "Notes to Consolidated Financial Statements," which is incorporated herein by reference.



## Seasonality and Other Factors Affecting Our Business and Quarterly Results

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

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

- costs of developing new applications and services;
- costs related to acquisitions and/or integrations of technologies or businesses;
- timing and amount of sales and marketing expenditures;
- timing of pricing changes offered by our vendors;
- timing of the introduction of new products and services by our vendors;
- changes in or availability of vendor contracts or rebate programs;
- vendor rebates based upon attaining certain growth goals;
- changes in the way vendors introduce or deliver products to market;
- exclusivity requirements with certain vendors may prohibit us from distributing competitive products manufactured by other vendors;
- loss of sales representatives;
- general economic conditions, as well as those specific to the healthcare industry and related industries;
- timing of the release of upgrades and enhancements to our technology-related products and services;
- our success in establishing or maintaining business relationships;
- restructuring costs;
- changes in accounting principles;
- unexpected difficulties in developing and manufacturing products;
- product demand and availability or recalls by manufacturers;
- exposure to product liability and other claims in the event that the use of the products we sell results in injury; and
- increases in the cost of shipping or service issues with our third-party shippers.

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

## Governmental Regulations

Certain of our businesses involve the distribution of pharmaceuticals and medical devices, and in this regard we are subject to various local, state, federal and foreign governmental laws and regulations applicable to the distribution of pharmaceuticals and medical devices. Among the federal laws applicable to us are the Controlled Substances Act, the Federal Food, Drug, and Cosmetic Act, as amended, the Prescription Drug Marketing Act of 1987, and Section 361 of the Public Health Service Act. We are also subject to comparable foreign regulations.

The Federal Food, Drug, and Cosmetic Act generally regulates the introduction, manufacture, advertising, labeling, packaging, storage, handling, reporting, marketing and distribution of, and record keeping for, pharmaceuticals and medical devices shipped in interstate commerce, and states may similarly regulate such activities within the state. Section 361 of the Public Health Service Act, which provides authority to prevent the spread of communicable diseases, serves as the legal basis for the United States Food and Drug Administration's regulation of human cells, tissues, and cellular and tissue-based products, also known as HCT/P products.

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

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

Certain of our businesses are required to register for permits and/or licenses with, and comply with operating and security standards of, the United States Drug Enforcement Administration, the United States Food and Drug Administration, the United States Department of Health and Human Services, and various state boards of pharmacy, state health departments and/or comparable state agencies as well as foreign agencies, and certain accrediting bodies depending on the type of operations and location of product distribution, manufacturing or sale. These businesses include those that distribute, manufacture and/or repackage prescription pharmaceuticals and/or medical devices and/or HCT/P products, or own pharmacy operations, or install, maintain or repair equipment. In addition, Section 301 of the National Organ Transplant Act, and a number of comparable state laws, impose civil and/or criminal penalties for the transfer of certain human tissue (for example human bone products) for valuable consideration, while generally permitting payments for the reasonable costs incurred in procuring, processing, storing and distributing that tissue. The United States Drug Enforcement Administration, the United States Food and Drug Administration and state regulatory authorities have broad enforcement powers, including the ability to suspend or limit the distribution of products by our distribution centers, seize or order the recall of products and impose significant criminal, civil and administrative sanctions for violations of these laws and regulations. Our customers are also subject to significant federal, state, local and foreign governmental regulation.

Certain of our businesses are subject to federal and state (and similar foreign) healthcare fraud and abuse, referral and reimbursement laws, and regulations with respect to their operations. Such laws prohibit, among other things, the submission or causing the submission of false or fraudulent claims for reimbursement, and soliciting, offering, receiving or paying remuneration in order to induce the referral of a patient or ordering, purchasing, leasing or arranging for or recommending ordering, purchasing or leasing, of items or services that are paid for by government health care programs (known as "anti-kickback" laws). Violations of these laws could result in civil and criminal penalties. The fraud and abuse laws and regulations have been subject

to heightened enforcement activity over the past few years, particularly through “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 Act statutes, and an anti-kickback violation could be a basis for a False Claims action. These laws and regulations are subject to frequent modification and varied interpretation, and can have a material adverse impact on us if a violation is found. The Patient Protection and Affordable Care Act, enacted in March 2010, known as The Health Care Reform Bill or PPACA, significantly strengthened the federal False Claims Act, and the anti-kickback provisions, which could lead to the possibility of increased whistleblower or relator suits.

PPACA also included other provisions to reduce fraud and abuse and Medicare expenditures and the cost of healthcare generally, to increase federal oversight of private health insurance plans and to provide access to health coverage for an additional 32 million people, some of which impact and further regulate some of our businesses. In addition to the foregoing, PPACA imposed new reporting and disclosure requirements for pharmaceutical and device manufacturers with regard to payments or other transfers of value made to certain practitioners, including physicians and dentists, and teaching hospitals beginning in January 2012. A provision in PPACA requiring those without insurance to pay a penalty was recently declared unconstitutional by a Virginia federal district court, which permitted other provisions of the legislation that do not relate to health insurance, as well as those provisions that could improve insurance coverage, to remain in effect. PPACA in its entirety was declared unconstitutional by a Florida federal district court on January 31, 2011. Two other federal district courts (in Michigan and Virginia) have affirmed the constitutionality of PPACA. Appeals are pending, and the matter is expected to be determined by the Supreme Court of the United States.

Certain of our businesses also maintain contracts with governmental agencies and are subject to certain regulatory requirements specific to government contractors.

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

The United States Food and Drug Administration Amendments Act of 2007, which went into effect on September 27, 2007, requires the United States Food and Drug Administration to establish standards and identify and validate effective technologies for the purpose of securing the pharmaceutical supply chain against counterfeit drugs. These standards include any track and trace or authentication technologies, such as RFID and other technologies. The United States Food and Drug Administration has indicated that it is currently drafting a proposed rule as required by the statute. The United States Food and Drug Administration has also indicated that it is developing a proposal to require unique device identifiers for medical devices.

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, and require, 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. As a result of the federal Health Information Technology for Economic and Clinical Health Act (HITECH Act), which was passed in 2009, some of our businesses that were previously only indirectly subject to 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. Additional rules under the HITECH Act are expected to be issued in early 2011, further expanding the privacy and security requirements applicable to some of our businesses.

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

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

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

### **Proprietary Rights**

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

### **Employees**

As of December 25, 2010, we employed more than 13,500 full-time employees, including approximately 1,600 telesales representatives, 3,100 field sales consultants, including equipment sales specialists, 2,575 warehouse employees, 600 computer programmers and technicians, 1,250 management employees and 4,775 office, clerical and administrative employees. Approximately 305 or 2.3% of our employees were subject to collective bargaining agreements. We believe that our relations with our employees are excellent.

## Available Information

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

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

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

**Executive Officers of the Registrant**

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

<b>Name</b>	<b>Age</b>	<b>Position</b>
Stanley M. Bergman	61	Chairman, Chief Executive Officer, Director
Gerald A. Benjamin	58	Executive Vice President, Chief Administrative Officer, Director
James P. Breslawski	57	President, Chief Operating Officer, Director
Leonard A. David	62	Senior Vice President, Chief Compliance Officer
James Harding	55	Senior Vice President, Chief Technology Officer
Stanley Komaroff	75	Senior Advisor
Mark E. Mlotek	55	Executive Vice President, Corporate Business Development, Director
Steven Paladino	53	Executive Vice President, Chief Financial Officer, Director
Michael Racioppi	56	Senior Vice President, Chief Merchandising Officer
Lonnie Shoff	52	President, Global Healthcare Specialties Group
Michael Zack	58	President, International Group

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

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

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

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

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

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

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

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

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

**Lonnie Shoff** has been President of the Global Healthcare Specialties Group since September 2009. Prior to joining us, Ms. Shoff was employed with Roche Diagnostics, where she held a series of positions of increasing responsibility in the United States and Switzerland over the past 20 years, most recently as Senior Vice President General Manager, Applied Science.

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

## ITEM 1A. Risk Factors

### *Recently enacted legislation may adversely impact us.*

The Patient Protection and Affordable Care Act enacted in March 2010, generally known as The Health Care Reform Bill, imposes new reporting and disclosure requirements for pharmaceutical and medical device manufacturers with regard to payments or other transfers of value made to physicians and teaching hospitals beginning in January 2012. Implementing regulations have not yet been issued, but it is possible that such regulations, when issued, will treat us or one or more of our subsidiaries as a “manufacturer” subject to these reporting requirements. In addition, several states require pharmaceutical and/or device companies to report expenses relating to the marketing and promotion of products as well as gifts and payments to individual practitioners in the states, or prohibit certain marketing related activities. Other states, such as California, Nevada, and Massachusetts, require pharmaceutical and/or device companies to implement compliance programs or marketing codes. Wholesale distributors are covered by the laws in certain of these states. In others, it is possible that our activities or the activities of one or more of our subsidiaries will subject us to the state’s reporting requirements and prohibitions.

The Patient Protection and Affordable Care Act also imposes (i) a 2.3% excise tax on domestic sales of medical devices by manufacturers and importers beginning in 2013, which we may need to assist in implementing and which may affect sales, and (ii) mandates pharmacy benefit manager transparency regarding rebates, discounts and price concessions, which could affect pricing and competition.

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

We compete with numerous companies, including several major manufacturers and distributors. Some of our competitors have greater financial and other resources than we do, which could allow them to compete more successfully. Most of our products are available from several sources and our customers tend to have relationships with several distributors. Competitors could obtain exclusive rights to market particular products, which we would then be unable to market. Manufacturers also could increase their efforts to sell directly to end-users and thereby eliminate or reduce our role and that of other distributors. Industry consolidation among healthcare products distributors, price competition, the unavailability of products, whether due to our inability to gain access to products or to interruptions in supply from manufacturers, or the emergence of new competitors also could increase competition. In the future, we may be unable to compete successfully and competitive pressures may reduce our revenues.

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

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



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

Our business is subject to requirements under various local, state, federal and international laws and regulations applicable to the distribution of pharmaceuticals and medical devices, and human cells, tissue, and cellular and tissue-based products, also known as HCT/P products. Among the federal laws with which we must comply are the Controlled Substances Act, the Federal Food, Drug, and Cosmetic Act, as amended, the Prescription Drug Marketing Act of 1987, and Section 361 of the Public Health Services Act. Among other things, such laws, and the regulations promulgated thereunder:

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

Applicable federal, state and local laws and regulations also may require us to meet various standards relating to, among other things, licensure or registration, sales and marketing practices, product integrity and supply tracking to the manufacturer of the product, personnel, privacy and security of health or other personal information, installation, maintenance and repair of equipment, and the importation and exportation of products. Our business also is subject to requirements of similar and other foreign governmental laws and regulations affecting our operations abroad. The United States Food and Drug Administration and Drug Enforcement Administration have recently increased their regulatory and enforcement activities.

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

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

We are subject to extensive and frequently changing federal and state laws and regulations relating to healthcare fraud. These measures, which focus on our relationships with pharmaceutical manufacturers and healthcare providers, have been subject to varying interpretations, as well as heightened enforcement activity, over the past few years. Significant enforcement activity has been the result of actions brought by “relators,” who file complaints in the name of the United States (and if applicable, particular states) under federal and state False Claims Act statutes. Damages can be catastrophic if a violation is found. These healthcare fraud laws and regulations, among other things, (i) prohibit persons from soliciting, offering, receiving or paying any remuneration in order to induce the referral of a patient for treatment or to induce the ordering, purchasing, leasing or arranging for or recommending ordering, purchasing or leasing of items or services that are in any way paid for by government-sponsored healthcare programs and (ii) impose a number of restrictions upon referring physicians and providers of designated health services under government healthcare programs. While we believe that we are substantially compliant with all applicable laws, many of the regulations applicable to us are vague or indefinite and have not been interpreted by the courts. They may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could require us to make changes in our operations. If we fail to comply with applicable laws and regulations, we could suffer civil and criminal penalties, including the loss of licenses or our ability to participate in federal and state healthcare programs.

***Expansion of group purchasing organizations (“GPO”) or hospital purchasing power and the multi-tiered costing structure may place us at a competitive disadvantage.***

The medical-products industry is subject to a multi-tiered costing structure, which can vary by manufacturer and/or product. Under this structure, certain institutions can obtain more favorable prices for medical products than we are able to obtain. The multi-tiered costing structure continues to expand as many large integrated healthcare providers and others with significant purchasing power, such as GPOs, demand more favorable pricing terms. This may threaten our ability to compete effectively, which would in turn negatively impact our results of operations. Although we are seeking to obtain similar terms from manufacturers and obtain access to lower prices demanded by GPO contracts or other contracts, we cannot assure such terms will be obtained or contracts will be executed.

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

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

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

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

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

- costs of developing new applications and services;
- costs related to acquisitions and/or integrations of technologies or businesses;
- timing and amount of sales and marketing expenditures;
- timing of pricing changes offered by our vendors;
- timing of the introduction of new products and services by our vendors;
- changes in or availability of vendor contracts or rebate programs;
- vendor rebates based upon attaining certain growth goals;
- changes in the way vendors introduce or deliver products to market;
- exclusivity requirements with certain vendors may prohibit us from distributing competitive products manufactured by other vendors;
- loss of sales representatives;
- general economic conditions, as well as those specific to the healthcare industry and related industries;
- timing of the release of upgrades and enhancements to our technology-related products and services;
- our success in establishing or maintaining business relationships;
- restructuring costs;
- changes in accounting principles;
- unexpected difficulties in developing and manufacturing products;
- product demand and availability or recalls by manufacturers;
- exposure to product liability and other claims in the event that the use of the products we sell results in injury; and
- increases in the cost of shipping or service issues with our third-party shippers.

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

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

We obtain substantially all of our products from third-party suppliers. Generally, we do not have long-term contracts with our suppliers committing them to supply products to us. Therefore, suppliers may not provide the products we need in the quantities we request. Because we generally do not control the actual production of the products we sell, we may be subject to delays caused by interruption in production based on conditions outside of our control. In the event that any of our third-party suppliers were to become unable or unwilling to continue to provide the products in required volumes, we would need to identify and obtain acceptable replacement sources on a timely basis. There is no guarantee that we would be able to obtain such alternative sources of supply on a timely basis, if at all. An extended interruption in the supply of our products, including the supply of our influenza vaccine and any other high sales volume product, would have an adverse effect on our results of operations, which most likely would adversely affect the value of our common stock.

***Our expansion through acquisitions and joint ventures involves risks.***

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

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

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

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

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

We are in the process of integrating companies that we acquired and including the operations, services, products and personnel of each company within our management policies, procedures and strategies. We cannot be sure that we will achieve the benefits of revenue growth that we expect from these acquisitions or that we will not incur unforeseen additional costs or expenses in connection with these acquisitions. To effectively manage our expected future growth, we must continue to successfully manage our integration of these companies and continue to improve our operational systems, internal procedures, working capital management, financial and operational controls. If we fail in any of these areas, our business could be adversely affected.

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

Our business involves a risk of product liability and other claims in the ordinary course of business, and from time to time we are named as a defendant in cases as a result of our distribution of pharmaceutical products, medical devices, bone regeneration and other healthcare products. Additionally, we own interests in companies that manufacture certain dental products. As a result, we are subject to the potential risk of product liability or other claims relating to the manufacture and distribution of products by those entities. One of the potential risks we face in the distribution of our products is liability resulting from counterfeit or tainted products infiltrating the supply chain. In addition, some of the products that we transport and sell are considered hazardous materials. The improper handling of such materials or accidents involving the transportation of such materials could subject us to liability. We have various insurance policies, including product liability insurance, covering risks and in amounts that we consider adequate. In many cases in which we have been sued in connection with products manufactured by others, the manufacturer of the product provides us with indemnification. There can be no assurance that the insurance coverage we maintain is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide us with adequate protection. A successful claim brought against us in excess of available insurance or not covered by indemnification agreements, or any claim that results in significant adverse publicity against us, could have an adverse effect on our business.

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

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

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

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

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

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

- maintain and manage worldwide systems to facilitate the purchase and distribution of thousands of inventory items from numerous distribution centers;
- receive, process and ship orders on a timely basis;
- manage the accurate billing and collections for thousands of customers; and
- process payments to suppliers.

Our results of operations could be adversely affected if these systems are interrupted, damaged by unforeseen events, or fail for any extended period of time.

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

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

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

Our ability to make scheduled payments or refinance our obligations with respect to indebtedness will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and financial, business and other factors beyond our control. Disruptions in the financial markets may adversely affect the availability and cost of credit to us.

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

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

***Our future success is substantially dependent upon our senior management.***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Item 1B. Unresolved Staff Comments**

We have no unresolved comments from the staff of the SEC that were issued 180 days or more preceding the end of our 2010 fiscal year.



**ITEM 2. Properties**

We own or lease the following properties:

<b>Property</b>	<b>Location</b>	<b>Own or Lease</b>	<b>Approximate Square Footage</b>	<b>Lease Expiration Date</b>
Corporate Headquarters	Melville, NY	Own	105,000	N/A
Corporate Headquarters	Melville, NY	Lease	185,000	July 2020
Office and Distribution Center	West Allis, WI	Lease	106,000	October 2017
Distribution Center	Denver, PA	Lease	613,000	February 2013
Distribution Center	Indianapolis, IN	Own	287,000	N/A
Distribution Center	Indianapolis, IN	Lease	243,000	August 2013
Distribution Center	Grapevine, TX	Lease	242,000	July 2013
Distribution Center	Gallin, Germany	Own	215,000	N/A
Distribution Center	Jacksonville, FL	Lease	212,000	June 2013
Office and Distribution Center	Niagara on the Lake, Canada	Lease	128,000	September 2016
Distribution Center	Sparks, NV	Lease	338,000	February 2013
Office and Distribution Center	Gillingham, United Kingdom	Lease	103,000	April 2020
Distribution Center	Tours, France	Own	133,000	N/A
Distribution Center	Lyssach, Switzerland	Lease	180,000	July 2016

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

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

**ITEM 3. Legal Proceedings**

From time to time, we may become a party to legal proceedings, including, without limitation, product liability claims, employment matters, commercial disputes 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.

We have various insurance policies, including product liability insurance, covering risks in amounts that we consider adequate. In many cases in which we have been sued in connection with products manufactured by others, the manufacturer provides us with indemnification. There can be no assurance that the insurance coverage we maintain is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide us with adequate protection.

As of December 25, 2010, we had accrued our best estimate of potential losses relating to product liability and other claims that were probable to result in a liability and for which we were able to reasonably estimate a loss. This accrued amount, as well as related expenses, was not material to our financial position, results of operations or cash flows. Our method for determining estimated losses considers currently available facts, presently enacted laws and regulations and other external factors, including probable recoveries from third parties.

**ITEM 4. [Removed and Reserved]**

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

Our common stock is traded on the NASDAQ Global Select Market tier of the NASDAQ Stock Market, or NASDAQ, under the symbol HSIC. On October 2, 2007, our common stock became a component of the NASDAQ-100 stock market index. The following table sets forth, for the periods indicated, the high and low reported sales prices of our common stock as reported on NASDAQ for each quarterly period in fiscal 2010 and 2009:

	<u>High</u>	<u>Low</u>
Fiscal 2010:		
1st Quarter	\$ 58.50	\$ 51.49
2nd Quarter	62.63	53.41
3rd Quarter	57.60	50.96
4th Quarter	62.62	55.55
Fiscal 2009:		
1st Quarter	\$ 40.60	\$ 33.55
2nd Quarter	47.70	38.77
3rd Quarter	56.50	43.82
4th Quarter	56.92	49.10

On February 11, 2011, there were approximately 962 holders of record of our common stock and the last reported sales price was \$67.36.

**Purchases of Equity Securities by the Issuer**

Our current share repurchase program, announced on June 21, 2004, originally allowed us to repurchase up to \$100.0 million of shares of our common stock, which represented approximately 3.5% of the shares outstanding at the commencement of the program. On October 31, 2005, March 28, 2007 and November 16, 2010, our Board of Directors authorized an additional \$100.0 million, for a total of \$400.0 million, of shares of our common stock to be repurchased under this program. As of December 25, 2010, we had repurchased \$300.0 million of common stock (6,639,821 shares) under this initiative, with \$100.0 million available for future common stock share repurchases.

The following table summarizes repurchases of our common stock under our stock repurchase program during the fiscal quarter ended December 25, 2010:

Fiscal Month	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Our Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under Our Program (2)
09/26/10 through 10/30/10	127,085	\$ 59.02	127,085	808,847
10/31/10 through 11/27/10	792,613	57.30	792,613	1,732,202
11/28/10 through 12/25/10	-	-	-	1,608,752
	<u>919,698</u>		<u>919,698</u>	

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

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

**Dividend Policy**

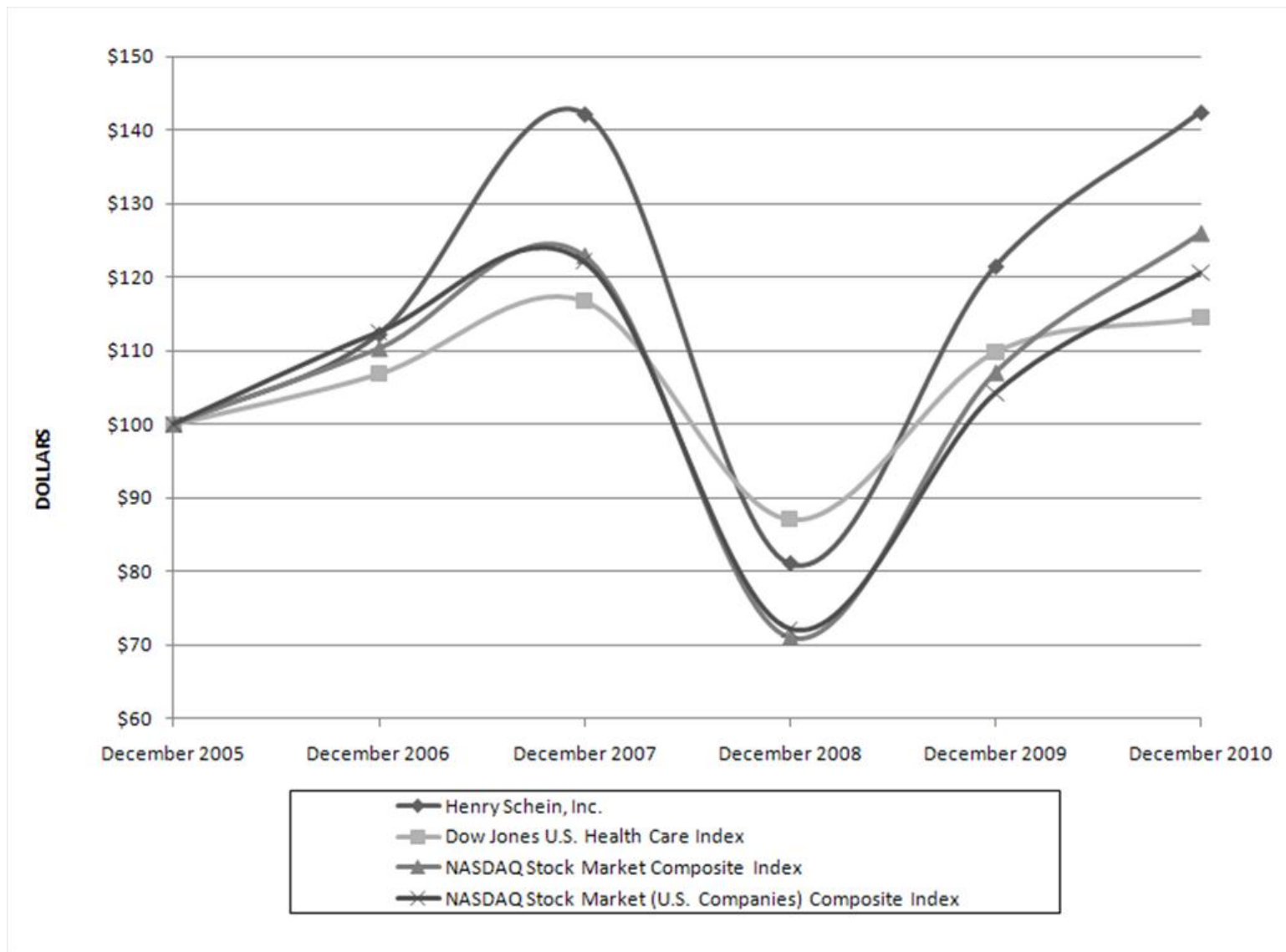
We have not declared any cash dividends on our common stock during fiscal years 2010 or 2009. We currently do not anticipate declaring any cash dividends on our common stock in the foreseeable future. We intend to retain earnings to finance the expansion of our business and for general corporate purposes, including our stock repurchase program. Any declaration of dividends will be at the discretion of our Board of Directors and will depend upon the earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends and other factors.

**Stock Performance Graph**

The graph below compares the cumulative total stockholder return on \$100 invested, assuming the reinvestment of all dividends, on December 31, 2005, the last trading day before the beginning of our 2006 fiscal year, through the end of fiscal 2010 with the cumulative total return on \$100 invested for the same period in the Dow Jones U.S. Health Care Index, the NASDAQ Stock Market (U.S. companies) Composite Index and the NASDAQ Stock Market Composite Index.

This year, we selected the NASDAQ Stock Market Composite Index for the comparison as opposed to only the U.S. companies of the NASDAQ Stock Market Composite Index in order to compare our stock performance against a published index as opposed to a segment of a published index. We included both in the graph below for comparison purposes.

**COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN**



**ASSUMES \$100 INVESTED ON DECEMBER 31, 2005  
ASSUMES DIVIDENDS REINVESTED**

	December 31, 2005	December 30, 2006	December 29, 2007	December 27, 2008	December 26, 2009	December 25, 2010
Henry Schein, Inc.	\$ 100.00	\$ 112.24	\$ 142.19	\$ 81.07	\$ 121.47	\$ 142.44
Dow Jones U.S. Health Care Index	100.00	106.88	116.82	87.10	109.87	114.50
NASDAQ Stock Market Composite Index	100.00	110.25	122.90	70.92	106.98	125.95
NASDAQ Stock Market (U.S. companies) Composite Index	100.00	112.51	122.09	72.15	104.22	120.63

**ITEM 6. Selected Financial Data**

The following selected financial data, with respect to our financial position and results of operations for each of the five fiscal years in the period ended December 25, 2010, set forth below, has been derived from, should be read in conjunction with and is qualified in its entirety by reference to, our consolidated financial statements and notes thereto. The selected financial data presented below should also be read in conjunction with ITEM 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and ITEM 8, “Financial Statements and Supplementary Data.”

	Years ended				
	December 25, 2010	December 26, 2009	December 27, 2008	December 29, 2007	December 30, 2006
(in thousands, except per share data)					
<b>Income Statement Data:</b>					
Net sales	\$ 7,526,790	\$ 6,538,336	\$ 6,380,413	\$ 5,889,884	\$ 5,021,523
Gross profit	2,170,876	1,916,820	1,874,295	1,706,092	1,459,330
Selling, general and administrative expenses	1,637,460	1,449,715	1,431,769	1,319,153	1,155,215
Restructuring costs (1)	12,285	3,020	23,240	-	-
Operating income	521,131	464,085	419,286	386,939	304,115
Other expense, net	(19,096)	(11,365)	(23,837)	(8,430)	(13,529)
Income from continuing operations before taxes, equity in earnings (losses) of affiliates and noncontrolling interests	502,035	452,720	395,449	378,509	290,586
Income taxes	(160,069)	(127,521)	(131,210)	(128,556)	(103,440)
Equity in earnings (losses) of affiliates	10,165	5,243	5,037	(73)	835
Income from continuing operations	352,131	330,442	269,276	249,880	187,981
Income (loss) from discontinued operations, net of tax (2)	-	2,715	(7,902)	(20,704)	(19,304)
Net income	352,131	333,157	261,374	229,176	168,677
Less: Net income attributable to noncontrolling interests	(26,342)	(22,004)	(21,917)	(17,442)	(8,090)
Net income attributable to Henry Schein, Inc.	\$ 325,789	\$ 311,153	\$ 239,457	\$ 211,734	\$ 160,587
<b>Amounts attributable to Henry Schein, Inc.:</b>					
Income from continuing operations	325,789	308,551	247,347	232,529	180,049
Income (loss) from discontinued operations, net of tax	-	2,602	(7,890)	(20,795)	(19,462)
Net income	\$ 325,789	\$ 311,153	\$ 239,457	\$ 211,734	\$ 160,587
<b>Earnings (loss) per share attributable to Henry Schein, Inc.:</b>					
From continuing operations:					
Basic	\$ 3.62	\$ 3.47	\$ 2.78	\$ 2.63	\$ 2.05
Diluted	3.49	3.41	2.71	2.55	2.00
From discontinued operations:					
Basic	\$ -	\$ 0.03	\$ (0.09)	\$ (0.24)	\$ (0.22)
Diluted	-	0.03	(0.08)	(0.23)	(0.21)
From net income:					
Basic	\$ 3.62	\$ 3.50	\$ 2.69	\$ 2.39	\$ 1.83
Diluted	3.49	3.44	2.63	2.32	1.79
Weighted-average common shares outstanding:					
Basic	90,097	88,872	89,080	88,559	87,952
Diluted	93,268	90,556	91,221	91,163	89,820

	Years ended				
	December 25, 2010	December 26, 2009	December 27, 2008 (in thousands)	December 29, 2007	December 30, 2006
<b>Net Sales by Market Data:</b>					
Healthcare distribution (3):					
Dental (4)	\$ 2,678,830	\$ 2,509,921	\$ 2,567,064	\$ 2,447,841	\$ 2,122,415
Medical (5)	1,290,428	1,217,020	1,210,875	1,340,146	1,235,125
Animal health (6)	889,303	240,082	218,093	200,123	163,871
International (7)	2,468,277	2,398,105	2,221,092	1,769,881	1,401,889
Total healthcare distribution	7,326,838	6,365,128	6,217,124	5,757,991	4,923,300
Technology (8)	199,952	173,208	163,289	131,893	98,223
Total	<u>\$ 7,526,790</u>	<u>\$ 6,538,336</u>	<u>\$ 6,380,413</u>	<u>\$ 5,889,884</u>	<u>\$ 5,021,523</u>

	As of				
	December 25, 2010	December 26, 2009	December 27, 2008 (in thousands)	December 29, 2007	December 30, 2006
<b>Balance Sheet data:</b>					
Total assets	\$ 4,547,471	\$ 3,835,985	\$ 3,599,210	\$ 3,313,472	\$ 2,880,547
Long-term debt	395,309	243,373	256,648	407,627	434,804
Redeemable noncontrolling interests	304,140	178,570	233,035	150,028	111,902
Stockholders' equity	2,412,957	2,161,508	1,772,354	1,674,987	1,393,356

(1) Restructuring costs for the year ended December 25, 2010 consist primarily of severance costs, including severance pay and benefits of \$8.8 million, facility closing costs of \$3.4 million and other professional and consulting costs of \$0.1 million. Restructuring costs for the year ended December 26, 2009 consist primarily of employee severance costs, including severance pay and benefits of \$1.5 million and facility closing costs of \$1.5 million. Restructuring costs for the year ended December 27, 2008 consist primarily of employee severance costs, including severance pay and benefits of \$18.6 million, facility closing costs of \$3.8 million and other professional and consulting costs of \$0.8 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Plans of Restructuring" herein and the consolidated financial statements and related notes contained in ITEM 8.

(2) On August 5, 2009, we completed the sale of a wholesaler of dental consumables for aggregate consideration of \$14.2 million, of which \$13.2 million has been received as of December 26, 2009. As a result of this sale, included in operating results from discontinued operations for 2009 is a net gain, net of tax, of \$2.6 million or \$0.03 per diluted share.

During the fourth quarter of 2008, included in operating results from discontinued operations, we recorded an impairment charge of \$11.2 million (\$7.3 million, net of tax), or \$0.08 per diluted share, related to the exit from our wholesale ultrasound business.

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

On April 1, 2006, we sold substantially all of the assets of our Hospital Supply Business, previously reported as part of our healthcare distribution reportable segment. The sale price was \$36.5 million, which was received during the second quarter of 2006. As a result of this sale, included in the operating results from discontinued operations for 2007 is a \$0.3 million (\$0.2 million after-tax) expense relating to contract contingencies. Included in operating results from discontinued operations for 2006 is a \$32.3 million (\$19.4 million after-tax) loss on the sale, including \$3.5 million (\$2.1 million after-tax) of transitional service obligations and selling costs.

- (3) Consists of consumable products, small equipment, laboratory products, large dental and medical equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins.
- (4) Consists of products sold in the United States and Canadian dental markets.
- (5) Consists of products sold in the United States' medical market.
- (6) Consists of products sold in the United States' animal health market.
- (7) Consists of products sold in the dental, medical and animal health markets, primarily in Europe, Australia and New Zealand.
- (8) Consists of practice management software, financial services and other value-added products and services, which are distributed primarily to healthcare providers in the United States, Canada, the United Kingdom, Australia and New Zealand for the years 2007 through 2010 and the United States and Canada for the year 2006.

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

### Cautionary Note Regarding Forward-Looking Statements

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

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

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

### Executive Level Overview

We believe we are the largest distributor of healthcare products and services primarily to office-based healthcare practitioners. We serve more than 700,000 customers worldwide, including dental practitioners and laboratories, physician practices and animal health clinics, as well as government and other institutions. We believe that we have a strong brand identity due to our more than 78 years of experience distributing healthcare products.

We are headquartered in Melville, New York, employ more than 13,500 people (of which over 6,000 are based outside the United States) and have operations in the United States, Australia, Austria, Belgium, Canada, China, the Czech Republic, France, Germany, Hong Kong SAR, Ireland, Israel, Italy, Luxembourg, the Netherlands, New Zealand, Portugal, Slovakia, Spain, Switzerland and the United Kingdom. We also have affiliates in Iceland, Saudi Arabia, Turkey and the United Arab Emirates.

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

We conduct our business through two reportable segments: healthcare distribution and technology. These segments offer different products and services to the same customer base. The healthcare distribution reportable segment aggregates our dental, medical, animal health and international 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 dental group serves office-based dental practitioners, schools and other institutions in the combined United States and Canadian dental market. Our medical group serves office-based medical practitioners, surgical centers, other alternate-care settings and other institutions throughout the United States. Our animal health group serves animal health practices and clinics throughout the United States. Our international group serves dental, medical and animal health practitioners in 23 countries outside of North America and is what we believe to be a leading European healthcare supplier serving office-based practitioners.

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

#### *Industry Overview*

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

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

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

#### *Industry Consolidation*

The healthcare products distribution industry, as it relates to office-based healthcare practitioners, is highly fragmented and diverse. This industry, which encompasses the dental, medical and animal health markets, was estimated to produce revenues of approximately \$28 billion in 2010 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 healthcare practitioners to store and manage large quantities of supplies in their offices, the distribution of healthcare supplies and small equipment to office-based healthcare practitioners has been characterized by frequent, small quantity orders, and a need for rapid, reliable and substantially complete order fulfillment. The purchasing decisions within an office-based healthcare practice are typically made by the practitioner or an administrative assistant. Supplies and small equipment are generally purchased from more than one distributor, with one generally serving as the primary supplier.



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

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

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

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

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

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

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

As a result of these market dynamics, annual expenditures for healthcare services continue to increase in the United States. Given current operating, economic and industry conditions, we believe that demand for our products and services will grow at slower rates. The Centers for Medicare and Medicaid Services, or CMS, published "National Health Expenditure Projections 2009 – 2019" indicating that total national healthcare spending reached approximately \$2.5 trillion in 2009, or 17.3% of the nation's gross domestic product, the benchmark measure for annual production of goods and services in the United States. Healthcare spending is projected to reach approximately \$4.6 trillion in 2019, approximately 19.6% of the nation's gross domestic product.

## Government

The healthcare industry is subject to extensive government regulation, licensure and operating compliance procedures. Additionally, government and private insurance programs fund a large portion of the total cost of medical care. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or MMA, was the largest expansion of the Medicare program since its inception, and provided participants with voluntary outpatient prescription drug benefits beginning in 2006. The MMA also included provisions relating to medication management programs, generic substitution and provider reimbursement. The Patient Protection and Affordable Care Act, enacted in March 2010, generally known as The Health Care Reform Bill or PPACA, increased federal oversight of private health insurance plans and included a number of provisions designed to reduce Medicare expenditures and the cost of healthcare generally, to reduce fraud and abuse, and to provide access to health coverage for an additional 32 million people. PPACA also imposes (i) a 2.3% excise tax on domestic sales of medical devices by manufacturers and importers beginning in 2013, and a “fee” on branded prescription drugs and biologics beginning in 2011, which may affect sales, (ii) mandates pharmacy benefit manager transparency regarding rebates, discounts and price concessions, which could affect pricing and competition and (iii) reduces the amount of out-of-pocket liability for patients participating in the Medicare outpatient drug benefit program created by the MMA. A provision in PPACA requiring those without insurance to pay a penalty was recently declared unconstitutional by a Virginia federal district court, which permitted other provisions of the legislation that do not relate to health insurance, as well as those provisions that could improve insurance coverage, to remain in effect. PPACA in its entirety was declared unconstitutional by a Florida federal district court on January 31, 2011. Two other federal district courts (in Michigan and Virginia) have affirmed the constitutionality of PPACA. Appeals are pending, and the matter is expected to be determined by the Supreme Court of the United States.

In addition to the foregoing, PPACA imposed new reporting and disclosure requirements for pharmaceutical and device manufacturers with regard to payments or other transfers of value made to certain practitioners, including physicians and dentists, and teaching hospitals beginning in January 2012. Implementing regulations have not yet been issued, but it is possible that such regulations, when issued, will treat us or one or more of our subsidiaries as a “manufacturer” subject to these reporting requirements. In addition, several states require pharmaceutical and/or device companies to report expenses relating to the marketing and promotion of products as well as gifts and payments to individual practitioners in the states, or prohibit certain marketing related activities. Other states, such as California, Nevada, Massachusetts and Connecticut, require pharmaceutical and/or device companies to implement compliance programs or marketing codes. Wholesale distributors are covered by the laws in certain of these states. In others, it is possible that our activities, including on behalf of manufacturers, or the activities of one or more of our subsidiaries will subject us to the state’s reporting requirements and prohibitions.

Regulations adopted under the federal Prescription Drug Marketing Act, effective December 2006, require the identification and documentation of transactions involving the receipt and distribution of prescription drugs, that is, drug pedigree information. In early December 2006, the federal District Court for the Eastern District of New York issued a preliminary injunction enjoining the implementation of some of the federal drug pedigree requirements in response to a case initiated by secondary distributors. On December 31, 2009, the U.S. District Court granted a motion to extend the time for either party to re-open the matter (which had been administratively closed in light of potential legislative action by Congress), and the Court in effect extended the injunction through June 30, 2011. Other states and government agencies are currently considering similar laws and regulations. We continue to work with our suppliers to help minimize the risks associated with counterfeit products in the supply chain and potential litigation.

There have been increasing efforts by various levels of government, including state departments of health, state boards of pharmacy and comparable agencies, to regulate the pharmaceutical distribution system in order to prevent the introduction of counterfeit, adulterated or mislabeled pharmaceuticals into the distribution system. An increasing number of states, including Florida, have already adopted laws and regulations, including drug pedigree tracking requirements, that are intended to protect the integrity of the pharmaceutical distribution system. 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 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. Other states have passed or are reviewing the same type of requirements. Bills have been introduced in Congress that would impose similar requirements at the federal level.

The Combat Methamphetamine Enhancement Act of 2009, signed by President Obama in October 2010, prohibits distributors from selling listed chemical products, used to manufacture methamphetamine and amphetamine illegally, to individuals not currently registered with the Drug Enforcement Administration (DEA) or not on the United States Attorney General's published list of self-certified entities. The Secure and Responsible Drug Disposal Act of 2010, also signed by President Obama in October 2010, is intended to allow individuals to more easily and safely dispose of controlled substances while reducing the chance of diversion, by facilitating the return of unused portions of controlled substances to designated entities including long term care facilities and law enforcement agencies. The law does not authorize the DEA to mandate that entities establish a drug disposal program.

There may be additional legislative initiatives in the future impacting healthcare.

## **E-Commerce**

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

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

**Results of Operations**

The following tables summarize the significant components of our operating results and cash flows for each of the three years ended December 25, 2010, December 26, 2009 and December 27, 2008 (in thousands):

	Years ended		
	December 25, 2010	December 26, 2009	December 27, 2008
<b>Operating Results:</b>			
Net sales	\$ 7,526,790	\$ 6,538,336	\$ 6,380,413
Cost of sales	5,355,914	4,621,516	4,506,118
Gross profit	2,170,876	1,916,820	1,874,295
Operating expenses:			
Selling, general and administrative	1,637,460	1,449,715	1,431,769
Restructuring costs	12,285	3,020	23,240
Operating income	<u>\$ 521,131</u>	<u>\$ 464,085</u>	<u>\$ 419,286</u>
Other expense, net	\$ (19,096)	\$ (11,365)	\$ (23,837)
Income from continuing operations	352,131	330,442	269,276
Income from continuing operations attributable to Henry Schein, Inc.	325,789	308,551	247,347

	Years ended		
	December 25, 2010	December 26, 2009	December 27, 2008
<b>Cash Flows:</b>			
Net cash provided by operating activities	\$ 388,874	\$ 396,890	\$ 384,782
Net cash used in investing activities	(428,404)	(97,448)	(168,010)
Net cash used in financing activities	(283,256)	(197,675)	(87,970)

**Plans of Restructuring**

On November 5, 2008, we announced certain actions to reduce operating costs. These actions included the elimination of approximately 430 positions from our operations and the closing of several smaller facilities. Also, during the first quarter of 2010, we completed an additional restructuring in order to further reduce operating expenses. This restructuring included headcount reductions of 184 positions, as well as the closing of a number of smaller locations.

During the years ended December 25, 2010, December 26, 2009 and December 27, 2008, we recorded restructuring costs of approximately \$12.3 million (approximately \$8.3 million after taxes), \$3.0 million (approximately \$2.1 million after taxes) and \$23.2 million (approximately \$16.0 million after taxes), respectively. These costs primarily consisted of employee severance pay and benefits, facility closing costs, representing primarily lease termination and asset write-off costs, and outside professional and consulting fees directly related to the restructuring plans. The costs associated with these restructurings are included in a separate line item, "Restructuring costs," within our consolidated statements of income.

**2010 Compared to 2009**

**Net Sales**

Net sales for 2010 and 2009 were as follows (in thousands):

	2010	% of Total	2009	% of Total	Increase	
					\$	%
<b>Healthcare distribution (1):</b>						
Dental (2)	\$ 2,678,830	35.6%	\$ 2,509,921	38.4%	\$ 168,909	6.7%
Medical (3)	1,290,428	17.1	1,217,020	18.6	73,408	6.0
Animal health (4)	889,303	11.8	240,082	3.7	649,221	270.4
International (5)	2,468,277	32.8	2,398,105	36.7	70,172	2.9
Total healthcare distribution	7,326,838	97.3	6,365,128	97.4	961,710	15.1
<b>Technology (6)</b>	199,952	2.7	173,208	2.6	26,744	15.4
Total	\$ 7,526,790	100.0%	\$ 6,538,336	100.0%	\$ 988,454	15.1

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

(2) Consists of products sold in the United States and Canadian dental markets.

(3) Consists of products sold in the United States' medical market.

(4) Consists of products sold in the United States' animal health market.

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

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

The \$988.5 million, or 15.1%, increase in net sales for the year ended December 25, 2010 includes an increase of 15.4% local currency growth (3.1% internally generated revenue and 12.3% growth from acquisitions) offset by a decrease of 0.3% related to foreign currency exchange.

The \$168.9 million, or 6.7%, increase in dental net sales for the year ended December 25, 2010 includes a increase of 5.7% in local currencies (2.2% increase in internally generated revenue and 3.5% growth from acquisitions) and an increase of 1.0% related to foreign currency exchange. The 5.7% increase in local currency sales was due to increases in dental equipment sales and service revenues of 2.5% (2.3% increase in internally generated revenue and 0.2% growth from acquisitions) and dental consumable merchandise sales growth of 6.7% (2.2% increase in internally generated revenue and 4.5% growth from acquisitions).

The \$73.4 million, or 6.0%, increase in medical net sales for the year ended December 25, 2010 includes an increase in internally generated revenue of 2.3% and acquisition growth of 3.7%.

The \$649.2 million, or 270.4%, increase in animal health net sales for the year ended December 25, 2010 includes acquisition growth of 269.8%, due to the acquisition of a majority interest in Butler Animal Health Supply, LLC as of December 31, 2009, as well as internally generated revenue of 0.6%.

The \$70.1 million, or 2.9%, increase in international net sales for the year ended December 25, 2010 includes sales growth of 4.9% in local currencies (4.2% internally generated growth and 0.7% growth from acquisitions) offset by a decrease of 2.0% related to foreign currency exchange.

The \$26.7 million, or 15.4%, increase in technology net sales for the year ended December 25, 2010 includes an increase of 14.8% in local currency growth (10.4% internally generated growth and 4.4% growth from acquisitions) and an increase of 0.6% related to foreign currency exchange.

**Gross Profit**

Gross profit and gross margins for 2010 and 2009 by segment and in total were as follows (in thousands):

	2010		2009		Increase	
	\$	Margin %	\$	Margin %	\$	%
Healthcare distribution	\$ 2,033,860	27.8%	\$ 1,792,516	28.2%	\$ 241,344	13.5%
Technology	137,016	68.5	124,304	71.8	12,712	10.2
Total	\$ 2,170,876	28.8	\$ 1,916,820	29.3	\$ 254,056	13.3

Gross profit increased \$254.1 million, or 13.3%, for the year ended December 25, 2010 compared to the prior year period. As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies. Additionally, we realize substantially higher gross margin percentages in our technology segment than in our healthcare distribution segment. These higher gross margins result from being both the developer and seller of software products and services, as well as certain financial services. For a number of reasons, the software industry typically realizes higher gross margins to recover investments in research and development.

Healthcare distribution gross profit increased \$241.3 million, or 13.5%, for the year ended December 25, 2010 compared to the prior year period. Healthcare distribution gross profit margin decreased to 27.8% for the year ended December 25, 2010 from 28.2% for the comparable prior year period due to changes in product sales mix.

Technology gross profit increased \$12.7 million, or 10.2%, for the year ended December 25, 2010 compared to the prior year period. Technology gross profit margin decreased to 68.5% for the year ended December 25, 2010 from 71.8% for the comparable prior year period, primarily due to changes in the product sales mix.

**Selling, General and Administrative**

Selling, general and administrative expenses by segment and in total for 2010 and 2009 were as follows (in thousands):

	2010		2009		Increase	
	\$	% of Respective Net Sales	\$	% of Respective Net Sales	\$	%
Healthcare distribution	\$ 1,566,915	21.4%	\$ 1,387,581	21.8%	\$ 179,334	12.9%
Technology	70,545	35.3	62,134	35.9	8,411	13.5
Total	\$ 1,637,460	21.8	\$ 1,449,715	22.2	\$ 187,745	13.0

Selling, general and administrative expenses increased by \$187.7 million, or 13.0%, for the year ended December 25, 2010 compared to the prior year period. As a percentage of net sales, selling, general and administrative expenses decreased to 21.8% from 22.2% from the comparable year period.

As a component of total selling, general and administrative expenses, selling expenses increased \$117.7 million, or 12.2%, for the year ended December 25, 2010 from the prior year period. As a percentage of net sales, selling expenses decreased to 14.3% from 14.7% for the comparable prior year period.

As a component of total selling, general and administrative expenses, general and administrative expenses increased \$70.0 million, or 14.4%, for the year ended December 25, 2010 from the prior year period. As a percentage of net sales, general and administrative expenses decreased to 7.4% from 7.5% for the comparable prior year period.

**Other Expense, Net**

Other expense, net for the years ended 2010 and 2009 was as follows (in thousands):

	2010	2009	Increase / (Decrease)	
			\$	%
Interest income	\$ 14,098	\$ 9,979	\$ 4,119	41.3%
Interest expense	(33,641)	(23,370)	(10,271)	(43.9)
Other, net	447	2,026	(1,579)	(77.9)
Other expense, net	\$ (19,096)	\$ (11,365)	\$ (7,731)	(68.0)

Other expense, net increased \$7.7 million to \$19.1 million for the year ended December 25, 2010 from the comparable prior year period. Interest expense increased \$10.3 million primarily due to debt associated with the acquisition of a majority interest in Butler Animal Health Supply, LLC, partially offset by reduced interest expense from the redemption of all of our Convertible Notes on September 3, 2010 and from repayment of our \$130.0 million senior notes on June 30, 2009. Interest income increased \$4.1 million as a result of increased late fee income, partially offset by lower interest income on our invested funds. Other, net decreased by \$1.6 million due primarily to net proceeds received from litigation settlements in the third quarter of 2009, partially offset by the impact of foreign currency exchange.

**Income Taxes**

For the year ended December 25, 2010, our effective tax rate from continuing operations was 31.9% compared to 28.2% for the prior year period. The difference resulted primarily from the reduction of a valuation allowance in 2009 as explained below. Without the effect of the reduction of the valuation allowance described below, our effective tax rate from continuing operations for the year ended December 26, 2009 would have been 32.8%. The net reduction in our 2010 effective tax rate results from additional tax planning initiatives, settlements of tax audits, a reduction of valuation allowances and higher income from lower taxing countries. The difference between our effective tax rate and the federal statutory tax rate for both periods related primarily to foreign and state income taxes.

During the third quarter of 2009, we substantially completed a plan of reorganization outside the United States that allowed us to utilize tax loss carryforwards to offset taxable income beginning in 2010 in certain foreign tax jurisdictions. As a result, we determined that it is more likely than not that a portion of deferred tax assets previously fully reserved will be realized. Therefore, the 2009 provision for income taxes includes a \$20.9 million reduction of the valuation allowance which is based on an estimate of future taxable income available to be offset by the tax loss carryforwards.

**Loss from Discontinued Operations**

During the year ended December 26, 2009, we recognized aggregate gains of \$2.6 million, net of tax, related to discontinued operations (see Note 9 in the accompanying annual consolidated financial statements for further discussion).

**Net Income**

Net income increased \$19.0 million, or 5.7%, for the year ended December 25, 2010 compared to the prior year period. The increase in net income is primarily due to increased net sales.

**2009 Compared to 2008**

**Net Sales**

Net sales for 2009 and 2008 were as follows (in thousands):

	2009	% of Total	2008	% of Total	Increase / (Decrease)	
					\$	%
<b>Healthcare distribution (1):</b>						
Dental (2)	\$ 2,509,921	38.4%	\$ 2,567,064	40.2%	\$ (57,143)	(2.2)%
Medical (3)	1,217,020	18.6	1,210,875	19.0	6,145	0.5
Animal health (4)	240,082	3.7	218,093	3.4	21,989	10.1
International (5)	2,398,105	36.7	2,221,092	34.8	177,013	8.0
Total healthcare distribution	6,365,128	97.4	6,217,124	97.4	148,004	2.4
<b>Technology (6)</b>	173,208	2.6	163,289	2.6	9,919	6.1
Total	\$ 6,538,336	100.0%	\$ 6,380,413	100.0%	\$ 157,923	2.5

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

(2) Consists of products sold in the United States and Canadian dental markets.

(3) Consists of products sold in the United States' medical market.

(4) Consists of products sold in the United States' animal health market.

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

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

The \$157.9 million, or 2.5%, increase in net sales for the year ended December 26, 2009 includes an increase of 5.7% local currency growth (0.9% internally generated revenue and 4.8% growth from acquisitions) offset by a decrease of 3.2% related to foreign currency exchange. Excluding sales of influenza vaccines, sales increased 6.6%. Sales of influenza vaccines declined in 2009 compared to 2008 due to manufacturers' supply shortage.

The \$57.1 million, or 2.2%, decrease in dental net sales for the year ended December 26, 2009 includes a decrease of 1.6% in local currencies (4.0% decline in internally generated revenue offset by 2.4% growth from acquisitions) and a decrease of 0.6% related to foreign currency exchange. The 1.6% decline in local currency sales was due to a decline in dental equipment sales and service revenues of 10.6% (11.3% decline in internally generated revenue reduced by 0.7% growth from acquisitions) offset by dental consumable merchandise sales growth of 1.9% (1.2% decrease in internally generated revenue reduced by 3.1% growth from acquisitions).

The \$6.1 million, or 0.5%, increase in medical net sales for the year ended December 26, 2009 includes a decline in internally generated revenue of 0.9% and acquisition growth of 1.4%. Excluding sales of influenza vaccines, which declined in 2009, medical sales increased 5.0%.

The \$22.0 million, or 10.1%, increase in animal net sales for the year ended December 26, 2009 was all internally generated.

The \$177.0 million, or 8.0%, increase in international net sales for the year ended December 26, 2009 includes sales growth of 16.4% in local currencies (6.2% internally generated growth and 10.2% growth from acquisitions) offset by a decrease of 8.4% related to foreign currency exchange.

The \$9.9 million, or 6.1%, increase in technology net sales for the year ended December 26, 2009 includes an increase of 8.3% in local currency growth (6.7% internally generated growth and 1.6% growth from acquisitions) offset by a decrease of 2.2% related to foreign currency exchange. During the year, we experienced continued growth in electronic services as well as sales of technology products in our international markets.



**Gross Profit**

Gross profit and gross margins for 2009 and 2008 by segment and in total were as follows (in thousands):

	2009		2008		Increase	
	\$	Gross Margin %	\$	Gross Margin %	\$	%
Healthcare distribution	\$ 1,792,516	28.2%	\$ 1,753,655	28.2%	\$ 38,861	2.2%
Technology	124,304	71.8	120,640	73.9	3,664	3.0
<b>Total</b>	<b>\$ 1,916,820</b>	<b>29.3</b>	<b>\$ 1,874,295</b>	<b>29.4</b>	<b>\$ 42,525</b>	<b>2.3</b>

Gross profit increased \$42.5 million, or 2.3%, for the year ended December 26, 2009 compared to the prior year period. As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies. Additionally, we realize substantially higher gross margin percentages in our technology segment than in our healthcare distribution segment. These higher gross margins result from being both the developer and seller of software products, as well as certain financial services. For a number of reasons, the software industry typically realizes higher gross margins to recover investments in research and development.

Healthcare distribution gross profit increased \$38.9 million, or 2.2%, for the year ended December 26, 2009 compared to the prior year period. Healthcare distribution gross profit margin remained constant at 28.2% for the year ended December 26, 2009 compared with the comparable prior year period.

Technology gross profit increased \$3.7 million, or 3.0%, for the year ended December 26, 2009 compared to the prior year period. Technology gross profit margin decreased to 71.8% for the year ended December 26, 2009 from 73.9% for the comparable prior year period, primarily due to changes in the product sales mix.

**Selling, General and Administrative**

Selling, general and administrative expenses by segment and in total for 2009 and 2008 were as follows (in thousands):

	2009		2008		Increase / (Decrease)	
	\$	% of Respective Net Sales	\$	% of Respective Net Sales	\$	%
Healthcare distribution	\$ 1,387,581	21.8%	\$ 1,368,108	22.0%	\$ 19,473	1.4%
Technology	62,134	35.9	63,661	39.0	(1,527)	(2.4)
<b>Total</b>	<b>\$ 1,449,715</b>	<b>22.2</b>	<b>\$ 1,431,769</b>	<b>22.4</b>	<b>\$ 17,946</b>	<b>1.3</b>

Selling, general and administrative expenses increased by \$17.9 million, or 1.3%, for the year ended December 26, 2009 compared to the prior year period. This increase results from \$10.5 million in expense reductions and a \$28.4 million net increase from the effects of foreign exchange offset by the additional selling, general and administrative costs from operations acquired. As a percentage of net sales, selling, general and administrative expenses decreased to 22.2% from 22.4% from the comparable year period.

As a component of total selling, general and administrative expenses, selling expenses decreased \$9.7 million, or 1.0%, for the year ended December 26, 2009 from the prior year period. As a percentage of net sales, selling expenses decreased to 14.7% from 15.2% for the comparable prior year period.

As a component of total selling, general and administrative expenses, general and administrative expenses increased \$27.6 million, or 6.0%, for the year ended December 26, 2009 from the prior year period. As a percentage of net sales, general and administrative expenses increased to 7.5% from 7.2% for the comparable prior year period.

**Other Expense, Net**

Other expense, net for the years ended 2009 and 2008 was as follows (in thousands):

	2009	2008	Increase / (Decrease)	
			\$	%
Interest income	\$ 9,979	\$ 16,355	\$ (6,376)	(39.0)%
Interest expense	(23,370)	(34,605)	11,235	32.5
Other, net	2,026	(5,587)	7,613	136.3
Other expense, net	\$ (11,365)	\$ (23,837)	\$ 12,472	52.3

Other expense, net decreased \$12.5 million to \$11.4 million for the year ended December 26, 2009 from the comparable prior year period. The decrease was primarily the result of decreased interest expense of \$11.2 million due to repayment of our \$130.0 million senior notes on June 30, 2009, as well as lower interest rates on our floating debt, partially offset by a decrease in interest income of \$6.4 million resulting from lower interest rates on our invested funds. In addition, Other, net increased by \$7.6 million due primarily to net proceeds received from litigation settlements in the third quarter of 2009 and non-recurring charges incurred during the third quarter of 2008 relating to the bankruptcy of Lehman Brothers Holdings, Inc.

**Income Taxes**

For the year ended December 26, 2009, our effective tax rate from continuing operations was 28.2% compared to 33.2% for the prior year period. The difference is primarily related to a reduction in the valuation allowance on certain foreign deferred tax assets, as well as additional tax planning initiatives, settlements of tax audits and higher income from lower taxing countries. Absent the effects of the reversal of a portion of the valuation allowance on certain foreign deferred tax assets in 2009, our effective tax rate for the year ended December 26, 2009 would have been 32.8%. The remaining difference in our effective tax rate between 2009 and 2008 is due to foreign and state income taxes.

**Loss from Discontinued Operations**

During the years ended December 26, 2009 and December 27, 2008, respectively, we recognized aggregate gains and (losses) of \$2.6 million and \$(7.9) million, net of tax, respectively, related to discontinued operations (see Note 7 in the accompanying annual consolidated financial statements for further discussion).

**Net Income**

Net income increased \$71.8 million, or 27.5%, for the year ended December 26, 2009 compared to the prior year period. The increase in net income is primarily due to the factors noted above.

## Liquidity and Capital Resources

Our principal capital requirements include funding of acquisitions, 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 provided by operating activities was \$388.9 million for the year ended December 25, 2010 compared to \$396.9 million for the comparable prior year period. The net change of \$8.0 million was primarily attributable to unfavorable working capital changes, offset by net income improvements.

Net cash used in investing activities was \$428.4 million for the year ended December 25, 2010 compared to \$97.4 million for the comparable prior year period. The net change of \$331.0 million was primarily due to increased payments for business acquisitions.

Net cash used in financing activities was \$283.3 million for the year ended December 25, 2010 compared to \$197.7 million for the comparable prior year period. The net change of \$85.6 million was primarily due to increased acquisitions of noncontrolling interests in certain subsidiaries, net repayments of long-term debt and increased repurchases of our common stock, partially offset by an increase in proceeds from stock option exercises.

We expect to invest approximately \$55 million to \$60 million during 2011 in capital projects to modernize and expand our facilities and computer systems and to integrate certain operations into our existing structure.

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

	December 25, 2010	December 26, 2009
Cash and cash equivalents	\$ 150,348	\$ 471,154
Available-for-sale securities - long-term	13,367	18,848
Working capital	1,001,215	1,127,279
<b>Debt:</b>		
Bank credit lines	\$ 41,508	\$ 932
Current maturities of long-term debt	4,487	23,560
Long-term debt	395,309	243,373
Total debt	<u>\$ 441,304</u>	<u>\$ 267,865</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.

#### *Available-for-sale securities*

As of December 25, 2010, we have approximately \$15.1 million (\$13.4 million net of temporary impairments) invested in auction-rate securities ("ARS"). ARS are publicly issued securities that represent long-term investments, typically 10-30 years, in which interest rates had reset periodically (typically every 7, 28 or 35 days) through a "dutch auction" process. Approximately \$13.1 million (\$11.4 million net of temporary impairments) of our ARS are backed by student loans that are backed by the federal government and the remaining \$2.0 million are invested in closed-end municipal bond funds. Our ARS portfolio is comprised of investments that are rated AAA by major independent rating agencies. Since the middle of February 2008, these auctions have failed to settle due to an excess number of sellers compared to buyers. The failure of these auctions has resulted in our inability to liquidate our ARS in the near term. We are currently not aware of any defaults or financial conditions that would negatively affect the issuers' ability to continue to pay interest and principal on our ARS. We continue to earn and receive interest at contractually agreed upon rates. We believe that the current lack of liquidity related to our ARS investments will have no impact on our ability to fund our ongoing operations and growth opportunities. As of December 25, 2010, we have classified ARS holdings as long-term, available-for-sale and they are included in the Investments and other line within our consolidated balance sheets.

#### *Accounts receivable days sales outstanding and inventory turns*

Our accounts receivable days sales outstanding from continuing operations remained constant at 40.4 days as of December 25, 2010 when compared to the prior year. During the years ended December 25, 2010 and December 26, 2009, we wrote off approximately \$6.7 million and \$6.1 million, respectively, of fully reserved accounts receivable against our trade receivable reserve. Our inventory turns from continuing operations increased to 6.5 for the year ended December 25, 2010 from 6.2 for the year ended December 26, 2009. Our working capital accounts may be impacted by current and future economic conditions.

*Contractual obligations*

The following table summarizes our contractual obligations related to fixed and variable rate long-term debt, including interest (assuming an average long-term rate of interest of 4.9%), as well as operating and capital lease obligations, capital expenditure obligations and inventory purchase commitments as of December 25, 2010:

	Payments due by period (in thousands)				
	< 1 year	2 - 3 years	4 - 5 years	> 5 years	Total
Contractual obligations:					
Long-term debt, including interest	\$ 23,129	\$ 46,987	\$ 58,388	\$ 385,409	\$ 513,913
Inventory purchase commitments	127,518	131,907	44,100	124,091	427,616
Operating lease obligations	60,100	79,156	32,333	35,423	207,012
Capital lease obligations, including interest	1,959	2,062	507	-	4,528
Total	\$ 212,706	\$ 260,112	\$ 135,328	\$ 544,923	\$ 1,153,069

Inventory purchase commitments include obligations to purchase certain pharmaceutical products from a manufacturer through 2013, which require us to pay a price based on the prevailing market price or formula price in each respective year. The amounts included in the above table related to these purchase commitments were determined using current market conditions. We also have obligations to purchase certain pharmaceutical products from another manufacturer. Actual amounts may differ.

*Redemption of convertible debt*

On September 3, 2010, we paid approximately \$240 million in cash and issued 732,422 shares of our common stock in connection with the redemption of our \$240.0 million of Convertible Notes, which were issued in 2004.

The Convertible Notes were senior unsecured obligations bearing a fixed annual interest rate of 3.0% and were due to mature on August 15, 2034. The Convertible Notes were convertible into our common stock at a conversion ratio of 21.58 shares per one thousand dollars of principal amount of notes, which is equivalent to a conversion price of \$46.34 per share, under the following circumstances:

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

## Debt

On September 5, 2008, we entered into a \$400.0 million revolving credit facility with a \$100.0 million expansion feature. The \$400.0 million credit line expires in September 2013. In addition to the amounts outstanding under our shelf facilities, as discussed below, we have outstanding borrowings of approximately \$30.0 million under our \$400.0 million credit facility. As of December 25, 2010, there were \$9.8 million of letters of credit provided to third parties.

On August 10, 2010, we entered into a \$400.0 million private placement facilities with two insurance companies. These shelf facilities are available through August 2013 on an uncommitted basis. 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. As of December 25, 2010, we have an outstanding balance under the facilities of \$100.0 million at a fixed rate of 3.79%, which is due on September 2, 2020.

### *Acquisitions and acquisition commitment*

On October 14, 2010, we announced an agreement to acquire 100% of the outstanding shares of Provet Holdings Limited (ASX: PVT), Australia's largest distributor of veterinary products with sales in its 2010 fiscal year of approximately \$278 million, for approximately \$91 million, in a cash-for-stock exchange. This transaction closed after year end.

Effective December 31, 2009, Butler Animal Health Supply, LLC, or BAHS, a majority-owned subsidiary whose financial information is consolidated with ours, incurred approximately \$320.0 million of debt (of which \$37.5 million was provided by Henry Schein, Inc.) in connection with our acquisition of a majority interest in BAHS. The remaining outstanding balance of \$279.1 million is reflected in our consolidated balance sheet as of December 25, 2010.

The debt incurred as part of the acquisition of BAHS is repayable in 23 quarterly installments of \$0.8 million through September 30, 2015, and a final installment of \$301.6 million on December 31, 2015. Interest on the BAHS debt is charged at LIBOR plus a margin of 3.5% with a LIBOR floor of 2% for a current effective rate of 5.5% as of December 25, 2010. The debt agreement contains provisions which, under certain circumstances, require BAHS to make prepayments of the loan commitment based on excess cash flows of BAHS as defined in the debt agreement. The debt agreement also contains provisions that require BAHS to hedge risks related to potential rising interest rates. As a result, BAHS entered into a series of interest rate caps with a notional amount of \$160.0 million, protecting against LIB OR interest rates rising above 3.0% through March 30, 2012.

### *Stock repurchases*

From June 21, 2004 through December 25, 2010, we repurchased \$300.0 million, or 6,639,821 shares, under our common stock repurchase programs. On November 16, 2010, our Board of Directors authorized an additional \$100.0 million for additional repurchases of our common stock, all of which is available as of December 25, 2010 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. Such redemption prices are equal to fair value based on third-party valuations. 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 years ended December 25, 2010, December 26, 2009 and December 27, 2008 are presented in the following table:

	<b>December 25, 2010</b>	<b>December 26, 2009</b>	<b>December 27, 2008</b>
Balance, beginning of period	\$ 178,570	\$ 233,035	\$ 150,028
Net increase (decrease) in redeemable noncontrolling interests			
due to business acquisitions or redemptions	62,314	(71,951)	14,994
Net income attributable to redeemable noncontrolling interests	26,054	21,975	21,929
Dividends declared	(12,360)	(5,973)	(2,994)
Effect of foreign currency translation attributable to redeemable noncontrolling interests	(2,281)	2,065	(2,060)
Change in fair value of redeemable securities	51,843	(581)	51,138
Balance, end of period	<u>\$ 304,140</u>	<u>\$ 178,570</u>	<u>\$ 233,035</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 will be recorded in our consolidated statement of income.

*Unrecognized tax benefits*

As more fully disclosed in Note 12 of "Notes to Consolidated Financial Statements," we adopted ASC Topic 740, "Income Taxes," effective December 31, 2006. We cannot reasonably estimate the timing of future cash flows related to the unrecognized tax benefits, including accrued interest, of \$26.9 million as of December 25, 2010.

## Critical Accounting Policies and Estimates

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

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

### *Revenue Recognition*

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

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

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

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

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

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

### *Accounts Receivable and Reserves*

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



### *Inventories and Reserves*

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

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

### *Goodwill and Other Indefinite-Lived Intangible Assets*

Goodwill and other indefinite-lived intangible assets (primarily trademarks) are not amortized, but are subject to impairment analysis at least once annually. Such impairment analyses for goodwill require the comparison of the fair value to the carrying value of reporting units. Measuring fair value of a reporting unit is generally based on valuation techniques using multiples of sales or earnings. Although we believe our judgments, estimates and/or assumptions used in determining fair value are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect such impairment analyses and our financial results.

We regard our reporting units to be our operating segments (dental, medical, animal health and international) and technology. Goodwill was allocated to such reporting units, for the purposes of preparing our impairment analyses, based on a specific identification basis. Our impairment analysis for indefinite-lived intangibles consists of a review of historical, current and forecasted sales and gross profit levels, as well as a review of any factors that may indicate potential impairment. We assess the potential impairment of goodwill and other indefinite-lived intangible assets annually (at the end of our third quarter) and on an interim basis whenever events or changes in circumstances indicate that the carrying value may not be recoverable. For certain indefinite-lived intangible assets, a present value technique, such as estimates of future cash flows, is utilized. There were no events or circumstances from the date of that assessment through December 25, 2010 that impacted our analysis. Some factors we consider important, which could trigger an interim impairment review, include:

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

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

For the year ended December 25, 2010, the results of our goodwill impairment testing did not result in any impairments.

### *Supplier Rebates*

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

### *Long-Lived Assets*

Long-lived assets, other than goodwill and other indefinite-lived intangibles, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows derived from such assets.

Definite-lived intangible assets primarily consist of non-compete agreements, trademarks, trade names, customer lists, customer relationships and intellectual property. For long-lived assets used in operations, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted, probability-weighted future cash flows. We measure the impairment loss based on the difference between the carrying amount and the estimated fair value. When an impairment exists, the related assets are written down to fair value. Although we believe our judgments, estimates and/or assumptions used in estimating cash flows and determining fair value are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect such impairment analyses and our financial results.

### *Stock-Based Compensation*

We measure stock-based compensation at the grant date, based on the estimated fair value of the award. Prior to March 2009, awards principally included a combination of at-the-money stock options and restricted stock (including restricted stock units). In March 2009 and March 2010, equity-based awards were granted solely in the form of restricted stock and restricted stock units, with the exception of stock options for certain pre-existing contractual obligations.

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

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

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

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

### **Recently Issued Accounting Standards**

Accounting pronouncements adopted by us and recently issued accounting pronouncements not yet adopted by us are included in "Note 1 – Significant Accounting Policies" to the consolidated financial statements in Part II, Item 8 of this Form 10-K.

## ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

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

### *Interest Rate Hedges*

In connection with the debt incurred as part of the acquisition of Butler Animal Health Supply, LLC ("BAHS"), BAHS incurred \$320.0 million of debt. Interest on the debt is charged at LIBOR plus a margin of 3.5% with a LIBOR floor of 2%. The debt agreement contains a provision that required BAHS to hedge risks related to potential rising interest rates. As a result, BAHS has entered into series of interest rate caps, with a notional amount of \$160.0 million, protecting against LIBOR interest rates rising above 3% through March 12, 2012.

As of December 25, 2010, the fair value of our interest rate cap agreements recorded in other current and non-current assets in our consolidated balance sheet was \$14 thousand, which represented the amount that would be received upon unwinding the interest rate cap agreements based on market conditions at that time. Changes in the fair value of these interest rate cap agreements are reflected as an adjustment to current and non-current assets or liabilities with an offsetting adjustment to Accumulated other comprehensive income since the hedge is deemed fully effective.

### *Foreign Currency Agreements*

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

As of December 25, 2010, the fair value of our foreign currency exchange agreements, which expire through May 26, 2011, recorded in other current liabilities was \$1.6 million, as determined by quoted market prices. A hypothetical 5% change in the value of the U.S. dollar would change the fair value of our foreign currency exchange agreements by \$2.3 million.

### *Short-Term Investments*

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

ITEM 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS  
HENRY SCHEIN, INC.

	<u>Page</u>
<a href="#">Report of Independent Registered Public Accounting Firm</a>	53
Consolidated Financial Statements:	
<a href="#">Balance Sheets as of December 25, 2010 and December 26, 2009</a>	54
<a href="#">Statements of Income for the years ended December 25, 2010,     December 26, 2009 and December 27, 2008</a>	55
<a href="#">Statements of Changes in Stockholders' Equity for the years ended     December 25, 2010, December 26, 2009 and December 27, 2008</a>	56
<a href="#">Statements of Cash Flows for the years ended December 25, 2010,     December 26, 2009 and December 27, 2008</a>	57
<a href="#">Notes to Consolidated Financial Statements</a>	58
<a href="#">Report of Independent Registered Public Accounting Firm</a>	111
<a href="#">Schedule II - Valuation and Qualifying Accounts for the years ended December 25, 2010,     December 26, 2009 and December 27, 2008</a>	112

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

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying consolidated balance sheets of Henry Schein, Inc. as of December 25, 2010 and December 26, 2009 and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 25, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Henry Schein, Inc. at December 25, 2010 and December 26, 2009, and the results of its operations and its cash flows for each of the three years in the period ended December 25, 2010, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Henry Schein, Inc.'s internal control over financial reporting as of December 25, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 22, 2011 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

New York, New York  
February 22, 2011

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

	December 25, 2010	December 26, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 150,348	\$ 471,154
Accounts receivable, net of reserves of \$56,267 and \$51,724	885,784	725,397
Inventories, net	870,206	775,199
Deferred income taxes	48,951	48,001
Prepaid expenses and other	214,013	183,782
Total current assets	2,169,302	2,203,533
Property and equipment, net	252,573	259,576
Goodwill	1,424,794	986,395
Other intangibles, net	405,468	204,445
Investments and other	295,334	182,036
Total assets	<u>\$ 4,547,471</u>	<u>\$ 3,835,985</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 590,029	\$ 521,079
Bank credit lines	41,508	932
Current maturities of long-term debt	4,487	23,560
Accrued expenses:		
Payroll and related	172,746	155,298
Taxes	91,581	86,034
Other	267,736	289,351
Total current liabilities	1,168,087	1,076,254
Long-term debt	395,309	243,373
Deferred income taxes	190,225	100,976
Other liabilities	76,753	75,304
Total liabilities	1,830,374	1,495,907
Redeemable noncontrolling interests	304,140	178,570
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, 91,939,477 outstanding on December 25, 2010 and 90,630,889 outstanding on December 26, 2009	919	906
Additional paid-in capital	601,014	603,772
Retained earnings	1,779,178	1,492,607
Accumulated other comprehensive income	30,514	64,194
Total Henry Schein, Inc. stockholders' equity	2,411,625	2,161,479
Noncontrolling interests	1,332	29
Total stockholders' equity	2,412,957	2,161,508
Total liabilities, redeemable noncontrolling interests and stockholders' equity	<u>\$ 4,547,471</u>	<u>\$ 3,835,985</u>

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

	Years ended		
	December 25, 2010	December 26, 2009	December 27, 2008
Net sales	\$ 7,526,790	\$ 6,538,336	\$ 6,380,413
Cost of sales	5,355,914	4,621,516	4,506,118
Gross profit	2,170,876	1,916,820	1,874,295
Operating expenses:			
Selling, general and administrative	1,637,460	1,449,715	1,431,769
Restructuring costs	12,285	3,020	23,240
Operating income	521,131	464,085	419,286
Other income (expense):			
Interest income	14,098	9,979	16,355
Interest expense	(33,641)	(23,370)	(34,605)
Other, net	447	2,026	(5,587)
Income from continuing operations before taxes, equity in earnings of affiliates and noncontrolling interests	502,035	452,720	395,449
Income taxes	(160,069)	(127,521)	(131,210)
Equity in earnings of affiliates	10,165	5,243	5,037
Income from continuing operations	352,131	330,442	269,276
Income (loss) from discontinued operations, net of tax	-	2,715	(7,902)
Net income	352,131	333,157	261,374
Less: Net income attributable to noncontrolling interests	(26,342)	(22,004)	(21,917)
Net income attributable to Henry Schein, Inc.	<u>\$ 325,789</u>	<u>\$ 311,153</u>	<u>\$ 239,457</u>
<b>Amounts attributable to Henry Schein, Inc.:</b>			
Income from continuing operations	\$ 325,789	\$ 308,551	\$ 247,347
Income (loss) from discontinued operations, net of tax	-	2,602	(7,890)
Net income	<u>\$ 325,789</u>	<u>\$ 311,153</u>	<u>\$ 239,457</u>
<b>Earnings (loss) per share attributable to Henry Schein, Inc.:</b>			
From continuing operations:			
Basic	\$ 3.62	\$ 3.47	\$ 2.78
Diluted	\$ 3.49	\$ 3.41	\$ 2.71
From discontinued operations:			
Basic	\$ -	\$ 0.03	\$ (0.09)
Diluted	\$ -	\$ 0.03	\$ (0.08)
From net income:			
Basic	\$ 3.62	\$ 3.50	\$ 2.69
Diluted	\$ 3.49	\$ 3.44	\$ 2.63
Weighted-average common shares outstanding:			
Basic	90,097	88,872	89,080
Diluted	<u>93,268</u>	<u>90,556</u>	<u>91,221</u>

See accompanying notes.

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

	Common Stock \$.01 Par Value		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Amount					
Balance, December 29, 2007	89,603,660	\$ 896	\$ 579,125	\$ 994,424	\$ 100,268	\$ 274	\$ 1,674,987
Net income (loss) (excluding \$21,929 attributable to Redeemable noncontrolling interests)	-	-	-	239,457	-	(12)	239,445
Foreign currency translation loss (excluding \$2,060 attributable to Redeemable noncontrolling interests)	-	-	-	-	(75,666)	-	(75,666)
Unrealized gain from foreign currency hedging activities, net of tax of \$2,526	-	-	-	-	6,929	-	6,929
Unrealized investment loss, net of tax benefit of \$821	-	-	-	-	(1,201)	-	(1,201)
Pension adjustment loss, net of tax benefit of \$443	-	-	-	-	(609)	-	(609)
<b>Total comprehensive income</b>							<b>168,898</b>
Change in fair value of redeemable securities	-	-	(51,138)	-	-	-	(51,138)
Stock issued to 401(k) plan	79,723	1	4,661	-	-	-	4,662
Repurchase and retirement of common stock	(1,621,710)	(16)	(30,345)	(52,427)	-	-	(82,788)
Stock issued upon exercise of stock options, including tax benefit of \$6,977	991,259	10	32,616	-	-	-	32,626
Stock-based compensation expense	298,917	3	25,104	-	-	-	25,107
Balance, December 27, 2008	89,351,849	894	560,023	1,181,454	29,721	262	1,772,354
Net income (excluding \$21,975 attributable to Redeemable noncontrolling interests)	-	-	-	311,153	-	29	311,182
Foreign currency translation gain (excluding \$2,065 attributable to Redeemable noncontrolling interests)	-	-	-	-	46,364	-	46,364
Unrealized gain from foreign currency hedging activities, net of tax benefit of \$3,228	-	-	-	-	(8,238)	-	(8,238)
Unrealized investment loss, net of tax benefit of \$105	-	-	-	-	(120)	-	(120)
Pension adjustment loss, net of tax benefit of \$1,086	-	-	-	-	(3,533)	-	(3,533)
<b>Total comprehensive income</b>							<b>345,655</b>
Purchase of noncontrolling interest	-	-	-	-	-	(262)	(262)
Change in fair value of redeemable securities	-	-	581	-	-	-	581
Stock issued to 401(k) plan	100,778	1	5,300	-	-	-	5,301
Stock issued upon exercise of stock options, including tax benefit of \$2,642	445,916	4	14,508	-	-	-	14,512
Stock-based compensation expense	802,068	8	25,916	-	-	-	25,924
Shares withheld for payroll taxes	(69,722)	(1)	(2,149)	-	-	-	(2,150)
Liability for cash settlement stock option awards	-	-	(407)	-	-	-	(407)
Balance, December 26, 2009	90,630,889	906	603,772	1,492,607	64,194	29	2,161,508
Net income (excluding \$26,054 attributable to Redeemable noncontrolling interests)	-	-	-	325,789	-	288	326,077
Foreign currency translation loss (excluding \$2,281 attributable to Redeemable noncontrolling interests)	-	-	-	-	(28,303)	-	(28,303)
Unrealized loss from foreign currency hedging activities, net of tax benefit of \$255	-	-	-	-	(885)	-	(885)
Unrealized investment gain, net of tax of \$215	-	-	-	-	145	-	145
Pension adjustment loss, net of tax benefit of \$1,710	-	-	-	-	(4,637)	-	(4,637)
<b>Total comprehensive income</b>							<b>292,397</b>
Dividends paid	-	-	-	-	-	(501)	(501)
Reclassification of noncontrolling interests no longer subject to redemption	-	-	-	-	-	1,516	1,516
Initial noncontrolling interests and adjustments related to business acquisitions	-	-	(22,077)	-	-	-	(22,077)
Change in fair value of redeemable securities	-	-	(51,843)	-	-	-	(51,843)
Stock issued upon conversion of convertible senior notes	732,422	7	12,129	-	-	-	12,136
Stock issued to 401(k) plan	107,662	1	5,720	-	-	-	5,721
Repurchase and retirement of common stock	(1,005,869)	(10)	(18,507)	(39,218)	-	-	(57,735)
Stock issued upon exercise of stock options, including tax benefit of \$8,304	1,248,643	12	46,729	-	-	-	46,741
Stock-based compensation expense	285,742	3	29,907	-	-	-	29,910
Shares withheld for payroll taxes	(60,012)	-	(4,260)	-	-	-	(4,260)
Liability for cash settlement stock option awards	-	-	(556)	-	-	-	(556)
Balance, December 25, 2010	91,939,477	919	601,014	1,779,178	30,514	1,332	2,412,957

See accompanying notes.



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

	Years ended		
	December 25, 2010	December 26, 2009	December 27, 2008
<b>Cash flows from operating activities:</b>			
Net income	\$ 352,131	\$ 333,157	\$ 261,374
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of discontinued operation, net of tax	-	(2,382)	-
Impairment from write-down of long-lived assets of discontinued operation	-	-	8,484
Depreciation and amortization	101,214	81,493	78,127
Amortization of bond discount	4,007	5,990	5,649
Stock-based compensation expense	29,910	25,924	25,429
Provision for losses on trade and other accounts receivable	5,564	4,747	6,255
Benefit from deferred income taxes	(6,051)	(26,214)	(5,958)
Stock issued to 401(k) plan	5,721	5,301	4,662
Undistributed earnings of affiliates	(10,165)	(5,243)	(5,037)
Other	3,702	2,373	150
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(76,129)	20,445	(26,834)
Inventories	(21,307)	(19,242)	(68,360)
Other current assets	(26,640)	375	11,261
Accounts payable and accrued expenses	26,917	(29,834)	89,580
Net cash provided by operating activities	<u>388,874</u>	<u>396,890</u>	<u>384,782</u>
<b>Cash flows from investing activities:</b>			
Purchases of fixed assets	(39,000)	(51,627)	(50,870)
Payments for equity investments and business acquisitions, net of cash acquired	(399,575)	(56,648)	(128,470)
Cash received from business divestiture	-	12,716	-
Purchases of available-for-sale securities	(26,984)	-	(35,925)
Proceeds from sales of available-for-sale securities	6,000	9,955	5,722
Proceeds from maturities of available-for-sale securities	26,984	-	-
Net proceeds from foreign exchange forward contract settlements	-	275	41,336
Other	4,171	(12,119)	197
Net cash used in investing activities	<u>(428,404)</u>	<u>(97,448)</u>	<u>(168,010)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from (repayments of) bank borrowings	40,500	(4,481)	(7,197)
Proceeds from issuance of long-term debt	110,000	-	-
Principal payments for long-term debt	(266,051)	(154,329)	(33,721)
Proceeds from issuance of stock upon exercise of stock options	38,437	11,870	25,649
Payments for repurchases of common stock	(57,735)	-	(82,788)
Excess tax benefits related to stock-based compensation	11,292	4,680	11,041
Distributions to noncontrolling shareholders	(12,531)	(2,604)	(2,150)
Acquisitions of noncontrolling interests in subsidiaries	(146,811)	(52,453)	-
Other	(357)	(358)	1,196
Net cash used in financing activities	<u>(283,256)</u>	<u>(197,675)</u>	<u>(87,970)</u>
Net change in cash and cash equivalents	(322,786)	101,767	128,802
Effect of exchange rate changes on cash and cash equivalents	1,980	(183)	(6,822)
Cash and cash equivalents, beginning of year	471,154	369,570	247,590
Cash and cash equivalents, end of year	<u>\$ 150,348</u>	<u>\$ 471,154</u>	<u>\$ 369,570</u>

See accompanying notes.

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

**Note 1 – Significant Accounting Policies**

*Nature of Operations*

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

*Principles of Consolidation*

Our consolidated financial statements include the accounts of Henry Schein, Inc. and all of our controlled subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated affiliates, which are greater than or equal to 20% and less than or equal to 50% owned or investments in unconsolidated affiliates of less than 20% in which we have the ability to influence the operating or financial decisions, are accounted for under the equity method. See Note 6 for accounting treatment of Redeemable noncontrolling interests. Certain prior period amounts have been reclassified to conform to the current period presentation.

*Use of Estimates*

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

*Fiscal Year*

We report our results of operations and cash flows on a 52-53 week basis ending on the last Saturday of December. The years ended December 25, 2010, December 26, 2009 and December 27, 2008 consisted of 52 weeks.

*Revenue Recognition*

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

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

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

**Note 1 – Significant Accounting Policies – (Continued)**

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

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

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

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

*Cash and Cash Equivalents*

We consider all highly liquid short-term investments with an original maturity of three months or less to be cash equivalents. Outstanding checks in excess of funds on deposit of \$44.7 million and \$48.3 million, primarily related to payments for inventory, were classified as accounts payable as of December 25, 2010 and December 26, 2009.

*Available-for-sale Securities*

As of December 25, 2010, we have approximately \$15.1 million invested in auction-rate securities (“ARS”). ARS are publicly issued securities that represent long-term investments, typically 10-30 years, in which interest rates had reset periodically (typically every 7, 28 or 35 days) through a “dutch auction” process. Approximately \$13.1 million of our ARS are backed by student loans that are backed by the federal government and the remaining \$2.0 million are invested in closed-end municipal bond funds.

We determine cost of investments in available-for-sale securities on a specific identification basis. As of December 25, 2010 and December 26, 2009, unrealized losses, which are recorded in Accumulated other comprehensive income within the equity section of our consolidated balance sheets, on our available-for-sale securities totaled \$1.7 million and \$2.2 million, respectively. Gross realized gains and losses were immaterial in all periods presented.

*Accounts Receivable and Reserves*

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

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

**Note 1 – Significant Accounting Policies – (Continued)**

*Inventories and Reserves*

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

*Direct Shipping and Handling Costs*

Freight and other direct shipping costs are included in cost of sales. Direct handling costs, which represent primarily direct compensation costs of employees who pick, pack and otherwise prepare, if necessary, merchandise for shipment to our customers are reflected in selling, general and administrative expenses. Direct shipping and handling costs from continuing operations were \$57.0 million, \$46.6 million and \$49.6 million for the years ended December 25, 2010, December 26, 2009 and December 27, 2008.

*Advertising and Promotional Costs*

We generally expense advertising and promotional costs as incurred. Total advertising and promotional expenses from continuing operations were \$12.7 million, \$12.4 million and \$18.4 million for the years ended December 25, 2010, December 26, 2009 and December 27, 2008. Additionally, advertising and promotional costs incurred in connection with direct marketing, including product catalogs and printed material, are deferred and amortized on a straight-line basis over the period which is benefited, generally not exceeding one year. As of December 25, 2010 and December 26, 2009, we had \$3.5 million and \$3.4 million of deferred direct marketing expenses included in other current assets.

*Supplier Rebates*

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

*Property and Equipment*

Property and equipment are stated at cost, net of accumulated depreciation or amortization. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the useful life of the assets or the lease term. Depreciation is computed primarily under the straight-line method (see Note 2, Property and Equipment, Net for estimated useful lives).

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

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

**Note 1 – Significant Accounting Policies – (Continued)***Income Taxes*

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

*Foreign Currency Translation and Transactions*

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

*Risk Management and Derivative Financial Instruments*

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

Our interest rate cap agreements are designated as cash flow hedges. At each balance sheet date, the interest rate caps are recorded at estimated fair value. Changes in the fair value of the cap are expected to be highly effective in offsetting the unpredictability in expected future cash flows on floating rate indebtedness attributable to fluctuations in interest rates. Unrealized gains and losses on the outstanding balances of the interest rate caps are recorded as a component of Accumulated other comprehensive income. Gains and losses realized at the time of our quarterly interest payments due to the expiration of applicable portions of the interest rate caps are reclassified to Interest expense.

Our foreign currency forward agreements related to forecasted inventory purchase commitments are designated as cash flow hedges. Our foreign currency forward agreements related to foreign currency balance sheet exposure provide economic hedges but are not designated as hedges for accounting purposes.

For agreements not designated as hedges, changes in the value of the derivative, along with the transaction gain or loss on the hedged item, are recorded in earnings. For cash flow hedges, the effective portion of the changes in the fair value of the derivative, along with any gain or loss on the hedged item, is recorded as a component of Accumulated other comprehensive income in stockholders' equity and subsequently reclassified into earnings in the period(s) during which the hedged transaction affects earnings.

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

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

**Note 1 – Significant Accounting Policies – (Continued)**

*Acquisitions*

The net assets of businesses purchased are recorded at their fair value at the acquisition date and our consolidated financial statements include their results of operations from that date. Any excess of acquisition consideration over the fair value of identifiable net assets acquired is recorded as goodwill. 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. Starting in our 2009 fiscal year, as required by ASC Topic 805, “Business Combinations,” we have accrued liabilities for the estimated fair value of additional purchase price adjustments at the time of the acquisition. Any adjustments to these accrual amounts will be recorded in our consolidated statement of income. For the year ended December 25, 2010, there were no material adjustments recorded in our consolidated statement of income relating to changes in estimated contingent purchase price liabilities.

*Goodwill and Other Indefinite-Lived Intangible Assets*

Goodwill and other indefinite-lived intangible assets (primarily trademarks) are not amortized, but are subject to impairment analysis at least once annually. Such impairment analyses for goodwill require a comparison of the fair value to the carrying value of reporting units. Measuring fair value of a reporting unit is generally based on valuation techniques using multiples of sales or earnings. We regard our reporting units to be our operating segments (dental, medical, animal health and international) and technology. Goodwill was allocated to such reporting units, for the purposes of preparing our impairment analyses, based on a specific identification basis. Our impairment analysis for indefinite-lived intangibles consists of a review of historical, current and forecasted sales and gross profit levels, as well as a review of any factors that may indicate potential impairment. We assess the potential impairment of goodwill and other indefinite-lived intangible assets annually (at the end of our third quarter) and on an interim basis whenever events or changes in circumstances indicate that the carrying value may not be recoverable. For certain indefinite-lived intangible assets, a present value technique, such as estimates of future cash flows, is utilized. There were no events or circumstances from the date of that assessment through December 25, 2010 that impacted our analysis.

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

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

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

For the year ended December 25, 2010, the results of our goodwill impairment testing did not result in any impairments.

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

**Note 1 – Significant Accounting Policies – (Continued)**

*Long-Lived Assets*

Long-lived assets, other than goodwill and other indefinite-lived intangibles, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows derived from such assets.

Definite-lived intangible assets primarily consist of non-compete agreements, trademarks, trade names, customer lists, customer relationships and intellectual property. For long-lived assets used in operations, impairment losses are only recorded if the asset's carrying amount is not recoverable through its undiscounted, probability-weighted future cash flows. We measure the impairment loss based on the difference between the carrying amount and the estimated fair value. When an impairment exists, the related assets are written down to fair value.

*Cost of Sales*

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

As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies. Total distribution network costs from continuing operations were \$54.2 million, \$54.6 million and \$56.4 million for the years ended December 25, 2010, December 26, 2009 and December 27, 2008.

*Comprehensive Income*

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

*Accounting Pronouncements Adopted*

During February 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-09, "Subsequent Events (Topic 855)". The amended guidance in ASU 2010-09 states that an entity that is an SEC filer is required to evaluate subsequent events through the date that the financial statements are issued, but is not required to disclose the date through which subsequent events have been evaluated. The adoption of the provisions of this amendment did not have a material impact on our consolidated financial statements.

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

**Note 1 – Significant Accounting Policies – (Continued)**

During January 2010, the FASB issued ASU 2010-06, “Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements.” ASU 2010-06 includes new disclosure requirements related to fair value measurements, including transfers in and out of Levels 1 and 2 and information about purchases, sales, issuances and settlements for Level 3 fair value measurements. This update also clarifies existing disclosure requirements relating to levels of disaggregation and disclosures of inputs and valuation techniques. The new disclosures are required in interim and annual reporting periods beginning after December 15, 2009, except the disclosures relating to Level 3 activity are effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. Effective December 27, 2009, we have adopted the provisions relating to Level 1 and Level 2 disclosures and such provisions did not have a material impact on our consolidated financial statements. We do not expect the provisions relating to Level 3 disclosures to have a material impact on our consolidated financial statements.

In June 2009, the FASB issued Accounting Standards Update No. 2009-01, “Generally Accepted Accounting Principles” (ASC Topic 105) which establishes the FASB Accounting Standards Codification (“the Codification” or “ASC”) as the official single source of authoritative U.S. generally accepted accounting principles (“GAAP”). All existing accounting standards are superseded. All other accounting guidance not included in the Codification will be considered non-authoritative. The Codification also includes all relevant Securities and Exchange Commission (“SEC”) guidance organized using the same topical structure in separate sections within the Codification. Following the Codification, the FASB will not issue new standards in the form of Statements, FASB Staff Positions or Emerging Issues Task Force Abstracts. Instead, it will issue Accounting Standards Updates which will serve to update the Codification, provide background information about the guidance and provide the basis for conclusions on the changes to the Codification.

The Codification is not intended to change GAAP, but it will change the way GAAP is organized and presented. The Codification was effective for our third quarter 2009 financial statements and the principal impact on our financial statements is limited to disclosures as all future references to authoritative accounting literature will be referenced in accordance with the Codification.

In May 2009, the FASB issued guidance within Topic 855-10 relating to subsequent events. This guidance establishes principles and requirements for subsequent events. This guidance defines the period after the balance sheet date during which events or transactions that may occur would be required to be disclosed in a company’s financial statements. Public entities are required to evaluate subsequent events through the date that financial statements are issued. This guidance also provides guidelines in evaluating whether or not events or transactions occurring after the balance sheet date should be recognized in the financial statements. This guidance requires disclosure of the date through which subsequent events have been evaluated.

In April 2009, the FASB issued guidance within ASC Topic 825-10 concerning interim disclosures about fair value instruments. This guidance requires that disclosures about the fair value of a company’s financial instruments be made whenever summarized financial information for interim reporting periods is made. The provisions of this guidance are effective for interim reporting periods ending after June 15, 2009. The adoption of this guidance did not have a material impact on our consolidated financial statements.



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

**Note 1 – Significant Accounting Policies – (Continued)**

In April 2009, the FASB issued, within ASC 820, additional guidance for estimating fair value in accordance with ASC 820 when the volume and level of activity for the asset or liability have significantly decreased. The provisions of this additional guidance are effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this additional guidance did not have a material impact on our consolidated financial statements.

In April 2009, the FASB amended previous guidance and issued additional guidance within ASC 320 relating to the disclosure requirements for other-than-temporary impairments for debt and equity securities. This guidance addresses the determination as to when an investment is considered impaired, whether that impairment is other than temporary, and the measurement of an impairment loss. The provisions of this guidance are effective for interim and annual reporting periods ending after June 15, 2009. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In April 2009, the FASB issued guidance within ASC Topic 805, “Business Combinations.” ASC Topic 805 amends the initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. This guidance is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this guidance did not have a material impact on our consolidated financial statements.

Effective December 28, 2008, we have adopted the provisions of ASC Topic 480-10. ASC Topic 480-10 is applicable for noncontrolling interests where we are or may be required to purchase (for a price equal to fair value based on third-party valuations) all or a portion of the outstanding interest in a consolidated subsidiary from the noncontrolling interest holder under the terms of put options contained in contractual agreements. As a result of the adoption of the provisions of ASC Topic 480-10, we have recorded the maximum redemption amount which approximates fair value of the noncontrolling interests subject to put options as redeemable noncontrolling interests (\$304.1 million, \$178.6 million and \$233.0 million at December 25, 2010, December 26, 2009 and December 27, 2008, respectively) and reduced Additional paid-in capital and Noncontrolling interests within the Stockholders’ equity section of our consolidated balance sheets. The change in carrying value of the noncontrolling interests subject to put options at December 25, 2010 compared to December 26, 2009 was primarily due to purchases of additional interests in consolidated subsidiaries and income attributable to noncontrolling interests. 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. These adjustments do not impact the calculation of earnings per share.

In June 2008, the FASB issued guidance within ASC Topic 815-40, “Contracts in Entity’s Own Equity.” This guidance provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument’s contingent exercise and the instruments settlement provisions. ASC Topic 815-40 clarifies the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. This guidance is effective for fiscal years beginning after December 15, 2008. The implementation of this guidance did not have a material impact on our consolidated financial statements.

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

**Note 1 – Significant Accounting Policies – (Continued)**

In March 2008, the FASB issued guidance within ASC Topic 815, “Derivatives and Hedging.” ASC Topic 815 requires disclosures of the fair values of derivative instruments and their gains and losses in a tabular format. ASC Topic 815 also requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. This guidance is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption of this guidance did not have a material impact on our consolidated financial statements.

In February 2008, the FASB issued guidance within ASC Topic 820, “Fair Value Measurements and Disclosures.” This guidance within ASC Topic 820 delayed the effective date of certain provisions of ASC Topic 820 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008. In October 2008, the FASB issued further guidance under ASC Topic 820 specifically related to financial assets within the scope of accounting pronouncements that require or permit fair value measurements in accordance with ASC Topic 820. This guidance clarifies the application of ASC Topic 820 in determining the fair values of assets or liabilities in a market that is not active. ASC Topic 820 was effective upon issuance, including prior periods for which financial statements have not been issued. The adoption of this guidance did not have an impact on our consolidated financial statements.

In January 2008, the FASB issued guidance within ASC Topic 260, “Earnings Per Share.” ASC Topic 260 requires that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and should be included in the two-class method of computing earnings per share. ASC Topic 260 is effective for fiscal years beginning after December 15, 2008. The adoption of ASC Topic 260 did not have a material impact on our consolidated financial statements.

*New Accounting Pronouncements Not Yet Adopted*

In December 2010, the FASB issued ASU 2010-29, which contains updated accounting guidance to clarify the acquisition date that should be used for reporting pro forma financial information when comparative financial statements are issued. This update requires that a company should disclose revenue and earnings of the combined entity as though the business combination(s) that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. This update also requires disclosure of the nature and amount of material, nonrecurring pro forma adjustments. The provisions of this update, which are to be applied prospectively, are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010, with early adoption permitted. The impact of this update on our consolidated financial statements will depend on the size and nature of future business combinations.

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

**Note 1 – Significant Accounting Policies – (Continued)**

During October 2009, the FASB issued ASU 2009-13 which amended guidance contained within ASC Topic 605-25 related to revenue recognition for multiple-element arrangements. The amendments in this update establish a selling price hierarchy for determining the selling price of a deliverable. These amendments also will replace the term fair value in the revenue allocation guidance with selling price to clarify that the allocation of revenue is based on entity-specific assumptions rather than assumptions of a marketplace participant. The guidance in this update will require that a vendor determine its best estimate of selling price in a manner that is consistent with that used to determine the price to sell the deliverable on a standalone basis. The amendments in this update will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The provisions are not expected to have a material impact on our consolidated financial statements.

**Note 2 – Property and Equipment, Net**

Property and equipment consisted of the following:

	December 25, 2010	December 26, 2009
Land	\$ 13,151	\$ 12,644
Buildings and permanent improvements	98,501	97,983
Leasehold improvements	58,228	60,392
Machinery and warehouse equipment	60,927	73,003
Furniture, fixtures and other	72,406	73,069
Computer equipment and software	209,095	239,543
	<u>512,308</u>	<u>556,634</u>
Less accumulated depreciation and amortization	(259,735)	(297,058)
Property and equipment, net	<u>\$ 252,573</u>	<u>\$ 259,576</u>

The decrease in gross property and equipment during the year ended December 25, 2010 is primarily attributable to the write-off of fully depreciated property and equipment.

Depreciation is computed primarily under the straight-line method over the following estimated useful lives:

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

The net carrying value of equipment held under capital leases amounted to approximately \$3.2 million and \$5.5 million as of December 25, 2010 and December 26, 2009. Property and equipment related depreciation expense, from continuing operations, for the years ended December 25, 2010, December 26, 2009 and December 27, 2008 was \$49.1 million, \$46.4 million and \$45.1 million.

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

**Note 3 – Goodwill and Other Intangibles, Net**

The changes in the carrying amount of goodwill for the years ended December 25, 2010 and December 26, 2009 were as follows:

	<b>Healthcare Distribution</b>	<b>Technology</b>	<b>Total</b>
Balance as of December 27, 2008	\$ 856,623	\$ 66,329	\$ 922,952
Adjustments to goodwill:			
Acquisitions	40,817	4,383	45,200
Discontinued operation impairment	(444)	-	(444)
Foreign currency translation	15,674	3,013	18,687
Balance as of December 26, 2009	912,670	73,725	986,395
Adjustments to goodwill:			
Acquisitions	445,089	5,530	450,619
Foreign currency translation	(10,934)	(1,286)	(12,220)
Balance as of December 25, 2010	<u>\$ 1,346,825</u>	<u>\$ 77,969</u>	<u>\$ 1,424,794</u>

Other intangible assets consisted of the following:

	<b>December 25, 2010</b>			<b>December 26, 2009</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
Non-compete agreements	\$ 44,309	\$ (6,089)	\$ 38,220	\$ 27,800	\$ (6,460)	\$ 21,340
Trademarks / trade names - definite lived	40,346	(13,666)	26,680	18,892	(11,026)	7,866
Trademarks / trade names - indefinite lived	25,059	-	25,059	26,720	-	26,720
Customer relationships and lists	384,365	(98,906)	285,459	192,004	(69,235)	122,769
Other	42,309	(12,259)	30,050	36,728	(10,978)	25,750
Total	<u>\$ 536,388</u>	<u>\$ (130,920)</u>	<u>\$ 405,468</u>	<u>\$ 302,144</u>	<u>\$ (97,699)</u>	<u>\$ 204,445</u>

Non-compete agreements represent amounts paid primarily to key employees and prior owners of acquired businesses, as well as certain sales persons, in exchange for placing restrictions on their ability to pose a competitive risk to us. Such amounts are amortized, on a straight-line basis over the respective non-compete period, which generally commences upon termination of employment or separation from us. The weighted-average non-compete period for agreements currently being amortized was approximately six years as of December 25, 2010.

Trademarks, trade names, customer lists and customer relationships were established through business acquisitions. Definite-lived trademarks and trade names are amortized on a straight-line basis over a weighted-average period of approximately six years as of December 25, 2010. Customer relationships and customer lists are definite-lived intangible assets that are amortized on a straight-line basis over a weighted-average period of approximately 11 years as of December 25, 2010. The increase in customer relationships and customer lists during the year ended December 25, 2010 is primarily attributable to the acquisition of BAHS.

Amortization expense, attributable to continuing operations, related to definite-lived intangible assets for the years ended December 25, 2010, December 26, 2009 and December 27, 2008 was \$47.2 million, \$30.6 million and \$27.9 million. The annual amortization expense expected for the years 2011 through 2015 is \$50.2 million, \$48.3 million, \$41.2 million, \$35.0 million and \$32.3 million.

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

**Note 4 – Investments and Other**

Investments and other consisted of the following:

	December 25, 2010	December 26, 2009
Investment in unconsolidated affiliates (1)	\$ 198,613	\$ 86,117
Non-current deferred foreign, state and local income taxes	30,894	33,201
Notes receivable (2)	17,098	23,437
Auction rate securities, net of temporary impairment	13,367	18,848
Distribution rights and exclusivity agreements, net of amortization	4,978	5,311
Security deposits	3,435	3,197
Debt issuance costs, net of amortization	9,015	1,931
Other long-term assets	17,934	9,994
<b>Total</b>	<b>\$ 295,334</b>	<b>\$ 182,036</b>

(1) Increase in investment in unconsolidated affiliates during the year ended December 25, 2010 is primarily due to the purchase of new equity interests.

(2) Long-term notes receivable carry interest rates ranging from 1.52% to 12.0% and are due in varying installments through 2020.

Amortization of other long-term assets, from continuing operations, for the years ended December 25, 2010, December 26, 2009 and December 27, 2008 was \$4.9 million, \$4.5 million and \$4.5 million.

**Note 5 – Debt***Bank Credit Lines*

On September 5, 2008, we entered into a \$400 million revolving credit facility with a \$100 million expansion feature. The \$400 million credit line expires in September 2013. This credit line replaced our then existing \$300 million revolving credit line, which would have expired in May 2010. The interest rate is based on USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. The agreement provides, among other things, that we maintain certain interest coverage and maximum leverage ratios, and contains restrictions relating to subsidiary indebtedness, liens, employee and shareholder loans, disposal of businesses and certain changes in ownership. In addition to the amounts outstanding under our shelf facilities, discussed below, we have outstanding borrowings of approximately \$30.0 million under our \$400 million credit facility. As of December 25, 2010, there were \$9.8 million of letters of credit provided to third parties.

As of December 25, 2010, we had various other short-term bank credit lines available, of which approximately \$11.5 million was outstanding. As of December 25, 2010, borrowings under our credit lines had a weighted average interest rate of 2.58% and were collateralized by assets with an aggregate net carrying value of \$245.6 million.

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

**Note 5 – Debt – (Continued)**

On August 10, 2010, we entered into a \$400 million private placement shelf facilities with two insurance companies. These shelf facilities are available through August 2013 on an uncommitted basis. 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, employee and shareholder loans, disposal of businesses and certain changes in ownership. As of December 25, 2010, we have an outstanding balance under the facilities of \$100.0 million at a fixed rate of 3.79%, which is due on September 2, 2020.

The debt incurred as part of the acquisition of Butler Animal Health Supply, LLC (“BAHS”) is repayable in 23 quarterly installments of \$0.8 million through September 30, 2015, and a final installment of \$301.6 million on December 31, 2015. Interest on the BAHS debt is charged at LIBOR plus a margin of 3.5% with a LIBOR floor of 2% for a current effective rate of 5.5% as of December 25, 2010. The agreement provides, among other things, that we maintain certain interest coverage and maximum leverage ratios, and contains restrictions relating to subsidiary indebtedness, capital expenditures, liens, employee and shareholder loans, disposal of businesses and certain changes in ownership. In addition, the debt agreement contains provisions which, under certain circumstances, require BAHS to make prepayments based on excess cash flows of BAHS as defined in the debt agreement. The debt agreement also contains provisions that require BAHS to hedge risks related to potential rising interest rates. As a result, BAHS entered into a series of interest rate caps, with a notional amount of \$160.0 million, protecting against LIBOR interest rates rising above 3.0% through March 30, 2012.

*Long-term debt*

Long-term debt consisted of the following:

	<b>December 25, 2010</b>	<b>December 26, 2009</b>
Private placement debt	\$ 100,000	\$ -
Senior notes	-	20,453
Convertible debt (net of discount of \$4.0 million)	-	235,993
Notes payable to banks (net of a discount of \$1.3 million) at an interest rate of 5.5% (1)	279,055	19
Various collateralized and uncollateralized loans payable with interest, in varying installments through 2015 at interest rates ranging from 3.3% to 8.25%	16,522	4,836
Capital lease obligations (see Note 17)	4,219	5,632
Total	399,796	266,933
Less current maturities	(4,487)	(23,560)
Total long-term debt	<u>\$ 395,309</u>	<u>\$ 243,373</u>

(1) Increase in notes payable balance at December 25, 2010 is primarily attributable to the debt incurred as part of the acquisition of BAHS.

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

**Note 5 – Debt – (Continued)**

The Convertible Notes were senior unsecured obligations bearing a fixed annual interest rate of 3.0% and were due to mature on August 15, 2034. The Convertible Notes were convertible into our common stock at a conversion ratio of 21.58 shares per one thousand dollars of principal amount of notes, which is equivalent to a conversion price of \$46.34 per share, under the following circumstances:

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

On September 3, 2010, we paid approximately \$240 million in cash and issued 732 shares of our common stock in connection with the redemption of our \$240.0 million of Convertible Notes, which were issued in 2004.

As of December 25, 2010, the aggregate amounts of long-term debt, including capital leases, maturing in each of the next five years and thereafter are as follows:

2011	\$ 4,487
2012	5,533
2013	3,322
2014	15,298
2015	4,899
Thereafter	366,257
Total	<u>\$ 399,796</u>

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

**Note 6 – 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. Such redemption prices are equal to fair value based on third-party valuations. 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 years ended December 25, 2010, December 26, 2009 and December 27, 2008 are presented in the following table:

	December 25, 2010	December 26, 2009	December 27, 2008
Balance, beginning of period	\$ 178,570	\$ 233,035	\$ 150,028
Net increase (decrease) in redeemable noncontrolling interests			
due to business acquisitions or redemptions	62,314	(71,951)	14,994
Net income attributable to redeemable noncontrolling interests	26,054	21,975	21,929
Dividends declared	(12,360)	(5,973)	(2,994)
Effect of foreign currency translation attributable to			
redeemable noncontrolling interests	(2,281)	2,065	(2,060)
Change in fair value of redeemable securities	51,843	(581)	51,138
Balance, end of period	<u>\$ 304,140</u>	<u>\$ 178,570</u>	<u>\$ 233,035</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.

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. Starting in our 2009 fiscal year, as required by ASC Topic 805, “Business Combinations,” we have accrued liabilities for the estimated fair value of additional purchase price adjustments at the time of the acquisition. Any adjustments to these accrual amounts will be recorded in our consolidated statement of income. For the year ended December 25, 2010, there were no material adjustments recorded in our consolidated statement of income relating to changes in estimated contingent purchase price liabilities.



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

**Note 7 – Comprehensive Income**

Comprehensive income includes certain gains and losses that, under 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 adjustments, unrealized gains (losses) on hedging and investment activity and pension adjustments.

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

	<b>December 25, 2010</b>	<b>December 26, 2009</b>	<b>December 27, 2008</b>
Attributable to Redeemable noncontrolling interests:			
Foreign currency translation adjustment	\$ (864)	\$ 1,417	\$ (648)
Attributable to Henry Schein, Inc.:			
Foreign currency translation adjustment	\$ 41,138	\$ 69,441	\$ 23,077
Unrealized gain (loss) from foreign currency hedging activities	(1,060)	(175)	8,063
Unrealized investment loss	(1,176)	(1,321)	(1,201)
Pension adjustment loss	(8,388)	(3,751)	(218)
Accumulated other comprehensive income	<u>\$ 30,514</u>	<u>\$ 64,194</u>	<u>\$ 29,721</u>
Total Accumulated other comprehensive income	<u>\$ 29,650</u>	<u>\$ 65,611</u>	<u>\$ 29,073</u>

The following table summarizes other comprehensive income attributable to our Redeemable noncontrolling interests, net of applicable taxes for the years ended:

	<b>December 25, 2010</b>	<b>December 26, 2009</b>	<b>December 27, 2008</b>
Foreign currency translation adjustment	<u>\$ (2,281)</u>	<u>\$ 2,065</u>	<u>\$ (2,060)</u>

The following table summarizes our total comprehensive income, net of applicable taxes for the years ended:

	<b>December 25, 2010</b>	<b>December 26, 2009</b>	<b>December 27, 2008</b>
Comprehensive income attributable to Henry Schein, Inc.	\$ 292,109	\$ 345,626	\$ 168,910
Comprehensive income (loss) attributable to noncontrolling interests	288	29	(12)
Comprehensive income attributable to Redeemable noncontrolling interests	23,773	24,040	19,869
Comprehensive income	<u>\$ 316,170</u>	<u>\$ 369,695</u>	<u>\$ 188,767</u>

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

**Note 8 – Fair Value Measurements**

ASC Topic 820 “Fair Value Measurements and Disclosures” (“ASC Topic 820”) establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. ASC Topic 820 applies under other previously issued accounting pronouncements that require or permit fair value measurements but does not require any new fair value measurements.

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.

*Cash equivalents and trade receivables*

Due to the short-term maturity of such investments, the carrying amounts are a reasonable estimate of fair value.

*Long-term investments and notes receivable*

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

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

**Note 8 – Fair Value Measurements – (Continued)**

*Auction-rate securities*

As of December 25, 2010, we have approximately \$15.1 million (\$13.4 million net of temporary impairments) invested in auction-rate securities (“ARS”), which are included as part of Investments and other within our consolidated balance sheets. ARS are publicly issued securities that represent long-term investments, typically 10-30 years, in which interest rates had reset periodically (typically every 7, 28 or 35 days) through a “dutch auction” process. Approximately \$13.1 million (\$11.4 million net of temporary impairments) of our ARS are backed by student loans that are backed by the federal government and the remaining \$2.0 million are invested in closed-end municipal bond funds. Our ARS portfolio is comprised of investments that are rated AAA by major independent rating agencies. Since the middle of February 2008, ARS auctions have failed to settle due to an excess number of sellers compared to buyers. The failure of these auctions has resulted in our inability to liquidate our ARS in the near term. We are currently not aware of any defaults or financial conditions that would negatively affect the issuers’ ability to continue to pay interest and principal on our ARS. We continue to earn and receive interest at contractually agreed upon rates.

During 2010, we received approximately \$0.4 million and \$5.6 million of redemptions, at par, for our closed-end municipal bond funds and our student loan portfolios, respectively.

As of December 25, 2010, we have continued to classify our closed-end municipal bond funds, as well as our student loan portfolios, as Level 3 within the fair value hierarchy due to the lack of observable inputs and the absence of significant refinancing activity.

Based upon the information currently available and the use of a discounted cash flow model in accordance with applicable authoritative guidance, our previously recorded cumulative temporary impairment at December 26, 2009 of \$2.2 million related to our closed-end municipal bond funds and our student loan portfolios was decreased to \$1.7 million during the year ended December 25, 2010. The decrease in the temporary impairment was due to the level of redemptions and changes in interest rates during the year. The temporary impairment has been recorded as part of Accumulated other comprehensive income within the equity section of our consolidated balance sheet.

*Money market fund*

As of December 25, 2010, we had approximately \$0.2 million, \$0 net of reserves, invested in the Reserve Primary Fund. This money market fund included in its holdings commercial paper of Lehman Brothers. As a result of the Chapter 11 bankruptcy of Lehman Brothers Holdings, Inc., the net asset value of the fund decreased below \$1.00. During the year ended December 25, 2010, we received approximately \$1.8 million of distributions from the Reserve Primary Fund. We do not expect to receive any additional redemptions from the Reserve Primary Fund. As of December 25, 2010, the value of our holdings in this fund are classified as Level 3 within the fair value hierarchy, due to the lack of observable inputs and the absence of trading activity.

*Accounts payable and accrued expenses*

Financial liabilities with carrying values approximating fair value include accounts payable and other accrued liabilities. The carrying value of these financial instruments approximates fair value due to their short maturities.

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

**Note 8 – Fair Value Measurements – (Continued)**

*Debt*

The fair value of our debt is estimated based on quoted market prices for our traded debt and on market prices of similar issues for our private debt. The fair value of our debt as of December 25, 2010 and December 26, 2009 was estimated at \$441.3 million and \$307.5 million.

*Derivative contracts*

Derivative contracts are valued using quoted market prices and significant other observable and unobservable inputs. We use derivative instruments to minimize our exposure to fluctuations in interest rates and foreign currency exchange rates. Our derivative instruments primarily include interest rate caps related to our long-term floating rate debt and 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 and interest rate 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.

*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 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 will not impact the calculation of earnings per share. The details of the changes in Redeemable noncontrolling interests are shown in Note 6.

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

**Note 8 – Fair Value Measurements – (Continued)**

The following table presents our assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 25, 2010 and December 26, 2009:

	December 25, 2010			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Available-for-sale securities	\$ -	\$ -	\$ 13,367	\$ 13,367
Money market fund	-	-	-	-
Derivative contracts	-	1,213	-	1,213
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 1,213</b>	<b>\$ 13,367</b>	<b>\$ 14,580</b>
<b>Liabilities:</b>				
Derivative contracts	\$ -	\$ 2,771	\$ -	\$ 2,771
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 2,771</b>	<b>\$ -</b>	<b>\$ 2,771</b>
Redeemable noncontrolling interests	\$ -	\$ -	\$ 304,140	\$ 304,140
	December 26, 2009			
	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Available-for-sale securities	\$ -	\$ -	\$ 18,848	\$ 18,848
Money market fund	-	-	1,746	1,746
Derivative contracts	-	6,177	-	6,177
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 6,177</b>	<b>\$ 20,594</b>	<b>\$ 26,771</b>
<b>Liabilities:</b>				
Derivative contracts	\$ -	\$ 5,234	\$ -	\$ 5,234
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 5,234</b>	<b>\$ -</b>	<b>\$ 5,234</b>
Redeemable noncontrolling interests	\$ -	\$ -	\$ 178,570	\$ 178,570

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

**Note 8 – Fair Value Measurements – (Continued)**

As of December 25, 2010, we have estimated the value of our closed-end municipal bond fund ARS portfolio and our student loan backed ARS portfolio based upon a discounted cash flow model. The assumptions used in our valuation model include estimates for interest rates, timing and amount of cash flows and expected holding periods for the ARS portfolio. As a result of these analyses, our previously recorded cumulative temporary impairment at December 26, 2009 of \$2.2 million was decreased by \$0.5 million to \$1.7 million during the year ended December 25, 2010.

We estimated the value of our holdings within the Reserve Primary Fund based upon the net asset value of the fund as of September 16, 2008, subsequent to the declaration of bankruptcy by Lehman Brothers Holdings, Inc. During the year ended December 25, 2010, we received approximately \$1.8 million of distributions from The Reserve Primary Fund, leaving a remaining balance of approximately \$0.2 million, \$0 net of reserves, as of December 25, 2010.

The following table presents a reconciliation of our assets and liabilities measured at fair value on a recurring basis using unobservable inputs (Level 3):

	<u>Level 3 (1)</u>
Balance, December 29, 2007	\$ 150,028
Transfers to Level 3	36,318
Change in redeemable noncontrolling interests	83,007
Losses:	
Reported in earnings - Reserve Primary Fund increase	(750)
Reported in accumulated other comprehensive income	(2,022)
Balance, December 27, 2008	\$ 266,581
Change in redeemable noncontrolling interests	(54,465)
Redemptions at par	(13,227)
Gains and (losses):	
Reported in earnings - Reserve Primary Fund reduction	500
Reported in accumulated other comprehensive income	(225)
Balance, December 26, 2009	\$ 199,164
Change in redeemable noncontrolling interests	125,728
Redemptions at par	(7,781)
Gains:	
Reported in earnings - Reserve Primary Fund reduction	36
Reported in accumulated other comprehensive income	360
Balance, December 25, 2010	<u>\$ 317,507</u>

(1) Level 3 amounts consist of closed-end municipal bond funds, student loan backed auction-rate securities, money market fund and redeemable noncontrolling interests. See Note 6 for the components of the changes in Redeemable noncontrolling interests.

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

**Note 9 – Business Acquisitions, Discontinued Operations, Divestitures and Other Transactions**

*Acquisitions*

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

Effective December 31, 2009, we acquired a majority interest in Butler Animal Health Holding Company, LLC (“Butler Holding”), the holding company of BAHS, a distributor of companion animal health supplies to veterinarians. BAHS further complements our domestic and international animal health operations and accordingly has been included in our Animal health operating segment, which is reported as part of Healthcare distribution. We contributed certain assets and liabilities with a net book value of approximately \$86.0 million related to our United States animal health business to BAHS and paid approximately \$42.0 million in cash to acquire 50.1% of the equity interests in Butler Holding indirectly through W.A. Butler Company, a holding company that is partially owned by Oak Hill Capital Partners (“O HCP”). As part of a recapitalization at closing, BAHS combined with our animal health business to form Butler Schein Animal Health (“BSAH”), while incurring approximately \$127.0 million in incremental debt used primarily to finance Butler Holding stock redemptions. As a result, BSAH had \$320.0 million of debt at closing, \$37.5 million of which was provided by Henry Schein, Inc. and is eliminated in the accompanying consolidated financial statements. Total consideration for the acquisition of BAHS, including \$96.1 million of value for noncontrolling interests, was \$351.1 million and was allocated as follows:

Net assets of BAHS at fair value:	
Current assets	\$ 164,789
Intangible assets:	
Trade name (useful life 3 years)	10,000
Customer relationships (useful life 12 years)	140,000
Non-compete agreements (useful life 2 years)	2,600
Goodwill	270,714
Other assets	14,138
Current liabilities	(62,770)
Bank indebtedness	(200,100)
Deferred income tax liabilities	(74,271)
Net book value of our assets and liabilities contributed	86,048
Total allocation of consideration	<u>\$ 351,148</u>

The goodwill recognized is primarily attributable to expected synergies and the assembled workforce of BAHS. The goodwill is not expected to be tax deductible for income tax purposes. As a result of our contributed business being under the control of Henry Schein before and after the transaction, the assets and liabilities of this business remain at their original historical accounting basis in the accompanying consolidated financial statements.

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

**Note 9 – Business Acquisitions, Discontinued Operations, Divestitures and Other Transactions – (Continued)**

The debt incurred as part of the acquisition of BAHS is repayable in 23 quarterly installments of \$0.8 million through September 30, 2015, and a final installment of \$301.6 million on December 31, 2015. Interest on the BAHS debt is charged at LIBOR plus a margin of 3.5% with a LIBOR floor of 2% for a current effective rate of 5.5% as of December 25, 2010. The debt agreement contains provisions which, under certain circumstances, require BAHS to make prepayments based on excess cash flows of BAHS as defined in the debt agreement. The debt agreement also contains provisions that require BAHS to hedge risks related to potential rising interest rates. As a result, BAHS entered into a series of interest rate caps, with a notional amount of \$160.0 million, protecting against LIBOR interest rates rising above 3.0% through March 30, 2012.

In connection with the acquisition of a majority interest in BAHS, we entered into (i) a Put Rights Agreement with OHCP and Butler Holding (the “Oak Hill Put Rights Agreement”), and (ii) a Put Rights Agreement with Burns Veterinary Supply, Inc. (“Burns”) and Butler Holding (the “Burns Put Rights Agreement” and together with the Oak Hill Put Rights Agreement, the “Put Rights Agreements”), which provide each of OHCP and Burns with certain rights to require us to purchase their respective direct and indirect ownership interests in Butler Holding at fair value based on third-party valuations (“Put Rights”). Our maximum annual payment to OHCP under the Oak Hill Put Rights Agreement will not exceed \$125.0 million for the first year during which OHCP can exercise its rights, \$137.5 million for the second year and \$150.0 million for the third year and for each year thereafter. Pursuant to the Burns Put Rights Agreement, Burns can exercise its Put Rights from and after December 31, 2014, at which time Burns will be permitted to sell to us up to 20% of its closing date ownership interest in Butler Holding each year. If OHCP still holds ownership interests in Butler Holding at the time the Burns Put Rights begin, then the put amounts payable by us to OHCP and Burns in any year will not exceed \$150.0 million in the aggregate. As a result of the Put Right Agreements, the noncontrolling interest in BAHS has been reflected as part of Redeemable noncontrolling interests in the accompanying consolidated balance sheet.

In addition to the BAHS acquisition, we completed certain other acquisitions during the year ended December 25, 2010, which were immaterial to our financial statements individually and in the aggregate and resulted in the recording of approximately \$162.9 million of initial goodwill through preliminary purchase price allocations.

We completed certain acquisitions during the year ended December 26, 2009, which were immaterial to our financial statements individually and in the aggregate.

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

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



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

**Note 9 – Business Acquisitions, Discontinued Operations, Divestitures and Other Transactions – (Continued)**

In addition to these acquisitions, we completed other acquisitions during the year ended December 27, 2008 which resulted in the recording of approximately \$28.9 million of initial goodwill through preliminary purchase price allocations. These other acquisitions were immaterial to our financial statements individually and in the aggregate.

*Discontinued Operations and Divestitures*

On August 5, 2009, we completed the sale of a wholesaler of dental consumables for aggregate consideration of \$14.2 million. Prior results for this business have been presented as discontinued operations in the accompanying consolidated statements of income. The total pretax income from discontinued operations for the year ended December 26, 2009 was \$6.5 million (\$2.6 million after taxes) consisting of a \$6.0 million (\$2.4 million after taxes) gain on the sale and \$0.5 million (\$0.2 million after taxes) income from operations. The total pretax loss from discontinued operations for this business for the year ended December 27, 2008 was \$0.1 million (nil after taxes).

Net sales generated by our wholesaler of dental consumables were \$8.0 million and \$14.5 million for the years ended December 26, 2009 and December 27, 2008, respectively.

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

In connection with this decision, we assessed our long-lived assets for impairment, which resulted in the recording of an impairment charge of approximately \$11.2 million (approximately \$7.3 million after-tax) for the write-down of all long-lived assets, including goodwill of \$6.7 million. The total pretax loss from discontinued operations for this business for the year ended December 27, 2008 was \$12.1 million (\$7.9 million after taxes).

Net sales generated by this business were \$12.7 million for the year ended December 27, 2008.

We have classified the operating results of these businesses as discontinued operations in the accompanying consolidated statements of income for all periods presented.

*Loan and Investment Agreement*

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

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

**Note 9 – Business Acquisitions, Discontinued Operations, Divestitures and Other Transactions – (Continued)**

In addition, under our previous agreement, if certain product specification and performance milestones occurred, we were required to pay additional amounts (as equity contributions) to certain of D4D's members equal to \$16.0 million. On August 3, 2009, we entered into an amendment whereby we paid certain of D4D's members approximately \$8.0 million and agreed to make two contingent payments of up to \$4.0 million each based on D4D meeting certain financial performance criteria in 2009, 2010 and 2011. A total of \$2.6 million of these amounts have been earned and will be paid in two equal payments upon receipt of audited financials for fiscal 2010 and 2011. A contingent payment with respect to fiscal 2010 and 2011 of up to an additional \$2.7 million per year may be earned based on D4D's financial performance. The August 3, 2009 payment of approximately \$8.0 million is included in Investments and other in our consolidated financial statements and is being amortized over a period of 15 years. Amounts due under the amended agreement are being accounted for as increases in the carrying value of our investment in D4D when paid or at such earlier time as the payment is determined to be probable. Any underlying allocations to intangible assets will be determined at that time.

**Note 10 – Plans of Restructuring**

On November 5, 2008, we announced certain actions to reduce operating costs. These actions included the elimination of approximately 430 positions from our operations and the closing of several smaller facilities.

For the years ended December 26, 2009 and December 27, 2008, we incurred restructuring costs of approximately \$3.0 million (approximately \$2.1 million after taxes) and \$23.2 million (approximately \$16.0 million after taxes), respectively, consisting of employee severance pay and benefits, facility closing costs, representing primarily lease termination and asset write-off costs, and outside professional and consulting fees directly related to the restructuring plan.

During the first quarter of 2010, we completed an additional restructuring in order to further reduce operating expenses. This restructuring included headcount reductions of 184 positions, as well as the closing of a number of smaller locations.

For the year ended December 25, 2010, we recorded restructuring costs of approximately \$12.3 million (approximately \$8.3 million after taxes) consisting of employee severance pay and benefits, facility closing costs, representing primarily lease termination and asset write-off costs, and outside professional and consulting fees directly related to the restructuring plan.

The costs associated with these restructurings are included in a separate line item, "Restructuring costs" within our consolidated statements of income.

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

**Note 10 – Plans of Restructuring – (Continued)**

The following table shows the amounts expensed and paid for restructuring costs that were incurred during 2010 and 2009 and the remaining accrued balance of restructuring costs as of December 25, 2010 and December 26, 2009, which is included in Accrued expenses: Other and Other liabilities within our consolidated balance sheet:

	<b>Balance at December 27, 2008</b>	<b>Provision</b>	<b>Payments and Other Adjustments</b>	<b>Balance at December 26, 2009</b>	<b>Provision</b>	<b>Payments and Other Adjustments</b>	<b>Balance at December 25, 2010</b>
Severance costs (1)	\$ 14,330	\$ 1,532	\$ 13,697	\$ 2,165	\$ 8,800	\$ 8,978	\$ 1,987
Facility closing costs (2)	3,688	1,452	3,110	2,030	3,355	3,034	2,351
Other professional and consulting costs	519	36	453	102	130	227	5
<b>Total</b>	<b>\$ 18,537</b>	<b>\$ 3,020</b>	<b>\$ 17,260</b>	<b>\$ 4,297</b>	<b>\$ 12,285</b>	<b>\$ 12,239</b>	<b>\$ 4,343</b>

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

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

The following table shows, by reportable segment, the restructuring costs incurred during 2010 and 2009 and the remaining accrued balance of restructuring costs as of December 25, 2010 and December 26, 2009:

	<b>Balance at December 27, 2008</b>	<b>Provision</b>	<b>Payments and Other Adjustments</b>	<b>Balance at December 26, 2009</b>	<b>Provision</b>	<b>Payments and Other Adjustments</b>	<b>Balance at December 25, 2010</b>
Healthcare distribution	\$ 18,457	\$ 3,020	\$ 17,252	\$ 4,225	\$ 12,063	\$ 11,945	\$ 4,343
Technology	80	-	8	72	222	294	-
<b>Total</b>	<b>\$ 18,537</b>	<b>\$ 3,020</b>	<b>\$ 17,260</b>	<b>\$ 4,297</b>	<b>\$ 12,285</b>	<b>\$ 12,239</b>	<b>\$ 4,343</b>

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

**Note 11 – 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 upon vesting of restricted stock and upon exercise of stock options using the treasury stock method in periods in which they have a dilutive effect.

On September 3, 2010, we redeemed all of our 3% convertible contingent notes originally due in 2034 (the “Convertible Notes”) for approximately \$240 million in cash and issued 732 shares of our common stock. The effect of assumed conversion of our Convertible Notes, as it relates to the impact on diluted earnings per share, was included through September 3, 2010.

For the years ended December 25, 2010 and December 27, 2008, diluted earnings per share includes the effect of common shares issuable upon conversion of our convertible debt. During these periods, the debt was convertible at a premium as a result of the conditions of the debt. As a result, the amount in excess of the principal is presumed to be settled in common shares and is reflected in our calculation of diluted earnings per share. For the year ended December 26, 2009, our convertible debt was not convertible at a premium and thus the impact of an assumed conversion was not applicable.

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

	Years ended		
	December 25, 2010	December 26, 2009	December 27, 2008
Basic	90,097	88,872	89,080
Effect of dilutive securities:			
Stock options, restricted stock and restricted units	2,271	1,684	1,515
Effect of assumed conversion of convertible debt	900	-	626
<b>Diluted</b>	<b>93,268</b>	<b>90,556</b>	<b>91,221</b>

Weighted-average options to purchase 991, 2,738 and 910 shares of common stock at prices ranging from \$59.89 to \$62.05, \$47.31 to \$62.05 and \$53.43 to \$62.05 per share that were outstanding during the years ended December 25, 2010, December 26, 2009 and December 27, 2008, respectively, were excluded from each respective year’s computation of diluted earnings per share. In each of these years, such options’ exercise prices exceeded the average market price of our common stock, thereby causing the effect of such options to be anti-dilutive.

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

**Note 12 – Income Taxes**

Income from continuing operations before taxes, equity in earnings of affiliates and noncontrolling interests was as follows:

	Years ended		
	December 25, 2010	December 26, 2009	December 27, 2008
Domestic	\$ 343,502	\$ 308,238	\$ 300,227
Foreign	158,533	144,482	95,222
Total	<u>\$ 502,035</u>	<u>\$ 452,720</u>	<u>\$ 395,449</u>

The provisions for income taxes attributable to continuing operations were as follows:

	Years ended		
	December 25, 2010	December 26, 2009	December 27, 2008
<b>Current income tax expense:</b>			
U.S. Federal	\$ 108,540	\$ 101,092	\$ 94,215
State and local	22,227	16,649	14,310
Foreign	35,353	35,965	22,741
Total current	<u>166,120</u>	<u>153,706</u>	<u>131,266</u>
<b>Deferred income tax expense (benefit):</b>			
U.S. Federal	(9,096)	(5,059)	499
State and local	(1,299)	(722)	72
Foreign	4,344	(20,404)	(627)
Total deferred	<u>(6,051)</u>	<u>(26,185)</u>	<u>(56)</u>
Total provision	<u>\$ 160,069</u>	<u>\$ 127,521</u>	<u>\$ 131,210</u>

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

**Note 12 – Income Taxes – (Continued)**

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

	Years Ended	
	December 25, 2010	December 26, 2009
<b>Current deferred income tax assets:</b>		
Inventory, premium coupon redemptions and accounts receivable valuation allowances	\$ 18,047	\$ 18,734
Uniform capitalization adjustments to inventories	8,131	9,690
Other current assets	19,244	6,742
Current deferred income tax asset (1)	<u>45,422</u>	<u>35,166</u>
<b>Non-current deferred income tax asset (liability):</b>		
Property and equipment	(13,131)	(14,658)
Stock-based compensation	38,663	35,312
Other non-current liabilities	(215,162)	(120,737)
Net operating losses of domestic subsidiaries	8,300	9,411
Net operating losses of foreign subsidiaries	49,107	58,980
Total non-current deferred tax liability	<u>(132,223)</u>	<u>(31,692)</u>
Valuation allowance for non-current deferred tax assets (2)	(27,108)	(36,083)
Net non-current deferred tax liability (1)	<u>(159,331)</u>	<u>(67,775)</u>
<b>Net deferred income tax liability</b>	<u>\$ (113,909)</u>	<u>\$ (32,609)</u>

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

(2) Primarily relates to operating losses of acquired foreign subsidiaries, the benefits of which are uncertain. Any future reductions of such valuation allowances will be reflected as a reduction of income tax expense in accordance with the provisions of ASC Topic 805, "Business Combinations."

All net deferred income tax assets are realizable as we have sufficient taxable income in prior years and anticipate sufficient taxable income in future years to realize the tax benefit for deductible temporary differences.

As of December 25, 2010, we have federal net operating loss carryforwards of \$21.7 million relating to our domestic subsidiaries. Of such losses, \$16.2 million can be utilized against future federal income through 2026, and \$5.5 million can be utilized against future federal income through 2027. We have state net operating loss carryforwards of \$7.0 million relating to our domestic subsidiaries, which can be utilized against future state income through 2029. Foreign net operating loss carryforwards totaled \$178.0 million as of December 25, 2010. Of such losses, \$0.8 million can be utilized against future foreign income through 2012, \$1.5 million can be utilized against future foreign income through 2013, \$2.4 million can be utilized against future foreign income through 2014, \$3.2 million can be utilized against future foreign income through 2015, \$1.5 million can be utilized against future foreign income through 2016, \$1.1 million can be utilized against future foreign income through 2017 and \$167.5 million has an indefinite life.

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

**Note 12 – Income Taxes – (Continued)**

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

	Years ended		
	December 25, 2010	December 26, 2009	December 27, 2008
Income tax provision at federal statutory rate	\$ 175,713	\$ 158,452	\$ 138,407
State income tax provision, net of federal income tax effect	13,224	10,078	9,426
Foreign income tax benefit	(17,109)	(16,743)	(11,902)
Valuation allowance	(7,085)	(19,467)	3,090
Interest expense related to loans	(9,714)	(7,014)	(7,254)
Other	5,040	2,215	(557)
<b>Total income tax provision</b>	<b>\$ 160,069</b>	<b>\$ 127,521</b>	<b>\$ 131,210</b>

For the year ended December 25, 2010, our effective tax rate from continuing operations was 31.9% compared to 28.2% for the prior year period. The difference resulted primarily from the reduction of a valuation allowance in 2009 as explained below. Without the effect of the reduction of the valuation allowance described below, our effective tax rate from continuing operations for the year ended December 26, 2009 would have been 32.8%. The net reduction in our 2010 effective tax rate results from additional tax planning initiatives, settlements of tax audits, a reduction of valuation allowances and higher income from lower taxing countries. The difference between our effective tax rate and the federal statutory tax rate for both periods related primarily to foreign and state income taxes.

During the third quarter of 2009, we substantially completed a plan of reorganization outside the United States that allowed us to utilize tax loss carryforwards to offset taxable income beginning in 2010 in certain foreign tax jurisdictions. As a result, we determined that it is more likely than not that a portion of deferred tax assets previously fully reserved will be realized. Therefore, the 2009 provision for income taxes includes a \$20.9 million reduction of the valuation allowance which is based on an estimate of future taxable income available to be offset by the tax loss carryforwards.

Provision has not been made for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries, which have been, and will continue to be reinvested. These earnings could become subject to additional tax if they were remitted as dividends, if foreign earnings were loaned to us or a U.S. affiliate, or if we should sell our stock in the foreign subsidiaries. It is not practicable to determine the amount of additional tax, if any, that might be payable on the foreign earnings. As of December 25, 2010, the cumulative amount of reinvested earnings was approximately \$344.0 million.

ASC Topic 740 clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with other provisions contained within this guidance. This topic prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by the taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate audit settlement.

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

**Note 12 – Income Taxes – (Continued)**

The total amount of unrecognized tax benefits as of December 25, 2010 was approximately \$26.9 million, all of which would affect the effective tax rate if recognized. It is expected that the amount of unrecognized tax benefits will change in the next 12 months; however, we do not expect the change to have a material impact on our consolidated financial statements.

The total amounts of interest and penalties were approximately \$5.1 million and \$0, respectively, as of December 25, 2010. It is expected that the amount of interest will change in the next twelve months. However, we do not expect the change to have a material impact on our consolidated financial statements.

The tax years subject to examination by major tax jurisdictions include the years 2006 and forward by the U.S. Internal Revenue Service, the years 1997 and forward for certain states and the years 2003 and forward for certain foreign jurisdictions.

The following table provides a reconciliation of unrecognized tax benefits excluding the effects of deferred taxes:

	<b>December 25, 2010</b>	<b>December 26, 2009</b>
Balance, beginning of period	\$ 17,000	\$ 11,800
Additions based on current year tax positions	2,500	1,600
Additions based on prior year tax positions	5,100	6,700
Reductions based on prior year tax positions	(700)	(100)
Reductions resulting from settlements with taxing authorities	(2,100)	(2,000)
Reductions resulting from lapse in statutes of limitations	-	(1,000)
Balance, end of period	<u>\$ 21,800</u>	<u>\$ 17,000</u>



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

**Note 13 – Concentrations of Risk**

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

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

With respect to our trade receivables, our credit risk is somewhat limited due to a relatively large customer base and its dispersion across different types of healthcare professionals and geographic areas. No single customer accounted for more than 0.9% of our net sales in 2010. With respect to our sources of supply, our top 10 healthcare distribution suppliers and our single largest supplier accounted for approximately 31% and 8%, respectively, of our aggregate purchases in 2010.

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

**Note 14 – Derivatives and Hedging Activities**

We are exposed to market risks, which include changes in interest rates, as well as changes in foreign currency exchange rates as measured against the U.S. dollar and each other, and changes to the credit markets. We attempt to minimize these risks by primarily using interest rate cap agreements, foreign currency forward contracts and by maintaining counter-party credit limits. These hedging activities provide only limited protection against interest rate, currency exchange and credit risks. Factors that could influence the effectiveness of our hedging programs include interest rate volatility, currency markets and availability of hedging instruments and liquidity of the credit markets. All interest rate cap and foreign currency forward and interest rate cap contracts (see Note 5 for discussion of interest rate cap related to BAHS) that we enter into are components of hedging programs and are entered into for the sole purpose of hedging an existing or anticipated interest rate and currency exposure. We do not enter into such contracts for speculative purposes 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 and interest rate caps contracts aimed at limiting the impact of foreign currency exchange rate and interest rate fluctuations on earnings. We purchase short-term (i.e., 12 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 purchase interest rate caps to protect against interest rate risk on variable rate debt payable to third parties. 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.

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

**Note 14 – Derivatives and Hedging Activities – (Continued)**

The following table presents the fair value of our derivative instruments:

	Asset Derivatives December 25, 2010		Liability Derivatives December 25, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC Topic 815-10:				
Interest rate contracts	Prepaid expenses and other	\$ 14	Accrued expenses other	\$ -
Foreign exchange contracts	Prepaid expenses and other	509	Accrued expenses other	1,178
Total		<u>523</u>		<u>1,178</u>
Derivatives not designated as hedging instruments under ASC Topic 815-10:				
Foreign exchange contracts	Prepaid expenses and other	690	Accrued expenses other	1,593
Total derivatives		<u>\$ 1,213</u>		<u>\$ 2,771</u>
	Asset Derivatives December 26, 2009		Liability Derivatives December 26, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under ASC Topic 815-10:				
Interest rate contracts	Prepaid expenses and other	\$ 453	Accrued expenses other	\$ -
Foreign exchange contracts	Prepaid expenses and other	427	Accrued expenses other	3,428
Total		<u>880</u>		<u>3,428</u>
Derivatives not designated as hedging instruments under ASC Topic 815-10:				
Foreign exchange contracts	Prepaid expenses and other	5,297	Accrued expenses other	1,806
Total derivatives		<u>\$ 6,177</u>		<u>\$ 5,234</u>

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

**Note 14 – Derivatives and Hedging Activities – (Continued)**

*Cash Flow Hedges*

Our cash flow hedges consist of foreign exchange contracts and interest rate caps. The amounts recorded in Accumulated other comprehensive income (“AOCI”) primarily represent the change in spot rates at the time of the initial hedge compared to the spot rate when marked to market. The loss recognized in AOCI (effective portion) for the years ended December 25, 2010 and December 26, 2009 was \$0.5 million and \$0.1 million, respectively.

The activity recorded within our consolidated statements of income relating to cash flow hedges include amounts reclassified from AOCI (effective portion) and forward points (ineffective portion). The following table presents the effect of our cash flow hedges:

Location of Loss Reclassified from AOCI into Income (Effective Portion)	Loss Reclassified from AOCI into Income (Effective Portion) Year Ended December 25, 2010	Location where Forward Points are Recognized in Income on Derivative (Ineffective Portion)	Amount of Forward Points Recognized in Income on Derivative (Ineffective Portion) Year Ended December 25, 2010
Other, net	\$ (593)	Interest expense	\$ (185)
Cost of sales	(2,440)		

Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Reclassified from AOCI into Income (Effective Portion) Year Ended December 26, 2009	Location where Forward Points are Recognized in Income on Derivative (Ineffective Portion)	Amount of Forward Points Recognized in Income on Derivative (Ineffective Portion) Year Ended December 26, 2009
Other, net	\$ (1,081)	Interest income	\$ 39
Cost of sales	4,886	Other, net	5

*Economic Hedges*

We are also a party to contracts that serve as economic hedges that we have not designated as hedges for accounting purposes, which consist of foreign exchange contracts. Gains (losses) associated with these foreign exchange contracts are recorded in Other, net within our consolidated statements of income and totaled \$1.4 million and \$(4.3) million for the years ended December 25, 2010 and December 26, 2009, respectively. Forward points related to these foreign exchange contracts, which are recorded in Interest expense within our consolidated statements of income, totaled \$0.5 and \$0.2 million for the years ended December 25, 2010 and December 26, 2009, respectively.

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

**Note 15 – Segment and Geographic Data**

We conduct our business through two reportable segments: healthcare distribution and technology. These segments offer different products and services to the same customer base. The healthcare distribution reportable segment aggregates our dental, medical, animal health and international 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 dental group serves office-based dental practitioners, schools and other institutions in the combined United States and Canadian dental market. Our medical group serves office-based medical practitioners, surgical centers, other alternate-care settings and other institutions throughout the United States. Our animal health group serves animal health practices and clinics throughout the United States. Our international group serves dental, medical and animal health practitioners in 23 countries outside of North America.

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

The following tables present information about our business segments:

	Years ended		
	December 25, 2010	December 26, 2009	December 27, 2008
<b>Net Sales:</b>			
Healthcare distribution (1):			
Dental (2)	\$ 2,678,830	\$ 2,509,921	\$ 2,567,064
Medical (3)	1,290,428	1,217,020	1,210,875
Animal health (4)	889,303	240,082	218,093
International (5)	2,468,277	2,398,105	2,221,092
Total healthcare distribution	<u>7,326,838</u>	<u>6,365,128</u>	<u>6,217,124</u>
Technology (6)	199,952	173,208	163,289
Total	<u>\$ 7,526,790</u>	<u>\$ 6,538,336</u>	<u>\$ 6,380,413</u>

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

(2) Consists of products sold in the United States and Canadian dental markets.

(3) Consists of products sold in the United States' medical market.

(4) Consists of products sold in the United States' animal health market.

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

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

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

Note 15 – Segment and Geographic Data – (Continued)

	Years ended		
	December 25, 2010	December 26, 2009	December 27, 2008
<b>Operating Income:</b>			
Healthcare distribution	\$ 454,660	\$ 401,915	\$ 362,307
Technology	66,471	62,170	56,979
Total	<u>\$ 521,131</u>	<u>\$ 464,085</u>	<u>\$ 419,286</u>
<b>Income from continuing operations before taxes, equity in earnings of affiliates and noncontrolling interests :</b>			
Healthcare distribution	\$ 437,971	\$ 392,431	\$ 337,617
Technology	64,064	60,289	57,832
Total	<u>\$ 502,035</u>	<u>\$ 452,720</u>	<u>\$ 395,449</u>
<b>Depreciation and Amortization:</b>			
Healthcare distribution	\$ 95,267	\$ 75,290	\$ 71,731
Technology	5,947	6,203	6,396
Total	<u>\$ 101,214</u>	<u>\$ 81,493</u>	<u>\$ 78,127</u>
<b>Income Tax Expense Attributable to Continuing Operations:</b>			
Healthcare distribution	\$ 132,785	\$ 99,000	\$ 103,344
Technology	27,284	28,521	27,866
Total	<u>\$ 160,069</u>	<u>\$ 127,521</u>	<u>\$ 131,210</u>
<b>Interest Income:</b>			
Healthcare distribution	\$ 14,088	\$ 9,929	\$ 15,982
Technology	10	50	373
Total	<u>\$ 14,098</u>	<u>\$ 9,979</u>	<u>\$ 16,355</u>
<b>Interest Expense:</b>			
Healthcare distribution	\$ 33,627	\$ 23,362	\$ 34,583
Technology	14	8	22
Total	<u>\$ 33,641</u>	<u>\$ 23,370</u>	<u>\$ 34,605</u>
<b>Purchases of Fixed Assets:</b>			
Healthcare distribution	\$ 37,158	\$ 49,282	\$ 49,336
Technology	1,842	2,345	1,534
Total	<u>\$ 39,000</u>	<u>\$ 51,627</u>	<u>\$ 50,870</u>
		<b>As of</b>	
	<b>December 25, 2010</b>	<b>December 26, 2009</b>	<b>December 27, 2008</b>
<b>Total Assets:</b>			
Healthcare distribution	\$ 4,405,389	\$ 3,703,315	\$ 3,457,391
Technology	142,082	132,670	141,819
Total	<u>\$ 4,547,471</u>	<u>\$ 3,835,985</u>	<u>\$ 3,599,210</u>

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

**Note 15 – Segment and Geographic Data – (Continued)**

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

	Years Ended		
	December 25, 2010	December 26, 2009	December 27, 2008
<b>Healthcare Distribution</b>			
Dental:			
Consumable dental products, dental laboratory products and small equipment (1)	\$ 3,180,366	\$ 2,994,714	\$ 2,963,657
Large dental equipment (2)	1,167,934	1,118,500	1,142,948
Total dental	<u>4,348,300</u>	<u>4,113,214</u>	<u>4,106,605</u>
Medical products (3)	1,441,396	1,530,704	1,458,629
Animal health products (4)	1,537,142	721,210	651,890
<b>Total Healthcare distribution</b>	<u>7,326,838</u>	<u>6,365,128</u>	<u>6,217,124</u>
<b>Technology</b>			
Software and related products and other value-added products (5)	199,952	173,208	163,289
<b>Total</b>	<u>\$ 7,526,790</u>	<u>\$ 6,538,336</u>	<u>\$ 6,380,413</u>

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

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

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

(4) Includes branded and generic pharmaceuticals, surgical and consumable products and services and equipment.

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

The following table presents information about our operations by geographic area as of and for the three years ended December 25, 2010. Net sales by geographic area are based on the respective locations of our subsidiaries. No country, except for the United States and Germany, generated net sales greater than 10% of consolidated net sales. There were no material amounts of sales or transfers among geographic areas and there were no material amounts of export sales.

	2010		2009		2008	
	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets
United States	\$ 4,777,172	\$ 1,248,837	\$ 3,902,353	\$ 590,917	\$ 3,897,520	\$ 588,308
Germany	689,159	187,112	699,309	182,590	671,341	184,729
Other	2,060,459	646,886	1,936,674	676,909	1,811,552	611,843
Consolidated total	<u>\$ 7,526,790</u>	<u>\$ 2,082,835</u>	<u>\$ 6,538,336</u>	<u>\$ 1,450,416</u>	<u>\$ 6,380,413</u>	<u>\$ 1,384,880</u>

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

**Note 16 – Employee Benefit Plans***Stock-based Compensation*

Our accompanying consolidated statements of income reflect pre-tax share-based compensation expense, recorded in accordance with the provisions of ASC Topic 718, “Stock Compensation,” of \$29.9 million (\$20.4 million after-tax), \$25.9 million (\$17.5 million after-tax) and \$25.4 million (\$17.0 million after-tax) for the years ended December 25, 2010, December 26, 2009 and December 27, 2008.

Our accompanying consolidated statements of cash flows present our stock-based compensation expense as an adjustment to reconcile net income to net cash provided by operating activities for all periods presented. In the accompanying consolidated statements of cash flows, we presented \$11.3 million, \$4.7 million and \$11.0 million of benefits associated with tax deductions in excess of recognized compensation as a cash inflow from financing activities for the years ended December 25, 2010, December 26, 2009 and December 27, 2008.

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 include a combination of at-the-money stock options and restricted stock (including restricted stock units). In March 2009 and March 2010, equity-based awards were granted solely in the form of restricted stock and restricted stock units, with the exception of stock options for certain pre-existing contractual obligations. As of December 25, 2010, there were 27,077 shares authorized and 5,730 shares available to be granted under the 1994 Stock Incentive Plan and 800 shares authorized and 147 shares available to be granted under the 1996 Non-Employee Director Stock Incentive Plan.

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

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

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

**Note 16 – Employee Benefit Plans – (Continued)**

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. Though there is no guarantee that performance targets will be achieved, we estimate the fair value of performance-based restricted stock, based on our closing stock price 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 unit 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.

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

Stock-based compensation grants for the years ended December 25, 2010 and December 26, 2009 primarily consisted of restricted stock and restricted stock unit grants. Stock-based compensation grants for the year ended December 27, 2008 consisted of stock options, restricted stock and restricted stock unit grants. Certain options granted require us to settle the option in the form of a cash payment. As of December 25, 2010, we have recorded a liability of \$0.6 million relating to fair value measurement of these options. The weighted-average grant date fair value of stock-based awards granted before forfeitures was \$55.59, \$34.35 and \$18.44 per share during the years ended December 25, 2010, December 26, 2009 and December 27, 2008.

Total unrecognized compensation cost related to non-vested awards as of December 25, 2010 was \$56.2 million, which is expected to be recognized over a weighted-average period of approximately 2.0 years.



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

**Note 16 – Employee Benefit Plans – (Continued)**

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

	Years ended					
	December 25, 2010		December 26, 2009		December 27, 2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	6,295	\$ 40.66	6,792	\$ 39.85	6,829	\$ 34.67
Granted	10	56.03	42	38.33	1,125	59.78
Exercised	(1,249)	30.84	(446)	26.62	(991)	25.87
Forfeited	(44)	50.12	(93)	48.83	(171)	45.29
Outstanding at end of year	<u>5,012</u>	43.05	<u>6,295</u>	40.66	<u>6,792</u>	39.85
Options exercisable at end of year	<u>4,252</u>	40.58	<u>4,835</u>	36.31	<u>5,141</u>	35.11

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

	2010	2009	2008
Expected dividend yield	0%	0%	0%
Expected stock price volatility	20%	28%	20%
Risk-free interest rate	2.37%	1.88%	2.75%
Expected life of options (years)	4.5	4.5	4.5

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

The following table represents the intrinsic values of:

	As of		
	December 25, 2010	December 26, 2009	December 27, 2008
Stock options outstanding	\$ 95,777	\$ 84,880	\$ 24,928
Stock options exercisable	91,741	82,476	24,928

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

**Note 16 – Employee Benefit Plans – (Continued)**

The total cash received as a result of stock option exercises for the years ended December 25, 2010, December 26, 2009 and December 27, 2008 was approximately \$38.4 million, \$11.9 million and \$25.6 million. In connection with these exercises, the tax benefits that we realized for the years ended December 25, 2010, December 26, 2009 and December 27, 2008 were \$8.3 million, \$2.6 million and \$7.0 million. We settle employee stock option exercises with newly issued common shares.

The total intrinsic value of restricted stock (including RSUs) that vested was \$12.3 million, \$8.7 million and \$1.4 million during the years ended December 25, 2010, December 26, 2009 and December 27, 2008. The following table summarizes the status of our non-vested restricted shares/units for the year ended December 25, 2010:

	<b>Time-Based Restricted Stock/Units</b>		
	<b>Shares/Units</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at beginning of period	598	\$ 25,662	
Granted	246	13,881	
Vested	(87)	(4,125)	
Forfeited	(14)	(614)	
Outstanding at end of period	<u>743</u>	<u>\$ 34,804</u>	\$ 46,190

	<b>Performance-Based Restricted Stock/Units</b>		
	<b>Shares/Units</b>	<b>Weighted Average Grant Date Fair Value</b>	<b>Aggregate Intrinsic Value</b>
Outstanding at beginning of period	1,010	\$ 22,271	
Granted	478	26,942	
Vested	(129)	(6,622)	
Forfeited	(12)	(508)	
Outstanding at end of period	<u>1,347</u>	<u>\$ 42,083</u>	\$ 83,748

**401(k) Plans**

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

Assets of the 401(k) and other defined contribution plans are held in self-directed accounts enabling participants to choose from various investment fund options. Matching contributions and administrative expenses related to these plans charged to operations during the years ended December 25, 2010, December 26, 2009 and December 27, 2008 amounted to \$22.2 million, \$18.9 million and \$17.3 million.

**Supplemental Executive Retirement Plan**

We offer an unfunded, non-qualified supplemental executive retirement plan to eligible employees. This plan generally covers officers and certain highly-compensated employees after they have reached the maximum IRS allowed pre-tax 401(k) contribution limit. Our contributions to this plan are equal to the

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

**Note 16 – Employee Benefit Plans – (Continued)**

401(k) employee-elected contribution percentage applied to base compensation for the portion of the year in which such employees are not eligible to make pre-tax contributions to the 401(k) plan. The amounts charged (credited) to operations during the years ended December 25, 2010, December 26, 2009 and December 27, 2008 amounted to \$0.6 million, \$1.9 million and \$(1.6) million. The reduction in expense during the year ended December 27, 2008 was due to a decrease in the market value of the plan's investments during the period.

**Note 17 – Commitments and Contingencies***Operating Leases*

We lease facilities and equipment under non-cancelable operating leases expiring through 2025. We expect that in the normal course of business, leases will be renewed or replaced by other leases.

Future minimum annual rental payments under our non-cancelable operating leases as of December 25, 2010 were:

2011	\$ 60,100
2012	48,162
2013	30,994
2014	18,608
2015	13,725
Thereafter	35,423
Total minimum operating lease payments	<u>\$ 207,012</u>

Total rental expense attributable to continuing operations for the years ended December 25, 2010, December 26, 2009 and December 27, 2008 was \$62.6 million, \$56.1 million and \$59.0 million.

*Capital Leases*

We lease certain equipment under capital leases. Future minimum annual lease payments under our capital leases together with the present value of the minimum capital lease payments as of December 25, 2010 were:

2011	\$ 1,959
2012	1,537
2013	525
2014	496
2015	11
Thereafter	-
Total minimum capital lease payments	<u>4,528</u>
Less: Amount representing interest at 2.80% to 10.71%	(309)
Total present value of minimum capital lease payments	<u>\$ 4,219</u>

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

**Note 17 – Commitments and Contingencies – (Continued)***Purchase Commitments*

In our healthcare distribution business, we sometimes enter into long-term purchase commitments to ensure the availability of products for distribution. Future minimum annual payments for inventory purchase commitments as of December 25, 2010 were:

2011	\$ 127,518
2012	110,165
2013	21,742
2014	22,712
2015	21,388
Thereafter	<u>124,091</u>
Total minimum inventory purchase commitment payments	<u>\$ 427,616</u>

We have obligations to purchase certain pharmaceutical products from a manufacturer through 2013, which require us to pay a price based on the prevailing market price or a formula price in each respective year. The amounts included in the above table related to these purchase commitments were determined using current market conditions. We also have obligations to purchase certain pharmaceutical products from another manufacturer. Actual amounts may differ.

*Litigation*

From time to time, we may become a party to legal proceedings, including, without limitation, product liability claims, employment matters, commercial disputes 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.

We have various insurance policies, including product liability insurance, covering risks in amounts that we consider adequate. In many cases in which we have been sued in connection with products manufactured by others, the manufacturer provides us with indemnification. There can be no assurance that the insurance coverage we maintain is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide us with adequate protection.

As of December 25, 2010, we had accrued our best estimate of potential losses relating to product liability and other claims that were probable to result in a liability and for which we were able to reasonably estimate a loss. This accrued amount, as well as related expenses, was not material to our financial position, results of operations or cash flows. Our method for determining estimated losses considers currently available facts, presently enacted laws and regulations and other external factors, including probable recoveries from third parties.

*Employment, Consulting and Non-Compete Agreements*

We have definite-lived employment, consulting and non-compete agreements expiring through 2015 that have varying base aggregate annual payments of approximately \$13.4 million in 2011, which decrease periodically to approximately \$0.3 million in 2015. We also have a lifetime consulting agreement that provides for current compensation of \$0.4 million per year, increasing \$25 every fifth year with the next increase in 2012. In addition, some agreements have provisions for additional incentives and compensation.

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

**Note 18 – Quarterly Information (Unaudited)**

The following presents certain quarterly financial data:

	Quarters ended			
	March 27, 2010	June 26, 2010	September 25, 2010	December 25, 2010
Net sales	\$ 1,760,310	\$ 1,849,401	\$ 1,893,511	\$ 2,023,568
Gross profit	513,033	545,644	537,456	574,743
Operating income	103,759	138,006	137,368	141,998
Net income	67,252	93,163	94,490	97,226

**Amounts attributable to  
Henry Schein, Inc.:**

Net income	60,900	84,001	87,893	92,995
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**Earnings per share attributable to  
Henry Schein, Inc.:**

From net income:				
Basic	\$ 0.68	\$ 0.93	\$ 0.97	\$ 1.03
Diluted	0.66	0.90	0.94	1.00

	Quarters ended			
	March 28, 2009 (1)	June 27, 2009 (1)	September 26, 2009 (1)	December 26, 2009
Net sales	\$ 1,485,388	\$ 1,607,434	\$ 1,659,433	\$ 1,786,081
Gross profit	438,363	475,918	476,267	526,272
Operating income	90,588	121,970	113,885	137,642
Income from continuing operations	59,183	80,200	98,375	92,684
Net income	59,300	80,425	100,748	92,684

**Amounts attributable to  
Henry Schein, Inc.:**

Income from continuing operations	\$ 54,774	\$ 73,324	\$ 94,045	\$ 86,408
Income from discontinued operations, net of tax	77	149	2,376	-
Net income	54,851	73,473	96,421	86,408

**Earnings per share attributable to  
Henry Schein, Inc.:**

From continuing operations per share:				
Basic	\$ 0.62	\$ 0.83	\$ 1.06	\$ 0.97
Diluted	0.61	0.81	1.03	0.94
From net income:				
Basic	\$ 0.62	\$ 0.83	\$ 1.09	\$ 0.97
Diluted	0.61	0.81	1.05	0.94

(1) On August 5, 2009, we completed the sale of a wholesaler of dental consumables for aggregate consideration of \$14.2 million, of which \$13.2 million has been received as of December 26, 2009. As a result of this sale, included in operating results from discontinued operations for 2009 is a net gain, net of tax, of \$2.6 million or \$0.03 per diluted share.

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

**Note 18 – Quarterly Information (Unaudited) – (Continued)**

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

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

- costs of developing new applications and services;
- costs related to acquisitions and/or integrations of technologies or businesses;
- timing and amount of sales and marketing expenditures;
- timing of pricing changes offered by our vendors;
- timing of the introduction of new products and services by our vendors;
- changes in or availability of vendor contracts or rebate programs;
- vendor rebates based upon attaining certain growth goals;
- changes in the way vendors introduce or deliver products to market;
- exclusivity requirements with certain vendors may prohibit us from distributing competitive products manufactured by other vendors;
- loss of sales representatives;
- general economic conditions, as well as those specific to the healthcare industry and related industries;
- timing of the release of upgrades and enhancements to our technology-related products and services;
- our success in establishing or maintaining business relationships;
- restructuring costs;
- changes in accounting principles;
- unexpected difficulties in developing and manufacturing products;
- product demand and availability or recalls by manufacturers;
- exposure to product liability and other claims in the event that the use of the products we sell results in injury; and
- increases in the cost of shipping or service issues with our third-party shippers.

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

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

**Note 19 – Supplemental Cash Flow Information**

Cash paid for interest and income taxes was:

	<b>Years ended</b>		
	<b>December 25, 2010</b>	<b>December 26, 2009</b>	<b>December 27, 2008</b>
Interest	\$ 25,531	\$ 22,202	\$ 30,249
Income taxes	145,758	170,024	109,103

There was approximately \$286.3 million, \$3.7 million and \$0.8 million of debt assumed as a part of the acquisitions for the years ended December 25, 2010, December 26, 2009 and December 27, 2008, respectively. Debt assumed in the year ended December 25, 2010 primarily relates to the acquisition of Butler Animal Health Supply, LLC. On September 3, 2010, we paid approximately \$240 million in cash and issued 732 shares of our common stock in connection with the redemption of our \$240.0 million Convertible Notes, which were issued in 2004. During the years ended December 25, 2010, December 26, 2009 and December 27, 2008, we had \$(1.1) million, \$(11.5) million and \$9.5 million of non-cash net unrealized gains (losses) related to foreign currency hedging activities. During the year ended December 26, 2009, we exchanged a loan receivable from D4D in the amount of \$7.6 million for equity securities in D4D.

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

None.

**ITEM 9A. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report as such term is defined in Rules 13a-15(e) 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 December 25, 2010 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 within the time periods specified in the SEC's rules and forms.

***Changes in Internal Control over Financial Reporting***

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

During the quarter ended December 25, 2010, post-acquisition and integration related activities continued for the North American Animal Health, Dental and Medical businesses acquired during 2010 representing aggregate annual revenues of approximately \$756.0 million. These acquisitions, the majority of which utilize separate information and financial accounting systems, have been included in our consolidated financial statements. In addition, for our Dental business in the United States, post-implementation related activities continued for the new sales compensation system which supports accounting for annual sales commissions of approximately \$131.0 million.

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



***Management's Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission, or the COSO Framework. Based on our evaluation under the COSO Framework, our management concluded that our internal control over financial reporting was effective at a reasonable assurance level as of December 25, 2010.

The effectiveness of our internal control over financial reporting as of December 25, 2010 has been independently audited by BDO USA, LLP, an independent registered public accounting firm, and their attestation is included herein.

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

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

## Report of Independent Registered Public Accounting Firm

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

We have audited Henry Schein, Inc.'s internal control over financial reporting as of December 25, 2010, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Henry Schein, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, "Management's Report on Internal Control Over Financial Reporting." Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Henry Schein, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 25, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Henry Schein, Inc. as of December 25, 2010 and December 26, 2009, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 25, 2010 and our report dated February 22, 2011 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

New York, New York  
February 22, 2011

**ITEM 9B. Other Information.**

None.

**PART III**

**ITEM 10. Directors, Executive Officers and Corporate Governance**

Information required by this item regarding our directors and executive officers and our corporate governance is hereby incorporated by reference to the Section entitled “Election of Directors”, with respect to directors, and the first paragraph of the Section entitled “Corporate Governance - Board of Directors Meetings and Committees - Audit Committee”, with respect to corporate governance, in each case in our definitive 2011 Proxy Statement to be filed pursuant to Regulation 14A and to the Section entitled “Executive Officers of the Registrant” in Part I of this report, with respect to executive officers.

There have been no changes to the procedures by which stockholders may recommend nominees to our Board of Directors since our last disclosure of such procedures, which appeared in our definitive 2010 Proxy Statement filed pursuant to Regulation 14A on March 31, 2010.

Information required by this item concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 is hereby incorporated by reference to the Section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” in our definitive 2011 Proxy Statement.

We have adopted a Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer and Vice President of Corporate Finance. We make available free of charge through our Internet Web site, [www.henryschein.com](http://www.henryschein.com), under the “About Henry Schein—Corporate Governance” caption, our Code of Ethics. We intend to disclose on our Web site any amendment to, or waiver of, a provision of the Code of Ethics that applies to our Chief Executive Officer, Chief Financial Officer or Vice President of Corporate Finance.

**ITEM 11. Executive Compensation**

The information required by this item is hereby incorporated by reference to the Section entitled “Compensation Discussion and Analysis”, “Compensation Committee Report” (which information shall be deemed furnished in this Annual Report on Form 10-K), “Executive and Director Compensation” and “Compensation Committee Interlocks and Insider Participation” in our definitive 2011 Proxy Statement to be filed pursuant to Regulation 14A.

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

We maintain several stock incentive plans for the benefit of certain officers, directors and employees. Certain plans are subject to stockholder approval, while other plans have been authorized solely by the Board of Directors. Descriptions of these plans appear in the notes to our consolidated financial statements. The following table summarizes information relating to these plans as of December 25, 2010:

	<u>Number of Common Shares to be Issued Upon Exercise of Outstanding Options and Rights</u>	<u>Weighted-Average Exercise Price of Outstanding Options</u>	<u>Number of Common Shares Available for Future Issuances</u>
Plans Approved by			
Stockholders	4,961,763	\$ 43.28	5,877,277
Plans Not Approved by			
Stockholders	50,000	20.41	-
<b>Total</b>	<u>5,011,763</u>	<u>\$ 43.05</u>	<u>5,877,277</u>

The other information required by this item is hereby incorporated by reference to the Section entitled "Security Ownership of Certain Beneficial Owners and Management" in our definitive 2011 Proxy Statement to be filed pursuant to Regulation 14A.

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

The information required by this item is hereby incorporated by reference to the Section entitled "Certain Relationships and Related Transactions" and "Corporate Governance – Board of Directors Meetings and Committees – Independent Directors" in our definitive 2011 Proxy Statement to be filed pursuant to Regulation 14A.

**ITEM 14. Principal Accountant Fees and Services**

The information required by this item is hereby incorporated by reference to the Section entitled "Independent Registered Public Accounting Firm Fees and Pre-Approval Policies and Procedures" in our definitive 2011 Proxy Statement to be filed pursuant to Regulation 14A.

**PART IV**

**ITEM 15. Exhibits and Financial Statement Schedules**

1. Financial Statements:  
Our Consolidated Financial Statements filed as a part of this report are listed on the index on page 52.
2. Financial Statement Schedules:  
Schedule II  
No other schedules are required.
3. Exhibits:  
The exhibits required by Item 601 of Regulation S-K and filed herewith are listed in the Exhibit List immediately preceding the exhibits.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

		&# 160;	Henry Schein, Inc.
BERGMAN		&# 160;	By: /s/ STANLEY M.
		&# 160;	Stanley M. Bergman
	Executive Officer	&# 160;	Chairman and Chief
		&# 160;	February 22, 2011

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

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ STANLEY M. BERGMAN</u> Stanley M. Bergman	Chairman, Chief Executive Officer and Director (principal executive officer)	February 22, 2011
<u>/s/ STEVEN PALADINO</u> Steven Paladino	Executive Vice President, Chief Financial Officer and Director (principal financial and accounting officer)	February 22, 2011
<u>/s/ JAMES P. BRESLAWSKI</u> James P. Breslawski	Director	February 22, 2011
<u>/s/ GERALD A. BENJAMIN</u> Gerald A. Benjamin	Director	February 22, 2011
<u>/s/ MARK E. MLOTEK</u> Mark E. Mlotek	Director	February 22, 2011
<u>/s/ BARRY J. ALPERIN</u> Barry J. Alperin	Director	February 22, 2011
<u>/s/ PAUL BRONS</u> Paul Brons	Director	February 22, 2011
<u>/s/ DONALD J. KABAT</u> Donald J. Kabat	Director	February 22, 2011
<u>/s/ PHILIP A. LASKAWY</u> Philip A. Laskawy	Director	February 22, 2011
<u>/s/ KARYN MASHIMA</u> Karyn Mashima	Director	February 22, 2011
<u>/s/ NORMAN S. MATTHEWS</u> Norman S. Matthews	Director	February 22, 2011
<u>/s/ BRADLEY T. SHEARES, PH. D.</u> Bradley T. Sheares, Ph. D.	Director	February 22, 2011
<u>/s/ LOUIS W. SULLIVAN, MD</u> Louis W. Sullivan, MD	Director	February 22, 2011

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

The audits referred to in our report dated February 22, 2011 relating to the consolidated financial statements of Henry Schein, Inc. which is contained in Item 15 of this Form 10-K, included the audits of the financial statement schedule listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based upon our audits.

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

/s/ BDO USA, LLP

New York, New York  
February 22, 2011

**Schedule II**  
**Valuation and Qualifying Accounts**

Description	Balance at beginning of period	Additions		Deductions (3)	Balance at end of period
		Charged to statement of income (1)	Charged to other accounts (2)		
<b>Year ended December 25, 2010:</b>					
Allowance for doubtful accounts,					
sales returns and other	\$ 51,724	\$ 5,564	\$ 5,700	\$ (6,721)	\$ 56,267
<b>Year ended December 26, 2009:</b>					
Allowance for doubtful accounts,					
sales returns and other	\$ 42,855	\$ 4,747	\$ 10,269	\$ (6,147)	\$ 51,724
<b>Year ended December 27, 2008:</b>					
Allowance for doubtful accounts,					
sales returns and other	\$ 41,315	\$ 6,255	\$ 1,959	\$ (6,674)	\$ 42,855

(1) Represents amounts charged to bad debt expense.

(2) Amounts charged to net sales primarily relate to increases in allowances for sales returns.

(3) Deductions primarily consist of fully reserved accounts receivable that have been written off.



**Exhibits**

- 3.1 Amended and Restated Certificate of Incorporation. (Incorporated by reference to Exhibit 3.1 to our Annual Report on Form 10-K for the fiscal year ended December 30, 2006.)
- 3.2 Amendment dated November 12, 1997 to Amended and Restated Certificate of Incorporation. (Incorporated by reference to Exhibit 3.2 to our Annual Report on Form 10-K for the fiscal year ended December 30, 2006.)
- 3.3 Amendment dated June 16, 1998 to Amended and Restated Certificate of Incorporation. (Incorporated by reference to Exhibit 3.3 to our Registration Statement on Form S-3, Reg. No. 333-59793.)
- 3.4 Amendment dated May 25, 2005 to Amended and Restated Certificate of Incorporation. (Incorporated by reference to Exhibit 3.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2005.)
- 3.5 Amended and Restated By-Laws. (Incorporated by reference to Exhibit 3.2 to our Registration Statement on Form S-1, Reg. No. 33-96528.)
- 3.6 Amendments to Amended and Restated By-Laws adopted July 15, 1997. (Incorporated by reference to Exhibit 3.3 to our Registration Statement on Form S-4, Reg. No. 33-36081.)
- 4.1 Master Note Facility, dated as of August 9, 2010, by and among us, New York Life Investment Management LLC and each New York Life affiliate which becomes party thereto. (Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on August 10, 2010.)
- 4.2 Private Shelf Agreement, dated as of August 9, 2010, by and among the Company, Prudential Investment Management, Inc. and each Prudential affiliate which becomes party thereto. (Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on August 10, 2010.)
- 10.1 Henry Schein, Inc. 1994 Stock Incentive Plan, as amended and restated effective as of March 27, 2007. (Incorporated by reference to our definitive 2007 Proxy Statement on Schedule 14A filed on April 10, 2007.)\*\*
- 10.2 Amendment No. One to the Henry Schein, Inc. 1994 Stock Incentive Plan, effective as of January 1, 2005. (Incorporated by reference to Exhibit 10.2 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.)\*\*
- 10.3 Amendment No. Two to the Henry Schein, Inc. 1994 Stock Incentive Plan, effective as of May 28, 2009. (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2009.)\*\*
- 10.4 Amendment Number Three to the Henry Schein, Inc. 1994 Stock Incentive Plan, effective as of May 28, 2009. (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 27, 2010.)\*\*

**Exhibits**

- 10.5 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). (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 27, 2010.)\*\*
- 10.6 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). (Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 27, 2010.)\*\*
- 10.7 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). (Incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 27, 2010.)\*\*
- 10.8 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). (Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 27, 2010.)\*\*
- 10.9 Form of Restricted Stock Unit Agreement for time-based restricted stock awards pursuant to the Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan (as amended and restated effective as of April 1, 2003, and as further amended effective as of April 1, 2004 and January 1, 2005). (Incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 27, 2010.)\*\*
- 10.10 Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2008. (Incorporated by reference to Exhibit 10.3 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.)\*\*
- 10.11 Amendment No. One to the Henry Schein, Inc. Supplemental Executive Retirement Plan, effective as of January 1, 2008. (Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2009.)\*\*
- 10.12 Amendment Number Two to the Henry Schein, Inc. Supplemental Executive Retirement Plan, effective as of January 1, 2008.\*\* +
- 10.13 Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan, as amended by Amendment No. One, effective as of May 25, 2004. (Incorporated by reference to our definitive 2004 Proxy Statement on Schedule 14A filed on April 27, 2004.)\*\*
- 10.14 Amendment No. Two to the Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan, effective as of January 1, 2005. (Incorporated by reference to Exhibit 10.5 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.)\*\*
- 10.15 Amendment Number Three to the Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan, effective as of May 10, 2010. (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 26, 2010.)\*\*

**Exhibits**

- 10.16 2001 Henry Schein, Inc. Section 162(m) Cash Bonus Plan effective as of June 6, 2001. (Incorporated by reference to our definitive 2001 Proxy Statement on Schedule 14A, filed on April 30, 2001.)\*\*
- 10.17 Amendment No. One to 2001 Henry Schein, Inc. Section 162(m) Cash Bonus Plan, effective as of May 24, 2005. (Incorporated by reference to our definitive 2005 Proxy Statement on Schedule 14A, filed on April 22, 2005.)\*\*
- 10.18 Amendment No. Two to 2001 Henry Schein, Inc. Section 162(m) Cash Bonus Plan, effective as of January 1, 2007. (Incorporated by reference to Exhibit 10.8 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.)\*\*
- 10.19 Amendment No. Three to Henry Schein, Inc. Section 162(m) Cash Bonus Plan effective as of December 31, 2009. (Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2009.)\*\*
- 10.20 Henry Schein, Inc. 2001 Non-Employee Director Incentive Plan. (Incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2002.)\*\*
- 10.21 Henry Schein, Inc. 2004 Employee Stock Purchase Plan, effective as of May 25, 2004. (Incorporated by reference to our definitive 2004 Proxy Statement on Schedule 14A, filed on April 27, 2004.)\*\*
- 10.22 Henry Schein, Inc. Non-Employee Director Deferred Compensation Plan, amended and restated effective as of January 1, 2005. (Incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.)\*\*
- 10.23 Henry Schein, Inc. Deferred Compensation Plan effective as of January 1, 2011.\*\*+
- 10.24 Henry Schein Management Team Performance Incentive Plan and Plan Summary, effective as of January 1, 2010. (Incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 27, 2010.)\*\*
- 10.25 Amended and Restated Employment Agreement dated as of December 31, 2008 between us and Stanley M. Bergman. (Incorporated by reference to Exhibit 10.13 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.)\*\*
- 10.26 Amended and Restated Letter Agreement effective as of December 11, 2008 between us and Stanley Komaroff. (Incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.)\*\*
- 10.27 Amended and Restated Change in Control Agreements dated December 12, 2008 between us and Gerald Benjamin, James Breslawski, Leonard David, Stanley Komaroff, Mark Mlotek, Steven Paladino, Michael Racioppi and Michael Zack, respectively. (Incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.)\*\*

**Exhibits**

- 10.28 Credit Agreement among us, the several lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent and HSBC Bank USA, N.A., The Bank of New York Mellon, and UniCredit Markets and Investment Banking, acting through Bayerische Hypo- und Vereinsbank AG, New York Branch, as co-syndication agents, dated as of September 5, 2008. (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 27, 2008.)
- 10.29 Amendment dated November 29, 2009 to the Credit Agreement among us, the several lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent and HSBC Bank USA, N.A., The Bank of New York Mellon, and UniCredit Markets and Investment Banking, acting through Bayerische Hypo- und Vereinsbank AG, New York Branch, as co-syndication agents, dated as of September 5, 2008. (Incorporated by reference to Exhibit 10.21 to our Annual Report on Form 10-K for the fiscal year ended December 26, 2009.)
- 10.30 Second Amendment dated August 9, 2010 to the Credit Agreement among us, the several lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent and HSBC Bank USA, N.A., The Bank of New York Mellon, and UniCredit Markets and Investment Banking, acting through Bayerische Hypo- und Vereinsbank AG, New York Branch, as co-syndication agents, dated as of September 5, 2008.+
- 10.31 Third Amendment dated October 29, 2010 to the Credit Agreement among us, the several lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent and HSBC Bank USA, N.A., The Bank of New York Mellon, and UniCredit Markets and Investment Banking, acting through Bayerische Hypo- und Vereinsbank AG, New York Branch, as co-syndication agents, dated as of September 5, 2008.+
- 10.32 Credit Agreement among Butler Animal Health Supply, LLC, the several lenders parties thereto, and JPMorgan Chase Bank, N.A., as administrative agent, dated as of December 31, 2009. +
- 10.33 First Amendment dated December 21, 2010 to the Credit Agreement among Butler Animal Health Supply, LLC, the several lenders parties thereto, and JPMorgan Chase Bank, N.A., as administrative agent, dated as of December 31, 2009. \*+
- 10.34 Distribution Agreement entered into as of December 2, 2004, by and between us and ID Biomedical Corporation. (Incorporated by reference to Exhibit 10.31 to our Annual Report on form 10-K for the year ended December 25, 2004.)\*
- 10.35 Amendment dated October 2, 2006 to Distribution Agreement, dated as of December 2, 2004, by and between us and ID Biomedical Corporation. (Incorporated by reference to Exhibit 10.20 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.)\*
- 10.36 Second Amendment dated October 5, 2006 to Distribution Agreement, dated as of December 2, 2004, by and between us and ID Biomedical Corporation. (Incorporated by reference to Exhibit 10.21 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.)
- 10.37 Amendment dated December 20, 2007 to Distribution Agreement, dated as of December 2, 2004, by and between us and ID Biomedical Corporation. (Incorporated by reference to Exhibit 10.22 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.)

**Exhibits**

- 10.38 Amendment dated October 15, 2008 to Distribution Agreement, dated as of December 2, 2004, by and between us and ID Biomedical Corporation. (Incorporated by reference to Exhibit 10.23 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008.)\*
- 10.39 Amendment dated February 9, 2010 to Distribution Agreement, dated as of December 2, 2004, by and between us and ID Biomedical Corporation.\* (Incorporated by reference to Exhibit 10.27 to our Annual Report on Form 10-K for the fiscal year ended December 26, 2009.)
- 10.40 Omnibus Agreement, dated November 29, 2009, by and among Henry Schein, Inc., National Logistics Services, LLC, Winslow Acquisition Company, Butler Animal Health Holding Company LLC, Butler Animal Health Supply, LLC, Oak Hill Capital Partners II, L.P., Oak Hill Capital Management Partners II, L.P., W.A. Butler Company, Burns Veterinary Supply, Inc. and certain other persons party thereto. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on November 30, 2009.)
- 10.41 Amendment No. 1 to Omnibus Agreement, dated December 31, 2009, by and between Henry Schein, Inc. and Butler Animal Health Holding Company LLC. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 4, 2010.)
- 10.42 Put Rights Agreement, dated December 31, 2009, by and among Henry Schein, Inc., Oak Hill Capital Partners II, L.P., Oak Hill Capital Management Partners II, L.P. and Butler Animal Health Holding Company LLC. (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on January 4, 2010.)
- 10.43 First Amendment dated December 1, 2010 to Put Rights Agreement among Henry Schein, Inc., Oak Hill Capital Partners II, L.P., Oak Hill Capital Management Partners II, L.P. and Butler Animal Health Holding Company LLC.+
- 10.44 Put Rights Agreement, dated December 31, 2009, by and among Henry Schein, Inc., Burns Veterinary Supply, Inc. and Butler Animal Health Holding Company LLC. (Incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K filed on January 4, 2010.)
- 10.45 First Amendment dated December 1, 2010 to Put Rights Agreement among Henry Schein, Inc., Burns Veterinary Supply, Inc. and Butler Animal Health Holding Company LLC.+
- 21.1 List of our Subsidiaries.+
- 23.1 Consent of BDO USA, LLP.+
- 31.1 Certification of our Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+
- 31.2 Certification of our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+
- 32.1 Certification of our Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.+

+ Filed herewith.

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

\*\* Indicates management contract or compensatory plan or agreement.

**AMENDMENT NUMBER TWO TO THE HENRY SCHEIN, INC. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN AMENDED AND RESTATED EFFECTIVE AS OF JANUARY 1, 2008**

**WHEREAS**, Henry Schein, Inc. (the "Company") maintains the Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2008 (the "Plan");

**WHEREAS**, pursuant to Section 16 of the Plan, the Board of Directors of the Company or an authorized committee may amend the Plan;

**WHEREAS**, the Compensation Committee is authorized to amend the Plan; and

**WHEREAS**, the Compensation Committee wishes to amend the Plan to provide that contributions shall be made on a quarterly basis.

**NOW, THEREFORE**, the Plan is hereby amended effective as of January 1, 2009 as follows:

1. Section 3(a) of the Plan is hereby amended such that the second and third sentences thereof are replaced with the following:

"A contribution will be made with respect a calendar quarter on behalf of a Participant if such Participant was employed on the last day of such calendar quarter. A Participant's Deferral Account shall be credited on the September 30<sup>th</sup> immediately following the Plan Year during which the applicable calendar quarter occurs with respect to which the contribution is earned (or at least annually as of any date determined by the Committee in its sole discretion)."

**IN WITNESS WHEREOF**, this amendment has been executed December 15, 2009.

**HENRY SCHEIN, INC.**

**By:** /s/ Michael S. Ettinger

**Title:** Senior Vice President, General Counsel

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HENRY SCHEIN, INC.

DEFERRED COMPENSATION PLAN

Effective as of January 1, 2011

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## ARTICLE 1—INTRODUCTION

### 1.1 Purpose of Plan

Henry Schein, Inc. has adopted the Plan set forth herein to provide a means by which certain employees of Henry Schein, Inc. and certain Associated Companies (as defined herein) can elect to defer receipt of designated percentages of Base Salary, Bonus, and/or Commission. The Plan is initially established effective as of January 1, 2011.

### 1.2 Status of Plan

The Plan is intended to constitute a “top-hat” pension plan that is unfunded and is maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees within the meaning of Sections 201(2) and 301(a)(3) of ERISA, and shall be interpreted and administered to the extent possible in a manner consistent with that intent.

## ARTICLE 2—DEFINITIONS

Wherever used herein, the following terms have the meanings set forth below, unless a different meaning is clearly required by the context:

**2.1 “Associated Company”** means such corporations and other entities presently or in the future existing, which are (a) members of the controlled group which includes the Company or are under common control with the Company, as such terms are defined in Section 414 of the Code, but only during such period as such corporations or entities are members of the controlled group which includes the Company or are under common control with the Company; and (b) any other entity required to be aggregated with the Company pursuant to Section 414(m) or (o) of the Code, but only during the period the entity is required to be so aggregated.

**2.2 “Base Salary”** means the salary paid during a Plan Year (or, if shorter, that portion of this Plan Year during which an individual is a Participant) by an Employer to a Participant for services rendered, excluding commissions, bonuses, overtime, shift differential payments, unused sick/personal days or vacation days and gratuities. Base Salary shall exclude the profit realized on the exercise of stock options or on the sale of stock acquired under stock options, gains from the exercise of stock appreciation rights, payments under a nonqualified deferred compensation plan, income imputed on below market loans, financial or tax planning, housing allowances, schooling allowances, income or excise tax equalization, income from cashing out of stock options or stock appreciation rights, imputed income from the use of a company automobile, amounts received under an employee award program (without regard to whether or not an amount is paid in cash), car allowance, moving expenses and relocation allowances. Base Salary shall not include any amounts paid or accrued to a Participant as severance pay, or as a contribution to any profit-sharing plan, pension plan, welfare plan, group insurance plan, or non-elective contributions to a deferred compensation plan or any other employee benefit plan maintained by the Employer, except that Base Salary shall include salary reduction contributions to a plan established by the Employer under Code Section 401(k), 125 or 132(f).



2.3 “**Beneficiary**” means the person or persons (if any) specified by the Participant in a written election filed with the Committee to receive payment of his or her Elective Deferral Account under this Plan in the event of the Participant’s death. If no Beneficiary is properly designated, the Beneficiary shall be the Participant’s estate.

2.4 “**Board**” means the Board of Directors of the Company.

2.5 “**Bonus**” means a Participant’s annual incentive compensation paid under the Company’s Performance Incentive Plan and the Company’s Section 162(m) Cash Bonus Plan, excluding any other discretionary bonuses, including without limitation, bonuses related to retention, individualized performance and the commencement of employment, such as stay, spot and sign on bonuses.

2.6 “**Claimant**” has the meaning set forth in Section 8.3.

2.7 “**Change in Control**” has the meaning set forth in Exhibit A hereto.

2.8 “**Code**” means the Internal Revenue Code of 1986, as amended from time to time. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.

2.9 “**Commissions**” means Company-paid commission-based compensation attributable to sales made by field sales representatives during a calendar year payable in accordance with the Company’s commission plan, excluding any other payments made to field sales representatives such as payments from outside vendors or as a result of any sales contests.

2.10 “**Committee**” means the Compensation Committee of the Board or such other committee appointed by the Board to administer this Plan on its behalf.

2.11 “**Company**” means Henry Schein, Inc., and any successor by merger, consolidation or transfer of assets, purchase or otherwise.

2.12 “**Deferral Period**” means, subject Section 7.1, the period after which payment of the Elective Deferral amount is to be made or begin to be made.

2.12 “**Disability**” means that a Participant is disabled within the meaning of Code Section 409A(a)(2)(C)(ii) and the guidance issued thereunder.

2.13 “**Effective Date**” means January 1, 2011.

2.14 “**Election Form**” means the participation election form consistent with the provisions of the Plan as approved and prescribed by the Company, from time to time.

**2.15 “Eligible Employee”** means (1) a salaried Employee whose annualized Base Salary for the Plan Year immediately prior to the Plan Year in which the Elective Deferral is effective exceeds \$200,000, or (2) a commissioned field sales representative of the Employer whose sum of annualized Base Salary and/or draw, Commissions and sales incentives paid by the Company and by outside vendors for the Plan Year immediately prior to the Plan Year in which the Elective Deferral is effective exceeds \$200,000.

**2.16 “Elective Deferral Account”** means the account to which a Participant’s Elective Deferral amount(s) are contributed by such Participant.

**2.17 “Elective Deferral”** means the portion of total amount of the Participant’s Base Salary, Bonus and Commissions deferred by a Participant in accordance with Section 4.1.

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

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

**2.20 “Enrollment Period”** means the period commencing each December 1 and ending each December 23.

**2.21 “ERISA”** means the Employee Retirement Income Security Act of 1974, as amended from time to time. Reference to any section or subsection of ERISA includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.

**2.22 “In-Service Subaccount”** shall mean the bookkeeping account maintained for a Participant pursuant to the provisions of Section 7.1(A)(i).

**2.23 “Participant”** means an Eligible Employee who becomes a Participant in this Plan in accordance with the provisions of Articles 3 and 4 hereof and whose Elective Deferral Account has not be distributed.

**2.24 “Plan”** means the Henry Schein, Inc. Deferred Compensation Plan, as amended from time to time.

**2.25 “Plan Administrator”** means, unless and until the Company determines otherwise, MullinTBG.

**2.26 “Plan Year”** means the 12-month period commencing each January 1 and ending December 31.

**2.27 “Qualified Plan”** means the Henry Schein, Inc. 401(k) Savings Plan, as amended and restated effective as of January 1, 2010 and as amended from time to time.

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

2.29 “**Subsequent Election**” has the meaning set forth in Section 4.1(C).

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

2.31 “**Termination Subaccount**” shall mean the bookkeeping account maintained for a Participant pursuant to the provisions of Section 7.1(A)(ii).

### **ARTICLE 3—PARTICIPATION**

#### **3.1 Commencement of Participation**

Any Eligible Employee shall commence participation in the Plan by completing and filing with the Committee an Election Form in accordance with Article 4 during the Enrollment Period immediately prior to the Plan Year in which his or her initial Elective Deferral election is to be effective.

#### **3.2 Continued Participation**

A Participant in the Plan shall continue to be a Participant until he or she receives full payment of his or her Elective Deferral Account balance or, if earlier, such Participant’s death.

### **ARTICLE 4—ELECTIVE DEFERRALS**

#### **4.1 Elective Deferrals**

(A) A Participant may make Elective Deferrals for a Plan Year by completing an Election Form and filing it with the Plan Administrator. Such completed Election Form shall specify (i) the Deferral Period, (2) the form in which the distribution from the Elective Deferral Account will be paid, and (3) the percentage of each of Base Salary, Bonus and/or Commissions, that the Participant elects to defer, each expressed in 1% increments with a minimum of 5% and a maximum of 50%. A new Election Form must be completed for each Plan Year for which the Participant wishes to defer Base Salary, Bonus or Commissions.

(B) To defer Base Salary payable in the next succeeding Plan Year, an Eligible Employee must complete an Election Form during the Enrollment Period immediately prior to the Plan Year in which such amounts are payable. To defer Bonus or Commissions, an Eligible Employee must complete an Election Form during the Enrollment Period immediately prior to the Plan Year in which the services with respect to such Bonus or Commissions are rendered.

(C) To the extent that a Participant elects to defer Base Salary, Bonus and/or Commissions pursuant to this Section 4.1, such Participant's Base Salary, Bonus and/or Commissions shall be reduced in accordance with the Participant's election hereunder and amounts deferred hereunder shall be credited to the Participant's Elective Deferral Account.

## **ARTICLE 5—ELECTIVE DEFERRAL ACCOUNTS**

### **5.1 Elective Deferral Accounts**

The Plan Administrator shall establish an Elective Deferral Account for each Participant reflecting the crediting of the Elective Deferrals by the Participant together with any adjustments for income, gain or loss and any payments from such Elective Deferral Account. From time to time, in accordance with the Committee's practices, the Plan Administrator shall provide the Participant with a statement of his or her Elective Deferral Accounts reflecting the income, gains and losses (realized and unrealized), amounts of deferrals, and distributions of such Elective Deferral Accounts since the prior statement.

### **5.2 Deemed Investments**

(A) For purposes of measuring the amounts credited to a Participant's Elective Deferral Account, a Participant may select, from the deemed investment options offered under the Qualified Plan with the exception of the Company Stock Fund (under such Qualified Plan), the investments in which all or part of his or her Elective Deferral Account shall be deemed to be invested. In no event shall any Participant be entitled to have such investments made other than on a deemed basis. The Participant shall make an investment designation (on the Participant's Election Form or in such other manner as specified by the Committee or the Company), which shall remain effective until another valid direction has been made by the Participant. The Participant may amend his or her deemed investment designation at such times and in such manner as prescribed by the Committee. A timely change to the Participant's deemed investment designation shall become effective as soon as administratively practicable in accordance with procedures established by the Committee. The investment options or investment media deemed to be made available to the Participant, and any limitation on the maximum or minimum percentages of the Participant's Elective Deferral Account that may be deemed to be invested in any particular option or investment, may be changed by the Company prospectively at any time in its sole discretion.

(B) The Elective Deferral Accounts maintained pursuant to this Plan are for bookkeeping purposes only, and the Employer is under no obligation to actually invest any amounts credited to such Elective Deferral Accounts.

## ARTICLE 6—VESTING

### 6.1 General

A Participant shall be 100% vested in his or her Elective Deferral Account balance at all times (including all income and gain (or loss) attributable thereto credited to his or her Elective Deferral Account).

## ARTICLE 7—PAYMENTS

### 7.1 Deferral Period

(A) At the time a Participant executes his or her initial Election Form (or any subsequent Election Form), the Participant shall duly designate, execute and file with the Plan Administrator, on the Election Form designated by the Company, the Deferral Period for his or her Elective Deferrals. Subject to the following provisions of this Article 7, a Participant may designate that payment of his or her Elective Deferral Account (or any subaccount thereof) shall be paid or commence to be paid, pursuant to Section 7.2, as soon as practicable after, but in no event more than thirty (30) days following, the last business day of January of the Plan Year that (i) is at least five (5) Plan Years after the end of the Plan Year in which the Elective Deferral amounts are to be credited to the Participant's Elective Deferral Account (Elective Deferral amounts to be paid in accordance with this Section 7.1(A)(i) shall be credited to the Participant's In-Service Subaccount) or (ii) follows the Plan Year in which the Participant incurs a Termination of Employment (Elective Deferral amounts to be paid in accordance with this Section 7.1(A)(ii) shall be credited to the Participant's Termination Subaccount).

(B) Notwithstanding the foregoing, if a Participant is a Specified Employee, the Participant's Termination Subaccount distribution or commencement of distributions shall be made on the first payroll date occurring on or after the date immediately following the expiration of the six-month period following such Participant's Termination of Employment

### 7.2 Form of Distribution

(A) In-Service Subaccount. Except as provided below, a Participant's In-Service Subaccount shall be paid in the form of a lump sum.

(B) Termination Subaccount. Except as provided below, at the time a Participant makes an election that his or her Deferral Period shall end upon Termination of Employment pursuant to the provisions of Section 7.1(A)(ii), the Participant shall elect that his or her Termination Subaccount shall be distributed either in:

- (i) ratable annual installments for a period of either 3, 5 or 10 years, or
- (ii) a single lump sum cash payment.

(C) Notwithstanding the foregoing and notwithstanding a Participant's prior election, if, upon a Participant's Termination of Employment, the Participant's Elective Deferral Account balance is less than \$50,000, such Elective Deferral Account balance shall be paid in the form of a lump sum.

(D) Notwithstanding the foregoing, in the event a Participant incurs a Termination of Employment, for reasons other than death or Disability, prior to the distribution date applicable to his or her In-Service Subaccount(s), the distribution of such In-Service Subaccount(s) shall be made in accordance with the Participant's method of payment election applicable to his or her Termination Subaccount, or if no such payment election was made, in the form of a lump sum.

### **7.3 Change of Election**

A Participant may change his or her election previously made on an Election Form with respect to his or her Deferral Period or form of distribution during a subsequent Enrollment Period (the "Subsequent Election") by filing a subsequent Election Form with the Plan Administrator, provided that: (i) the Subsequent Election does not take effect for at least twelve (12) months after such Subsequent Election is made, (ii) the Subsequent Election is made at least twelve (12) months prior to the date the lump sum payment is to be made or the first installment is to be made, as applicable, as specified in the Election Form and (iii) the subsequent Deferral Period ends at least five (5) years after the date that the lump sum or first installment payment would otherwise have been made (except with respect to distributions due to death or Disability), all in accordance Section 409A of the Code. Any change requiring payments in connection with a Termination of Employment that are made within twelve (12) months of such Termination of Employment shall be null and void.

### **7.4 Payments Following Death, Disability or Change of Control**

(A) Notwithstanding the foregoing and notwithstanding the Participant's Election Form, in the event of a Participant's Termination of Employment as a result of death or Disability, the balance of the Participant's Elective Deferral Account shall be paid to the Participant's Beneficiary or the Participant, as applicable, in a lump sum cash payment within sixty (60) days following the date of such Termination of Employment.

(B) Notwithstanding anything herein to the contrary, in the event of a Change of Control, the balance in each Participant's Elective Deferral Account shall be paid to each such Participant in a lump sum cash payment within sixty (60) days following the effective date of a Change of Control.

### **7.5 Taxes**

All federal, state or local income or payroll taxes (including all taxes under the Federal Insurance Contributions Act) that the Committee determines are required to be withheld from any payments made pursuant to this Article 7 or any amount allocated to an Elective Deferral Account shall be withheld.

## **ARTICLE 8—PLAN ADMINISTRATION**

### **8.1 Administration.**

The Committee shall oversee the administration of the Plan and establish all rules and regulations necessary for such administration. The Committee shall have the exclusive right, power, and authority, in its sole and absolute discretion, to administer, apply and interpret the Plan and any other Plan documents and to decide all matters arising in connection with the operation and administration of the Plan.

The Committee shall have the authority to determine the rights, benefits and eligibility of Employees, and to determine all claims, demands and actions arising out of any provision of the Plan regarding any Participant, Beneficiary, deceased Participant or other person having or claiming to have any interest under the Plan. The Committee shall also make determinations relating to election choices and investment options offered under the Plan. Any interpretation or decision made by the Committee shall be final, conclusive and binding on all Participants and any person claiming under or through any Participant, in the absence of clear and convincing evidence that the Committee acted arbitrarily and capriciously. When making a determination or calculation, the Committee shall be entitled to rely on information furnished by a Participant, a Beneficiary, or the Company. The Board or the Committee, in its sole discretion, may delegate to one or more members of the Company's senior management team the right to act on its behalf in all matters concerning the administration of the Plan.

## **8.2 Amendment or Termination of Plan.**

The Board or an authorized committee (including the Committee) may, in its sole and absolute discretion, amend this Plan from time to time in any respect, prospectively or retroactively, and may at any time terminate this Plan in its entirety. Each Employer may withdraw from this Plan at any time, in which case it shall be deemed to maintain a separate plan for Participants who are its employees identical to this Plan except that such Employer shall be deemed to be the Company for all purposes.

## **8.3 Claims Procedure**

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

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

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

(i) The specific reason or reasons for the denial;

(ii) Specific reference to pertinent Plan provisions upon which the denial is based;

(iii) A description of any additional material or information necessary for the Claimant to complete the claim request and an explanation of why such material or information is necessary;

(iv) Appropriate information as to the steps to be taken and the applicable time limits if the Claimant wishes to submit the adverse determination for review; and

(v) A statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA following an adverse determination on review.

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

(i) Upon request and free of charge, be provided with reasonable access to, and copies of, relevant documents, records, and other information relevant to the Claimant's claim; and

(ii) Submit written comments, documents, records, and other information relating to the claim. The review of the claim determination shall take into account all comments, documents, records, and other information submitted by the Claimant relating to the claim, without regard to whether such information was submitted or considered in the initial claim determination.

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

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



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

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

(i) The specific reason or reasons for the decision, with references to the specific Plan provisions on which the determination is based;

(ii) A statement that the Claimant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim; and

(iii) A statement of the Claimant's right to bring a civil action under Section 502(a) of ERISA.

(E) The Committee shall have the full power and authority to interpret, construe and administer this Plan in its sole discretion based on the provisions of this Plan and to decide any questions and settle all controversies that may arise in connection with this Plan. Both the Committee's and the Board's interpretations and construction thereof, and actions thereunder, made in the sole discretion of the Committee and the Board, including any valuation of the Benefit, any determination under this Section 8, or the amount of the payment to be made hereunder, shall be final, binding and conclusive on all persons for all persons. No member of the Board or Committee shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan.

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

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

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

## **ARTICLE 9—MISCELLANEOUS**

### **9.1 Construction of Plan**

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

(B) Each Employer shall be liable for the obligations hereunder only with respect to its own employees, and not with respect to the employees of any other Employer. If a Participant works for more than one Employer in the same calendar year, then the contribution for the Participant hereunder for the calendar year shall be allocated pro-rata to each such Employer in proportion to the Participant's Base Salary, Bonus and Commissions payable by each Employer to the Participant for the calendar year.

(C) The Employer shall bear all expenses included in administering and operating the Plan.

### **9.2 Minors and Incompetents.**

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

### **9.3 Limitation of Participants' Rights**

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

### **9.4 Participants Bound**

Any action with respect to the Plan taken by the Committee or the Company or any action authorized by or taken at the direction of the Committee, the Company shall be final, binding and conclusive upon all Participants and Beneficiaries entitled to benefits under the Plan.

### **9.5 Other Benefits**

Any benefits accrued in a Participant's Elective Deferral Account or payable under this Plan shall not be deemed salary or other compensation to the Employee for the purposes of computing benefits to which he or she may be entitled under any pension plan or other arrangement of any Employer for the benefit of its employees.

### **9.6 Severability.**

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

### **9.7 Assignment.**

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

### **9.8 Non-Alienation of Benefits.**

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

### **9.9 Governing Law.**

To the extent legally required, the Code and ERISA shall govern this Plan and, if any provision hereof is in violation of any applicable requirement thereof, the Company reserves the right to retroactively amend this Plan to comply therewith. To the extent not governed by the Code and ERISA, this Plan shall be governed by the laws of the State of New York.

**9.10 Section 409A of the Code**

The Plan is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. The Company does not guarantee, and nothing in this Plan is intended to provide a guarantee of, any particular tax treatment with respect to payments or benefits under this Plan, and the Company shall not be responsible for compliance with, or exemption from, Section 409A of the Code and the guidance issued thereunder. For purposes of Section 409A, each Participant's right to receive any installment payments pursuant to this Plan shall be treated as a right to receive a series of separate and distinct payments. Whenever a payment under this Plan specifies a payment period with reference to a number of days (e.g., "payment within sixty (60) days following the date of such Termination of Employment"), the actual date of payment within the specified period shall be within the sole discretion of the Committee.

**9.11 Electronic Administration.**

Notwithstanding any other provision of the Plan to the contrary, to the extent permitted by applicable law, any election made by a Participant, or any notice to a Participant or a Beneficiary may, to the extent permitted by the Committee and applicable law, be made by electronic means.

**9.12 Non-Exclusivity**

The adoption of this Plan by an Employer shall not be construed as creating any limitations on the power of the Employer to adopt such other supplemental retirement income arrangements as it deems desirable, and such arrangements may be either generally applicable or limited in application.

**9.13 Gender and Number**

Wherever used in this Plan, the masculine shall be deemed to include the feminine and the singular shall be deemed to include the plural, unless the context clearly indicates otherwise.

**9.14 Headings and Captions**

The headings and captions herein are provided for reference and convenience only. They shall not be considered part of this Plan and shall not be employed in the construction of this Plan.

**IN WITNESS WHEREOF**, the Company has caused this Plan to be executed this 14th day of December, 2010.

**Henry Schein, Inc.**

**By:** /s/ Michael S. Ettinger

## EXHIBIT A

### Change of Control

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

## SECOND AMENDMENT

**SECOND AMENDMENT**, dated as of August 9, 2010 (this "Amendment"), to the Credit Agreement dated as of September 5, 2008, as amended as of November 29, 2009 (the "Credit Agreement") among Henry Schein, Inc., as borrower (the "Borrower"), the several lenders party thereto (the "Lenders"), JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent"), and HSBC Bank USA, N.A., The Bank of New York Mellon, and UniCredit Markets and Investment Banking, acting through Bayerische Hypo- und Vereinsbank AG, New York Branch, as co-syndication agents.

## RECITALS

A. WHEREAS, the Borrower is requesting that the Lenders agree to certain amendments relating to the Credit Agreement as set forth herein; and

B. WHEREAS, the Lenders are willing to agree to such amendments subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing Recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

## AGREEMENT

1. Defined Terms. Terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement, as amended by this Amendment.

2. Amendment to Section 8.8. Section 8.8 of the Credit Agreement is hereby amended by:

(i) deleting the word "and" from the end of clause (iv) and substituting therefor a semicolon;

(ii) deleting the period from the end of clause (v) and substituting therefor the word "and"; and

(iii) adding the following at the end thereof:

"(vi) clauses (a) and (b) of the foregoing shall not apply to agreements governing Indebtedness not restricted by, or Indebtedness permitted under, Section 8.3 that contain restrictions no more materially restrictive, taken as a whole, than those contained in this Agreement and, in any event, in the case of any restriction subject to clause (a) above, include an exception permitting this Agreement (or any refinancing or replacement thereof permitted under such agreement) to be secured on an equal and ratable basis with any such applicable Indebtedness."

3. Conditions to Effectiveness. This Amendment shall become effective on the date on which the Administrative Agent shall have received this Amendment, duly executed and delivered by the Borrower and the Majority Lenders.

4. Counterparts. This Amendment may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement. Delivery of an executed signature page of this Amendment by email or facsimile transmission shall be effective as delivery of a manually executed counterpart hereof.

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5. Representations and Warranties. The Borrower hereby represents and warrants to the Lenders and the Administrative Agent as follows:

(a) The Borrower has the corporate power and authority and the legal right to execute, deliver and perform this Amendment and has taken all necessary corporate action to authorize the execution, delivery and performance of this Amendment. This Amendment has been duly executed and delivered on behalf of the Borrower and constitutes the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(b) The representations and warranties of the Borrower set forth in Section 5 of the Credit Agreement as amended hereby (excluding the representations made in subsections 5.2 and 5.6 thereof) are true and correct in all material respects on and as of the date hereof as if made on and as of such date (or, if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

6. Fees, Costs and Expenses. The Borrower agrees to reimburse the Administrative Agent for all reasonable, documented and invoiced fees, costs and expenses incurred by it in connection with this Amendment.

7. Governing Law. This Amendment and the rights and obligations of the parties hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

8. Loan Document. This Amendment shall be designated a Loan Document for all purposes of the Credit Agreement, as amended hereby, and the terms and conditions set forth therein.

[Signature pages follow]

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

HENRY SCHEIN, INC.

By: /s/ Ferdinand Jahnel  
Name: Ferdinand Jahnel  
Title: VP, Treasurer

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JPMORGAN CHASE BANK, N.A., as Administrative Agent and a Lender

By: /s/ Michelle Cipriani  
Name: Michelle Cipriani  
Title: Vice President

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HSBC Bank USA, N.A. as a Lender

By: /s/ Christopher J. Mendelsohn  
Name: Christopher J. Mendelsohn  
Title: Senior Vice President

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The Bank of New York Mellon as a Lender

By: /s/ Kenneth P. Sneider, Jr.  
Name: Kenneth P. Sneider, Jr.  
Title: Vice President

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UniCredit Bank, AG New York Branch as a Lender

By: /s/ Kimberly Sousa  
Name: Kimberly Sousa  
Title: Director

By: /s/ Ivana Albanese-Rizzo  
Name: Ivana Albanese-Rizzo  
Title: Managing Director

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Wells Fargo Bank, N.A. as a Lender

By: /s/ Donald Schwartz  
Name: Donald Schwartz  
Title: Managing Director

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The Royal Bank of Scotland plc as a Lender

By: /s/ Scott MacVicar  
Name: Scott MacVicar  
Title: Vice President

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BANK OF AMERICA, N.A., as a Lender

By: /s/ Oleg Kochanov  
Name: Oleg Kochanov  
Title: Vice President

---

U.S. Bank N.A. as a Lender

By: /s/ Gregory M. Ratliff  
Name: Gregory M. Ratliff  
Title: Senior Vice President

---



BANK OF TOKYO-MITSUBISHI UFJ TRUST COMPANY, as a Lender

By: /s/ B. McNany  
Name: B. McNany  
Title: Assistant Vice President

---

DE LAGE LANDEN FINANCIAL SERVICES, INC. as a Lender

By: /s/ Patrick Smith  
Name: Patrick Smith  
Title: General Manager

---

WILLIAM STREET LLC, as a Lender

By: /s/ Mark Walton  
Name: Mark Walton  
Title: Authorized Signatory

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## THIRD AMENDMENT

**THIRD AMENDMENT**, dated as of October 29, 2010 (this "Amendment"), to the Credit Agreement dated as of September 5, 2008 (as amended by the Amendment, dated as of November 29, 2009 and by the Second Amendment, dated as of August 6, 2010 and this Third Amendment, the "Credit Agreement"), among Henry Schein, Inc., as borrower (the "Borrower"), the several lenders party thereto (the "Lenders"), JPMorgan Chase Bank, N.A., as administrative agent (in such capacity, the "Administrative Agent"), and HSBC Bank USA, N.A., The Bank of New York Mellon, and UniCredit Markets and Investment Banking, acting through Bayerische Hypo- und Vereinsbank AG, New York Branch, as co-syndication agents.

## RECITALS

A. WHEREAS, the Borrower is requesting that the Lenders agree to certain amendments relating to the Credit Agreement as set forth herein; and

B. WHEREAS, the Lenders are willing to agree to such amendments subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing Recitals and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto hereby agree as follows:

## AGREEMENT

1. Defined Terms. Terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement, as amended by this Amendment.

2. Amendments to Section 1.1. Section 1.1 of the Credit Agreement is hereby amended as follows:

(a) by deleting in its entirety the definition of "Fed Funds Loans";

(b) by adding the following new definitions in the appropriate alphabetical order:

"Alternative Rate Swingline Loan": any Swingline Loan bearing interest determined by reference to the Alternative Swingline Rate.

"Alternative Swingline Rate": a rate per annum (other than the ABR or the Swingline LIBO Rate) agreed by the Swingline Lender and the Borrower prior to the submission of a request for the borrowing of a Swingline Loan pursuant to Section 2.4(a) as the rate by reference to which interest on such Swingline Loan will be determined.

"Swingline LIBO Rate": as to any day that a Swingline LIBOR Loan is outstanding, the Adjusted LIBO Rate that would be applicable to a LIBOR Loan with a one-month Interest Period if such LIBOR Loan were made two Business Days later (it being understood that the Swingline Lender shall be entitled to the same benefits of Section 3.6 as are applicable to LIBOR Loans, and have the same rights as the Administrative Agent and Majority Lenders thereunder, such that the Swingline Lender shall not be required to make Swingline LIBOR Loans if it determines that the provisions thereof have been triggered).

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“Swingline LIBOR Loan”: any Swingline Loan bearing interest at a rate per annum determined by reference to the Swingline LIBO Rate. Swingline LIBOR Loans (a) shall not be required to be made if the provisions of Section 3.8 have been triggered, and (b) shall be treated as LIBOR Loans for purposes of Section 3.9.

(c) by amending the definition of “ABR” as follows:

(1) by deleting the word “and” following the comma at the end of subsection (a) thereof;

(2) by replacing the reference to the figure “0.25%” following the words “such day plus” at the end of subsection (b) thereof with a reference to the figure “0.5%”;  
and

(3) by inserting the words “and (c) the Adjusted LIBO Rate for a LIBOR Loan with a one-month Interest Period commencing on such day plus 1.0%” immediately following the reference to the figure “0.5%” at the end of subsection (b) thereof (as amended by this Amendment);

(d) by amending the definition of “Applicable Margin” to insert the words “and Swingline LIBOR Loans” immediately following the words “LIBOR Loans” each time such words appear therein;

(e) by amending the definition of “Interest Payment Date” to delete the words “and as to any Fed Funds Loan” following the words “ABR Loan” in clause (a) thereof;

(f) by amending the definition of “Interest Period” as follows:

(1) by inserting the words “seven days or” followed by a comma, immediately following the words “LIBOR Loan and ending” where such words appear in clauses (i) and (ii) thereof; and

(2) by inserting the words “(or if available to all Lenders, 12 months)” in parentheses as shown, immediately following the words “six months” where such words appear in clauses (i) and (ii) thereof;

(g) by amending the definition of “LIBO Rate” by inserting a comma immediately following the words “such Interest Period” on the twenty second line thereof and, immediately following the comma, inserting the following words:

“provided further that the LIBO Rate with respect to any LIBOR Loans with an Interest Period of 7 days shall equal the greater of (a) the LIBO Rate as of the relevant date of determination thereof with a term of 7 days and (b) the LIBO Rate as of the relevant date of determination thereof with a term of one month”;

(h) by amending the definition of “Swingline Commitment” to replace the reference to the amount “\$15,000,000” following the words “not to exceed” with a reference to the amount “\$25,000,000”; and

(i) by amending the definition of “Type” by replacing the words “or a Fed Funds Loan” with the words “, Alternative Rate Swingline Loan or Swingline LIBOR Loan”;

3. Amendments to Section 2.4. Section 2.4 of the Credit Agreement is hereby amended by replacing the words “Fed Funds Loans” in clause (a)(ii) thereof with the words “Swingline LIBOR Loans, Alternative Rate Swingline Loans”.

4. Amendments to Section 3.4. Section 3.4 of the Credit Agreement is hereby amended by adding the words “in the case of any Swingline Loan that is an ABR Loan,” at the beginning of clause (a) of subsection (d) thereof and by replacing the words “ or (b) the sum of the Federal Funds Effective Rate in effect on each applicable day plus the Applicable Margin” with the words “, (b) in the case of any Alternative Rate Swingline Loan, the sum of the Alternative Swingline Rate in effect on each applicable day plus the applicable margin or (c) in the case of any Swingline LIBOR Loan, the sum of the Swingline LIBO Rate in effect on each applica ble day plus the Applicable Margin”.

5. Amendments to Section 3.5. Section 3.5 of the Credit Agreement is hereby amended by inserting the words “with respect to a LIBOR Loan” immediately following the words “Adjusted LIBO Rate” on the sixth line of clause (a) thereof.

6. Conditions to Effectiveness. This Amendment shall become effective on the date on which the Administrative Agent shall have received this Amendment, duly executed and delivered by the Borrower and the Majority Lenders.

7. Representations and Warranties. The Borrower hereby represents and warrants to the Lenders and the Administrative Agent as follows:

(a) The Borrower has the corporate power and authority and the legal right to execute, deliver and perform this Amendment and has taken all necessary corporate action to authorize the execution, delivery and performance of this Amendment. This Amendment has been duly executed and delivered on behalf of the Borrower and constitutes the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms.

(b) The representations and warranties of the Borrower set forth in Section 5 of the Credit Agreement as amended hereby (excluding the representations made in subsections 5.2 and 5.6 thereof) are true and correct in all material respects on and as of the date hereof as if made on and as of such date (or, if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

8. Fees, Costs and Expenses. The Borrower agrees to reimburse the Administrative Agent for all reasonable, documented and invoiced fees, costs and expenses incurred by it in connection with this Amendment.

9. Governing Law. This Amendment and the rights and obligations of the parties hereunder shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York.

10. Loan Document. This Amendment shall be designated a Loan Document for all purposes of the Credit Agreement, as amended hereby, and the terms and conditions set forth therein.

[Signature pages follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective authorized officers as of the day and year first above written.

HENRY SCHEIN, INC.

By: /s/ Ferdinand Jahnel

Name: Ferdinand Jahnel

Title: VP, Treasurer

SIGNATURE PAGE TO THIRD AMENDMENT TO HENRY SCHEIN CREDIT AGREEMENT

JPMORGAN CHASE BANK, N.A., as Administrative Agent and a Lender

By: /s/ Michelle Cipriani  
Name: Michelle Cipriani  
Title: Vice President

SIGNATURE PAGE TO THIRD AMENDMENT TO HENRY SCHEIN CREDIT AGREEMENT



BANK OF AMERICA, N.A., as a Lender

By: /s/ Steven J. Melicharek  
Name: Steven J. Melicharek  
Title: Senior Vice President

SIGNATURE PAGE TO THIRD AMENDMENT TO HENRY SCHEIN CREDIT AGREEMENT

BANK OF TOKYO-MITSUBISHI UFJ TRUST COMPANY, as a Lender

By: /s/ Brian McNany  
Name: Brian McNany  
Title: Assistant Vice President

SIGNATURE PAGE TO THIRD AMENDMENT TO HENRY SCHEIN CREDIT AGREEMENT

THE BANK OF NEW YORK MELLON, as a Lender

By: /s/ Kenneth P. Sneider, Jr.  
Name: Kenneth P. Sneider, Jr.  
Title: Vice President

SIGNATURE PAGE TO THIRD AMENDMENT TO HENRY SCHEIN CREDIT AGREEMENT

HSBC BANK USA, N.A., as a Lender

By: /s/ William Conlan

Name: William Conlan

Title: Vice President

SIGNATURE PAGE TO THIRD AMENDMENT TO HENRY SCHEIN CREDIT AGREEMENT

THE ROYAL BANK OF SCOTLAND PLC, as a Lender

By: Scott MacVicar  
Name: Scott MacVicar  
Title: Vice President

SIGNATURE PAGE TO THIRD AMENDMENT TO HENRY SCHEIN CREDIT AGREEMENT

UNICREDIT BANK AG, NEW YORK BRANCH, as a Lender

By: /s/ Kimberly Sousa  
Name: Kimberly Sousa  
Title: Director

By: /s/ Elaine Tung  
Name: Elaine Tung  
Title: Director

SIGNATURE PAGE TO THIRD AMENDMENT TO HENRY SCHEIN CREDIT AGREEMENT

WELLS FARO BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ Donald Schwartz  
Name: Donald Schwartz  
Title: Managing Director

SIGNATURE PAGE TO THIRD AMENDMENT TO HENRY SCHEIN CREDIT AGREEMENT

WILLIAM STREET LLC, as a Lender

By: /s/ Mark Walton

Name: Mark Walton

Title: Authorized Signatory

SIGNATURE PAGE TO THIRD AMENDMENT TO HENRY SCHEIN CREDIT AGREEMENT



CREDIT AGREEMENT

among

BUTLER ANIMAL HEALTH SUPPLY, LLC,

as Borrower,

The Several Lenders

from Time to Time Parties Hereto,

JPMORGAN CHASE BANK, N.A.,

as Administrative Agent,

Dated as of December 31, 2009

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J.P. MORGAN SECURITIES INC.,  
as Sole Lead Arranger and Sole Bookrunner

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TABLE OF CONTENTS

Page

SECTION 1. DEFINITIONS		1
1.1	Defined Terms	1
1.2	Other Definitional Provisions	26
SECTION 2. AMOUNT AND TERMS OF TERM LOANS		27
2.1	Term Loans	27
2.2	Procedure for Term Loan Borrowing	27
2.3	Repayment of Term Loans	28
SECTION 3. AMOUNT AND TERMS OF REVOLVING COMMITMENTS		28
3.1	Revolving Commitments	28
3.2	Procedure for Revolving Loan Borrowing	28
3.3	Swingline Commitment	29
3.4	Procedure for Swingline Borrowing; Refunding of Swingline Loans	29
3.5	Commitment Fees, etc.	31
3.6	Termination or Reduction of Revolving Commitments	31
3.7	L/C Commitment	31
3.8	Procedure for Issuance of Letter of Credit	32
3.9	Fees and Other Charges	32
3.10	L/C Participations	32
3.11	Reimbursement Obligation of the Borrower	33
3.12	Obligations Absolute	34
3.13	Letter of Credit Payments	34
3.14	Applications	35
SECTION 4. GENERAL PROVISIONS APPLICABLE TO LOANS AND LETTERS OF CREDIT		35
4.1	Optional Prepayments	35
4.2	Mandatory Prepayments and Commitment Reductions	35
4.3	Conversion and Continuation Options	36
4.4	Limitations on Eurodollar Tranches	37
4.5	Interest Rates and Payment Dates	37
4.6	Computation of Interest and Fees	38
4.7	Inability to Determine Interest Rate	38
4.8	Pro Rata Treatment and Payments	39
4.9	Requirements of Law	40
4.10	Taxes	41
4.11	Indemnity	44
4.12	Change of Lending Office	45
4.13	Mitigation Obligations; Replacement of Lenders	45

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
4.14 Evidence of Debt	45
4.15 Illegality	46
4.16 Defaulting Lender	46
<b>SECTION 5. REPRESENTATIONS AND WARRANTIES</b>	<b>48</b>
5.1 Financial Condition	48
5.2 No Change	50
5.3 Corporate Existence; Compliance with Law	50
5.4 Power; Authorization; Enforceable Obligations	50
5.5 No Legal Bar	51
5.6 Litigation	51
5.7 No Default	51
5.8 Ownership of Property; Liens	51
5.9 Intellectual Property	51
5.10 Taxes	51
5.11 Federal Regulations	52
5.12 Labor Matters	52
5.13 ERISA	52
5.14 Investment Company Act; Other Regulations	53
5.15 Subsidiaries	53
5.16 Use of Proceeds	53
5.17 Environmental Matters	53
5.18 Accuracy of Information, etc.	54
5.19 Security Documents	55
5.20 Solvency	55
5.21 Deposit and Disbursement Accounts	55
5.22 Certain Documents	55
5.23 Holdings	55
5.24 Foreign Assets Control Regulations	56
5.25 Anti-Terrorism Laws	56
<b>SECTION 6. CONDITIONS PRECEDENT</b>	<b>57</b>
6.1 Conditions to Initial Extension of Credit	57
6.2 Conditions to Each Extension of Credit	59
<b>SECTION 7. AFFIRMATIVE COVENANTS</b>	<b>59</b>
7.1 Financial Statements	59
7.2 Certificates; Other Information	60
7.3 Payment of Obligations	61
7.4 Maintenance of Existence; Compliance	61
7.5 Maintenance of Property; Insurance	61
7.6 Inspection of Property; Books and Records; Discussions	61
7.7 Notices	62

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>	
7.8	Environmental Laws	63
7.9	Interest Rate Protection	63
7.10	Additional Collateral, etc.	63
7.11	Maintenance of Ratings	65
7.12	Patriot Act Compliance	65
7.13	Landlord Waivers; Bailee Letters	65
7.14	Further Assurances	65
<b>SECTION 8. NEGATIVE COVENANTS</b>		<b>66</b>
8.1	Financial Condition Covenants	66
8.2	Indebtedness	67
8.3	Liens	69
8.4	Fundamental Changes	71
8.5	Disposition of Property	71
8.6	Restricted Payments	71
8.7	Capital Expenditures	72
8.8	Investments	72
8.9	Transactions with Affiliates	73
8.10	Sales and Leasebacks	74
8.11	Hedge Agreements	74
8.12	Changes in Fiscal Periods	74
8.13	Negative Pledge Clauses	75
8.14	Clauses Restricting Subsidiary Distributions	75
8.15	Lines of Business	76
8.16	Amendments to Material Contracts and Transaction Documentation	76
8.17	Additional Deposit Accounts	76
8.18	Optional Payments and Modifications of Certain Debt Instruments	77
<b>SECTION 9. EVENTS OF DEFAULT</b>		<b>77</b>
<b>SECTION 10. THE AGENTS</b>		<b>80</b>
10.1	Appointment	80
10.2	Delegation of Duties	81
10.3	Exculpatory Provisions	81
10.4	Reliance by Agents	81
10.5	Notice of Default	82
10.6	Non-Reliance on Agents and Other Lenders	82
10.7	Indemnification	82
10.8	Agent in Its Individual Capacity	83
10.9	Successor Administrative Agent	83
10.10	Agents Generally	84
10.11	The Lead Arranger	84

**TABLE OF CONTENTS**  
(continued)

	<b>Page</b>
<b>SECTION 11. MISCELLANEOUS</b>	<b>84</b>
11.1 Amendments and Waivers	84
11.2 Notices	87
11.3 No Waiver; Cumulative Remedies	88
11.4 Survival of Representations and Warranties	88
11.5 Payment of Expenses and Taxes	88
11.6 Successors and Assigns; Participations and Assignments	89
11.7 Adjustments; Set-off	93
11.8 Counterparts	94
11.9 Severability	94
11.10 Integration	94
11.11 GOVERNING LAW	95
11.12 Submission To Jurisdiction; Waivers	95
11.13 Acknowledgments	95
11.14 Releases of Guarantees and Liens	96
11.15 Confidentiality	96
11.16 WAIVERS OF JURY TRIAL	97

**SCHEDULES:**

1.1	Commitments
5.1(b)(i)	Exceptions to NLS Financials
5.1(b)(ii)-1	Exceptions to Core Vet Financials
5.1(b)(ii)-2	Schein Allocation Methodologies
5.1(b)(ii)-3	Global SG&A Costs
5.4	Consents, Authorizations, Filings and Notices
5.15	Subsidiaries
5.19(a)	UCC Filing Jurisdictions
5.21	Deposit Accounts
6.1(c)	Governmental and Third Party Approvals
8.2(d)	Existing Indebtedness
8.3(f)	Existing Liens
8.6	Calculation of Permitted Tax Distributions
8.8(i)	Existing Investments
8.9(h)	Transactions with Affiliates
8.16	Material Contracts

**EXHIBITS:**

A	Form of Assignment and Assumption
B	Form of Compliance Certificate
C	Form of Exemption Certificate
D-1	Form of Term Note
D-2	Form of Revolving Note
D-3	Form Swingline Note
E	Form of Closing Certificate

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CREDIT AGREEMENT, dated as of December 31, 2009 among (a) BUTLER ANIMAL HEALTH SUPPLY, LLC, a Delaware limited liability company (the "Borrower"), (b) the several banks and other financial institutions or entities from time to time parties to this Agreement (the "Lenders") and (c) JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the "Administrative Agent").

W I T N E S S E T H:

WHEREAS, the Borrower intends to participate in a series of transactions, pursuant to which Schein (such term and other terms defined in Section 1.1 being used with their respective defined meaning) will form Newco and contribute the Schein Assets in exchange for 100% of the common stock of Newco. Newco, Schein, Butler, Oak Hill and other Affiliates will enter into the Transaction Agreement, pursuant to which Butler will merge with and into Newco with Newco as the surviving entity (the "Merger"). In consideration for the Merger and additional consideration to be paid by Schein, Oak Hill, as the sole shareholder of Butler, will own approximately 29.5% of Newco common stock and will receive a demand note from Newco. Schein will own approximately 70.5% of Newco common stock. Newco will contribute the Schein Assets to Holdings, in exchange for additional membership interests in Holdings. Holdings will contribute the Schein Assets to the Borrower, and the Borrower will enter into this Agreement and use the proceeds to (a) prepay in full the Borrower's existing credit facilities and (b) make a distribution to Holdings of approximately \$125,000,000 (subject to the post closing adjustments set forth in Section 1.8 of the Transaction Agreement) (the "Closing Date Distribution"). Holdings will use the proceeds of the distribution from the Borrower to either redeem certain of its membership interests or to pay distributions on them; and

WHEREAS, after giving effect to the transactions (i) Oak Hill will hold directly or indirectly approximately 21.3% of the membership interests of Holdings, (ii) Burns will hold directly or indirectly approximately 21.3% of the membership interests of Holdings and (iii) Schein will hold directly or indirectly 50.1% of the membership interests of Holdings.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties hereto agree as follows:

SECTION 1.

DEFINITIONS

1.1 Defined Terms. As used in this Agreement, the terms listed in this Section 1.1 shall have the respective meanings set forth in this Section 1.1.

"Administrative Agent": as defined in the preamble to this Agreement.

"Affiliate": as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors (or persons

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performing similar functions) of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

“Agents”: the collective reference to the Lead Arranger and the Administrative Agent, which term shall include, for purposes of Section 10 only, the Issuing Lender and the Swingline Lender.

“Aggregate Exposure”: with respect to any Lender at any time, an amount equal to the sum of (i) the aggregate then unpaid principal amount of such Lender’s Term Loans and (ii) the amount of such Lender’s Revolving Commitment then in effect or, if the Revolving Commitments have been terminated, the amount of such Lender’s Revolving Extensions of Credit then outstanding.

“Aggregate Exposure Percentage”: with respect to any Lender at any time, the ratio (expressed as a percentage) of such Lender’s Aggregate Exposure at such time to the Aggregate Exposure of all Lenders at such time.

“Agreement”: this Credit Agreement.

“Anti-Terrorism Laws”: as defined in Section 5.25(a).

“Applicable Margin”: (a) for any Revolving Loan or Swingline Loan, the rate per annum set forth under the relevant column heading in the grid below under the caption “Revolving Loans and Swingline Loans” and (b) for any Term Loan, the rate per annum set forth under the relevant column heading in the grid below under the caption “Term Loans”:

Revolving Loans and Swingline Loans			
Consolidated Leverage Ratio	Applicable Margin for Eurodollar Revolving Loans and Swingline Loans	Applicable Margins for Base Rate Revolving Loans and Swingline Loans	
Greater than or equal to 3.25:1.00	3.50%		2.50%
Less than 3.25 but greater than or equal to 2.75:1.00	3.25%		2.25%
Less than 2.75:1.00	3.00%		2.00%

Term Loans			
Consolidated Leverage Ratio	Applicable Margin for Eurodollar Term Loans	Applicable Margins for Base Rate Term Loans	
Greater than or equal to 2.50:1.00	3.50%		2.50%
Less than 2.50:1.00	3.25%		2.25%

For the purposes of the Pricing Grid, changes in the Applicable Margin resulting from changes in the Consolidated Leverage Ratio shall become effective on the date that is three



Business Days after the date on which financial statements are delivered to the Administrative Agent and the Lenders pursuant to Section 7.1 and shall remain in effect until the next changes to be effected pursuant to this paragraph. If any financial statements referred to above are not delivered within the time periods specified in Section 7.1, then, until the date that is three Business Days after the date on which such financial statements are delivered, the highest rate set forth in each column of the Pricing Grid above shall apply. In addition, at all times while an Event of Default shall have occurred and be continuing, the highest rate set forth in each column of the Pricing Grid shall apply. Each determination of the Consolidated Leverage Ratio pursuant to the Pricing Grid shall be made in a manner consistent with the determination thereof pursuant to Section 8.1(a). Until the first adjustment in any Applicable Margin pursuant to the preceding sentences in this definition, the Applicable Margin shall be the highest rate in the applicable Pricing Grid.

“Applicable Percentage”: with respect to any Lender, the percentage of the total Commitments represented by such Lender’s Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments and to any Lender’s status as a Defaulting Lender at the time of determination.

“Application”: an application, in such form as the Issuing Lender may reasonably specify from time to time, requesting the Issuing Lender to open a Letter of Credit.

“Approved Fund”: as defined in Section 11.6(b)(ii).

“Asset Sale”: any Disposition of Property or series of related Dispositions of Property (excluding any such Disposition permitted by any clause of Section 8.5) that yields gross proceeds to any Group Member (valued at the initial principal amount thereof in the case of non-cash proceeds consisting of notes or other debt securities and valued at fair market value in the case of other non-cash proceeds) in excess of \$1,000,000.

“Assignee”: as defined in Section 11.6(b).

“Assignment and Assumption”: an Assignment and Assumption, substantially in the form of Exhibit A.

“Available Revolving Commitment”: as to any Revolving Lender at any time, an amount equal to the excess, if any, of (a) such Lender’s Revolving Commitment then in effect over (b) such Lender’s Revolving Extensions of Credit then outstanding; provided that, in calculating any Lender’s Revolving Extensions of Credit for the purpose of determining such Lender’s Available Revolving Commitment pursuant to Section 3.5, the aggregate principal amount of Swingline Loans then outstanding shall be deemed to be zero.

“Base Rate”: for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus 0.50% and (c) the Eurodollar Rate for a Eurodollar Loan with a one-month interest period plus 1.0%. For purposes hereof: “Prime Rate” shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City (the

Prime Rate not being intended to be the lowest rate of interest charged by the Administrative Agent in connection with extensions of credit to debtors). Any change in the Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

“Base Rate Loans”: Loans the rate of interest applicable to which is based upon the Base Rate.

“Benefitted Lender”: as defined in Section 11.7(a).

“Board”: the Board of Governors of the Federal Reserve System of the United States (or any successor).

“Borrower”: as defined in the preamble to this Agreement.

“Borrowing Date”: any Business Day specified by the Borrower as a date on which the Borrower requests the relevant Lenders to make Loans hereunder.

“Burns”: Burns Veterinary Supply, Inc.

“Business”: as defined in Section 5.17(b).

“Business Day”: a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided that with respect to notices and determinations in connection with, and payments of principal and interest on, Eurodollar Loans, such day is also a day for trading by and between banks in Dollar deposits in the interbank eurodollar market.

“Butler”: W.A. Butler Company.

“Capital Expenditures”: for any period, with respect to any Person, the aggregate of all expenditures by such Person and its Subsidiaries for the acquisition or leasing (pursuant to a capital lease) of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) that are capitalized under GAAP on a consolidated balance sheet of such Person and its Subsidiaries.

“Capital Lease Obligations”: as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

“Capital Stock”: any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants, rights or options to purchase any of the foregoing.

“Cash Equivalents”: (a) marketable direct obligations issued by, or unconditionally guaranteed by, the United States government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within one year from the date of acquisition; (b) certificates of deposit, time deposits, eurodollar time deposits or overnight bank deposits having maturities of 365 days or less from the date of acquisition issued by any Lender or by any commercial bank organized under the laws of the United States or any state thereof having combined capital and surplus of not less than \$250,000,000; (c) commercial paper of an issuer rated at least A-1 by S&P or P-1 by Moody’s, or carrying an equivalent rating by a nationally recognized rating agency, if both of the two named rating agencies cease publishing ratings of commercial paper issuers generally, and maturing within six months from the date of acquisition; (d) repurchase obligations of any Lender or of any commercial bank satisfying the requirements of clause (b) of this definition, having a term of not more than 30 days, with respect to securities issued or fully guaranteed or insured by the United States government; (e) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least A by S&P or A-1 by Moody’s; (f) securities with maturities of six months or less from the date of acquisition backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; or (g) shares of money market mutual or similar funds which invest exclusively in assets satisfying the requirements of clauses (a) through (f) of this definition or (h) money market funds that (i) comply with the criteria set forth in Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940, as amended, (ii) are rated AAA by S&P and Aaa by Moody’s and (iii) have portfolio assets of at least \$5,000,000,000.

“Change of Control”: an event or series of events by which:

(a) prior to a Qualifying IPO, the Permitted Investors shall cease to own and control, of record and beneficially, either directly or indirectly, an amount of Capital Stock of Holdings representing at least a majority of the combined voting power of all of the Capital Stock of Holdings entitled to vote for members of the board of managers or equivalent governing body of Holdings on a fully-diluted basis;

(b) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) other than the Permitted Investors becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a person or group shall be deemed to have “beneficial ownership” of all Capital Stock that such person or group has the right to acquire (such right, an “option right”), whether such right is exercisable immediately or only after the passage of time whether by means of options, warrants or otherwise), directly or indirectly, of (i) prior to a Qualifying IPO, more of the Capital Stock of Holdings entitled to vote for members of the board of managers or equivalent governing body of Holdings on a fully-diluted basis (including by taking into account all such Capital Stock that such “person” or “group” has the right to acquire

pursuant to any option right) than is held by the Permitted Investors or (ii) following a Qualifying IPO, (A) 33-1/3% or more of the Capital Stock of Holdings entitled to vote for members of the board of managers or equivalent governing body of Holdings on a fully-diluted basis (including by taking into account all such Capital Stock that such "person" or "group" has the right to acquire pursuant to any option, warrant or other right) or (B) more of such Capital Stock of Holdings on a fully-diluted basis (including by taking into account all such Capital Stock that such "person" or "group" has the right to acquire pursuant to any option right) than the Permitted Investors;

(c) the board of managers or equivalent governing body of Holdings shall cease to consist of a majority of Continuing Directors; or

(d) Holdings shall cease, directly or indirectly, to own and control, of record and beneficially, 100% of each class of outstanding Capital Stock of the Borrower free and clear of all Liens (except Liens created by the Guarantee and Collateral Agreement).

For the avoidance of doubt, it is understood that any event or series of events that result in 100% ownership of the membership interests of Holdings by Schein shall not constitute a Change of Control.

"Closing Date": the date on which the conditions precedent set forth in Section 6.1 shall have been satisfied, which date is December 31, 2009.

"Closing Date Distribution": as defined in the recitals hereto.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Collateral": all property of the Loan Parties, now owned or hereafter acquired, upon which a Lien is purported to be created by any Security Document.

"Commitment": as to any Lender, the sum of the Term Commitment and the Revolving Commitment of such Lender.

"Commitment Fee Rate": 0.75% per annum.

"Commonly Controlled Entity": an entity, whether or not incorporated, that is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group that includes the Borrower and that is treated as a single employer under Section 414 of the Code.

"Compliance Certificate": a certificate duly executed by a Responsible Officer substantially in the form of Exhibit B.

"Conduit Lender": any special purpose entity organized and administered by any Lender for the purpose of making Loans otherwise required to be made by such Lender and designated by such Lender in a written instrument, subject to the consent of the Administrative Agent and the Borrower (which consent shall not be unreasonably withheld); provided: that the designation by any Lender of a Conduit Lender shall not relieve the designating Lender of any of

its obligations to fund a Loan under this Agreement if, for any reason, its Conduit Lender fails to fund any such Loan, and the designating Lender (and not the Conduit Lender) shall have the sole right and responsibility to deliver all consents and waivers required or requested under this Agreement with respect to its Conduit Lender; provided, further, that no Conduit Lender shall (a) be entitled to receive any greater amount pursuant to Section 4.9, 4.10, 4.11 or 11.5 than the designating Lender would have been entitled to receive in respect of the extensions of credit made by such Conduit Lender or (b) be deemed to have any Commitment.

“Confidential Information Memorandum”: the Confidential Information Memorandum dated December, 2009 and furnished to the Lenders.

“Consolidated Current Assets”: at any date, all amounts (other than cash and Cash Equivalents) that would, in conformity with GAAP, be set forth opposite the caption “total current assets” (or any like caption) on a consolidated balance sheet of the Consolidated Group at such date.

“Consolidated Current Liabilities”: at any date, all amounts that would, in conformity with GAAP, be set forth opposite the caption “total current liabilities” (or any like caption) on a consolidated balance sheet of the Consolidated Group at such date, but excluding (a) the current portion of any Funded Debt of the Consolidated Group and (b) without duplication of clause (a) above, all Indebtedness consisting of Revolving Loans or Swingline Loans to the extent otherwise included therein.

“Consolidated EBITDA”: for any period, Consolidated Net Income for such period plus, without duplication and to the extent reflected as a charge in the statement of such Consolidated Net Income for such period, the sum of (a) income tax expense, (b) interest expense, amortization or writeoff of debt discount and debt issuance costs and commissions, discounts and other fees and charges associated with Indebtedness (including the Loans), (c) depreciation and amortization expense, (d) amortization and impairment of intangibles (including, but not limited to, goodwill) and organization costs, (e) any extraordinary charges or losses determined in accordance with GAAP, (f) any non-recurring charges or losses not to exceed \$5,000,000 during any period of twelve (12) consecutive months, (g) any reasonable non-recurring costs and expenses incurred (i) related to the consummation of any Permitted Acquisition or (ii) in connection with any proposed acquisition (s) in an aggregate amount not to exceed \$4,000,000 during any period of twelve (12) consecutive months, (h) any costs and expenses or other charges or losses incurred in connection with the integration of the Borrower and the Schein Assets (including, without limitation, any duplicative costs associated with any transition services arrangement and any restructuring costs) not to exceed \$11,000,000 in 2010, \$6,000,000 in 2011, \$1,000,000 in 2012 and \$16,000,000 in the aggregate, (i) any costs and expenses or extraordinary charges or losses incurred in connection with the integration of any Permitted Acquisition in an aggregate amount not to exceed \$2,000,000 per such acquisition, (j) any fees, costs and expenses payable in connection with the Transactions and the financing thereof, (k) non-cash compensation expenses arising from the issuance of stock, options to purchase stock and stock appreciation rights to the management of the Consolidated Group, (l) any increase in the value of inventory in connection with the Transactions, and (m) any other non-cash charges, non-cash expenses or non-cash losses of the Consolidated Group for such period (excluding any such charge, expense or loss incurred in the ordinary course of business

that constitutes an accrual of or a reserve for cash charges for any future period); provided, however, that cash payments made in such period or in any future period in respect of such non-cash charges, expenses or losses (excluding any such charge, expense or loss incurred in the ordinary course of business that constitutes an accrual of or a reserve for cash charges for any future period) shall be subtracted from Consolidated Net Income in calculating Consolidated EBITDA in the period when such payments are made, and minus, to the extent included in the statement of such Consolidated Net Income for such period, the sum of (a) interest income (other than late fees received with respect to customer receivables), (b) any extraordinary income or gains determined in accordance with GAAP and (c) any other non-cash income (excluding any items that represent the reversal of any accrual of, or cash reserve for, anticipated cash charges in any prior period that are described in the parenthetical to clause (m) above), all as determined on a consolidated basis. For the purposes of calculating Consolidated EBITDA for any period of four consecutive fiscal quarters (each, a "Reference Period") pursuant to any determination of the Consolidated Leverage Ratio, (i) if at any time during such Reference Period any member of the Consolidated Group shall have made any Material Disposition, the Consolidated EBITDA for such Reference Period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) attributable to the property that is the subject of such Material Disposition for such Reference Period or increased by an amount equal to the Consolidated EBITDA (if negative) attributable thereto for such Reference Period and (ii) if during such Reference Period the Borrower or any Subsidiary shall have made a Material Acquisition, Consolidated EBITDA for such Reference Period shall be calculated after giving pro forma effect thereto as if such Material Acquisition occurred on the first day of such Reference Period. As used in this definition, "Material Acquisition" means any acquisition of property or series of related acquisitions of property that (a) constitutes assets comprising all or substantially all of an operating unit of a business or constitutes all or substantially all of the common stock of a Person and (b) involves the payment of consideration by any member of the Consolidated Group in excess of \$1,000,000; and "Material Disposition" means any Disposition of property or series of related Dispositions of property that yield gross proceeds to any member of the Consolidated Group in excess of \$1,000,000. Notwithstanding the foregoing, for the purposes of this Agreement, Consolidated EBITDA for the fiscal quarters ending June 30, 2009, September 30, 2009 and December 31, 2009 shall be deemed to be \$21,902,000, \$21,239,000 and \$17,402,000, respectively

"Consolidated Group": the collective reference to Holdings, the Borrower and their Subsidiaries.

"Consolidated Interest Coverage Ratio": for any period, the ratio of (a) Consolidated EBITDA for such period to (b) Consolidated Interest Expense for such period.

"Consolidated Interest Expense": for any period, total cash interest expense (including that attributable to Capital Lease Obligations) of the Consolidated Group for such period with respect to all outstanding Indebtedness of the Consolidated Group (including all cash commissions, discounts and other fees and charges paid with respect to letters of credit and bankers' acceptance financing and net costs under Hedge Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP).

“Consolidated Leverage Ratio”: as at the last day of any fiscal quarter, the ratio of (a) Consolidated Total Debt on such day to (b) Consolidated EBITDA for the most recent period of four fiscal quarters of the Borrower then ended.

“Consolidated Net Income”: for any period, the consolidated net income (or loss) of the Consolidated Group, determined on a consolidated basis in accordance with GAAP; provided that there shall be excluded (a) the income (or deficit) of any Person accrued prior to the date it becomes a Subsidiary of the Borrower or Holdings or is merged into or consolidated with any member of the Consolidated Group, (b) the income (or deficit) of any Person (other than a Subsidiary of the Borrower or Holdings) in which any member of the Consolidated Group has an ownership interest, except to the extent that any such income is actually received by any member of the Consolidated Group in the form of dividends or similar distributions, and (c) the undistributed earnings of any Subsidiary of the Borrower or Holdings that is not a Guarantor to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any Contractual Obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary.

“Consolidated Total Debt”: at any date, the aggregate principal amount of all Indebtedness of the Consolidated Group at such date, determined on a consolidated basis in accordance with GAAP.

“Consolidated Working Capital”: at any date, the difference between Consolidated Current Assets on such date minus Consolidated Current Liabilities on such date.

“Continuing Directors”: the managers of Holdings on the Closing Date, and each other manager, if, in each case, such other manager’s nomination for election to the board of managers of Holdings is recommended by a majority of the then Continuing Directors or such other manager receives the vote of the Permitted Investors in his or her election by the equity holders of Holdings.

“Contractual Obligation”: as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

“Control Agreements”: collectively, each tri-party blocked account agreement by and among the Administrative Agent, the applicable Loan Party, and each bank which maintains an account of such Loan Party listed on Schedule 5.21 (other than payroll accounts), in form and substance reasonably acceptable to Administrative Agent.

“Control Investment Affiliate”: as to any Person, any other Person that (a) directly or indirectly, is in control of, is controlled by, or is under common control with, such Person, (b) either (x) is organized by such Person primarily for the purpose of making equity or debt investments in one or more companies or (y) is a Subsidiary of such Person, and (c) shall only include “downstream” subsidiaries or entities of such Person. For purposes of this definition, “control” of a Person means the power, directly or indirectly, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

“Core Vet Business”: as defined in the Transaction Agreement.

“Core Vet Financials”: as defined in Section 5.1(b)(ii).

“Darby”: collectively, Darby Group Companies, Inc., and its Affiliates.

“Default”: any of the events specified in Section 9, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Defaulting Lender”: any Lender, as determined by the Administrative Agent, that has (a) failed to fund any portion of its Loans or participations in Letters of Credit within three Business Days of the date required to be funded by it hereunder, (b) notified the Borrower, the Administrative Agent, the Issuing Lender or any Lender in writing that it does not intend to comply with any of its funding obligations under this Agreement or has made a public statement to the effect that it does not intend to comply with its funding obligations under this Agreement or under other agreements in which it commits to extend credit, (c) failed, within three Business Days after request by the Administrative Agent, to confirm that it will comply with the terms of this Agreement relating to its obligations to fund prospective Loans and participations in then outstanding Letters of Credit, (d) otherwise failed to pay over to the Administrative Agent or any other Lender any other amount required to be paid by it hereunder within three Business Days of the date when due, unless the subject of a good faith dispute, or (e) in the case of a Revolving Lender, (i) become or is insolvent or has a parent company that has become or is insolvent or (ii) become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment or has a parent company that has become the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee or custodian appointed for it, or has taken any action in furtherance of, or indicating its consent to, approval of or acquiescence in any such proceeding or appointment.

“Disposition”: with respect to any Property, any sale, lease, sale and leaseback, assignment, conveyance, transfer or other disposition thereof. The terms “Dispose” and “Disposed of” shall have correlative meanings.

“Dollars” and “\$”: dollars in lawful currency of the United States.

“Domestic Subsidiary”: any Subsidiary of the Borrower organized under the laws of any jurisdiction within the United States.

“ECF Percentage”: 75%; provided, that, with respect to each fiscal year of the Borrower ending on or after December 31, 2010, the ECF Percentage shall be reduced to (i) 50% if the Consolidated Leverage Ratio as of the last day of such fiscal year is less than 3.25 to 1.00 and is not less than 2.75 to 1.00, (ii) 25% if the Consolidated Leverage Ratio as of the last day of such fiscal year is less than 2.75 to 1.00 and is not less than 2.25 to 1.00 and (iii) 0% if the Consolidated Leverage Ratio as of the last day of such fiscal year is less than 2.25 to 1.00.

“Environmental Laws”: any and all applicable and binding foreign, Federal, state, local or municipal laws (including common law), rules, orders, regulations, statutes, ordinances, codes, decrees, requirements of any Governmental Authority regulating, relating to or imposing



liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

“ERISA”: the Employee Retirement Income Security Act of 1974, as amended from time to time.

“Eurocurrency Reserve Requirements”: for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the maximum rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including basic, supplemental, marginal and emergency reserves under any regulations of the Board or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of the Board) maintained by a member bank of the Federal Reserve System.

“Eurodollar Base Rate”: with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the higher of (a) the rate per annum determined on the basis of the rate for deposits in Dollars for a period equal to such Interest Period commencing on the first day of such Interest Period appearing on the Reuters Screen LIBOR01 Page as of 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period and (b) 2.0%. In the event that such rate does not appear on such page (or otherwise on such screen), the “Eurodollar Base Rate” shall be determined by reference to such other comparable publicly available service for displaying eurodollar rates as may be selected by the Administrative Agent or, in the absence of such availability, by reference to the rate at which the Administrative Agent is offered Dollar deposits at or about 11:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where its eurodollar and foreign currency and exchange operations are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein.

“Eurodollar Loans”: Loans to which the rate of interest applicable is based upon the Eurodollar Rate.

“Eurodollar Rate”: with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

“Eurodollar Tranche”: the collective reference to Eurodollar Loans under a particular Facility the then current Interest Periods with respect to all of which begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

“Event of Default”: any of the events specified in Section 9, provided that any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

“Excess Cash Flow”: for any fiscal year of Holdings and the Borrower, the excess, if any, of (a) the sum, without duplication, of (i) Consolidated Net Income for such fiscal

year, (ii) the amount of all non-cash charges (including depreciation and amortization) deducted in arriving at such Consolidated Net Income, (iii) decreases in Consolidated Working Capital for such fiscal year and (iv) the aggregate net amount of non-cash loss on the Disposition of Property by Holdings, the Borrower and their Subsidiaries during such fiscal year (other than sales of inventory in the ordinary course of business), to the extent deducted in arriving at such Consolidated Net Income, over (b) the sum, without duplication, of (i) the amount of all non-cash credits included in arriving at such Consolidated Net Income, (ii) the aggregate amount actually paid by Holdings, the Borrower and their Subsidiaries in cash during such fiscal year on account of Capital Expenditures and Permitted Acquisitions (excluding the principal amount of Indebtedness incurred to finance such expenditures (but including repayments of any such Indebtedness incurred during such period or any prior period) and any such expenditures financed with the proceeds of any Reinvestment Deferred Amount), (iii) the aggregate amount of all regularly scheduled principal payments of Funded Debt (including the Term Loans) of Holdings, the Borrower and their Subsidiaries made during such fiscal year (other than in respect of any revolving credit facility to the extent there is not an equivalent permanent reduction in commitments thereunder), (iv) increases in Consolidated Working Capital for such fiscal year, (v) the amount of any tax distributions paid by Holdings during such fiscal year, (vi) the aggregate amount of all prepayments of Revolving Loans and Swingline Loans during such fiscal year to the extent accompanying permanent reductions of the Revolving Commitments and (vii) the aggregate net amount of non-cash gain on the Disposition of Property by Holdings, the Borrower and their Subsidiaries during such fiscal year (other than sales of inventory in the ordinary course of business), to the extent included in arriving at such Consolidated Net Income.

“Excess Cash Flow Application Date”: as defined in Section 4.2.

“Exchange Act”: as defined in the definition of “Change of Control”.

“Excluded Foreign Subsidiary”: any Foreign Subsidiary in respect of which either (a) the pledge of all of the Capital Stock of such Subsidiary as Collateral or (b) the guarantee by such Subsidiary of the Obligations, would, in the good faith judgment of the Borrower, result in adverse tax consequences to the Borrower.

“Excluded Indebtedness”: all Indebtedness permitted by clauses (a), (b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (l) and (m) of Section 8.2.

“Executive Order”: as defined in Section 5.25(a).

“Facility”: each of (a) the Term Commitments and the Term Loans made thereunder (the “Term Facility”) and (b) the Revolving Commitments and the extensions of credit made thereunder (the “Revolving Facility”).

“Federal Funds Effective Rate”: for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it.

“Foreign Subsidiary”: any Subsidiary of the Borrower that is not a Domestic Subsidiary.

“Funded Debt”: as to any Person, all Indebtedness of such Person that matures more than one year from the date of its creation or matures within one year from such date but is renewable or extendible, at the option of such Person, to a date more than one year from such date or arises under a revolving credit or similar agreement that obligates the lender or lenders to extend credit during a period of more than one year from such date, including all current maturities and current sinking fund payments in respect of such Indebtedness whether or not required to be paid within one year from the date of its creation and, in the case of the Borrower, Indebtedness in respect of the Loans.

“Funding Office”: the office of the Administrative Agent specified in Section 11.2 or such other office as may be specified from time to time by the Administrative Agent as its funding office by written notice to the Borrower and the Lenders.

“GAAP”: generally accepted accounting principles in the United States as in effect from time to time, except that for purposes of the definitions of “Consolidated Leverage Ratio” and “Excess Cash Flow” and Section 7.1, GAAP shall be determined on the basis of such principles in effect on the date hereof and consistent with those used in the preparation of the most recent audited financial statements referred to in Section 5.1(a) (except that inventory expense shall be calculated on a FIFO basis rather than a LIFO basis or, if not so calculated, adjustments shall be made to calculations of inventory expense to achieve the same effect). In the event that any “Accounting Change” (as defined below) shall occur and such change results in a change in the method of calculation of financial covenants, standards or terms in this Agreement, then the Borrower and the Administrative Agent agree to enter into negotiations in order to amend such provisions of this Agreement so as to reflect equitably such Accounting Changes with the desired result that the criteria for evaluating the Borrower’s financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. Until such time as such an amendment shall have been executed and delivered by the Borrower, the Administrative Agent and the Required Lenders, all financial covenants, standards and terms in this Agreement shall continue to be calculated or construed as if such Accounting Changes had not occurred. “Accounting Changes” refers to changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board or the American Institute of Certified Public Accountants or, if applicable, the SEC.

“Governmental Authority”: any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange or any self-regulatory organization (including the National Association of Insurance Commissioners).

“Group Members”: the collective reference to the Borrower, Holdings and their respective Subsidiaries.

Guarantee and Collateral Agreement": the Guarantee and Collateral Agreement, dated as of December 31, 2009, by the Borrower and each Guarantor in favor of, or for the benefit of, the Administrative Agent for the benefit of the Secured Parties.

Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation, including a reimbursement, counterindemnity or similar obligation, of the guaranteeing Person that guarantees or in effect guarantees, or which is given to induce the creation of a separate obligation by another Person (including any bank under any letter of credit) that guarantees or in effect guarantees, any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other third Person (the "primary obligor") &# 160;in any manner, whether directly or indirectly, including any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

Guarantors": collectively, Holdings and each Subsidiary of the Borrower other than any Excluded Foreign Subsidiary.

Hedge Agreements": any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, managers, officers, employees or consultants of the Borrower or the Subsidiaries shall be a Hedge Agreement.

Holdings": Butler Animal Health Holding Company LLC.

Indebtedness": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services (other than current trade payables incurred in the ordinary course of such Person's business), (c) all obligations of such Person evidenced by notes,

bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations of such Person, (f) all reimbursement and other obligations of such Person, contingent or otherwise, as an account party or applicant under or in respect of bankers' acceptances, letters of credit, surety bonds (other than surety bonds required by any Governmental Authority to be posted by a pharmaceutical distributor so long as such Person has no additional reimbursement obligations, contingent or otherwise, thereunder) or similar arrangements, (g) the liquidation value of all redeemable preferred Capital Stock of such Person having a redemption date at least 6 months after the Termination Date, (h) all Guarantee Obligations of such Person in respect of obligations of the kind referred to in clauses (a) through (g) above, (i) all obligations of the kind referred to in clauses (a) through (h) above secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation, and (j) for the purposes of Sections 8.2 and 9(e) only, all obligations of such Person in respect of Hedge Agreements. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not liable therefor.

"Insolvency": with respect to any Multiemployer Plan, the condition that such plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Intellectual Property": the collective reference to all rights, priorities and privileges relating to intellectual property, whether arising under United States, multinational or foreign laws or otherwise, including copyrights, patents, trademarks, domain names, technology, know-how and processes, and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all proceeds and damages therefrom.

"Interest Payment Date": (a) as to any Base Rate Loan (other than any Swingline Loan), the last day of each March, June, September and December to occur while such Loan is outstanding and the final maturity date of such Loan, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period, (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day that is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period, (d) as to any Loan (other than any Revolving Loan that is a Base Rate Loan and any Swingline Loan), the date of any repayment or prepayment made in respect thereof and (e) as to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period": as to any Eurodollar Loan, (a) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months (or, if agreed to by all Lenders under the relevant

Facility, nine or twelve months) thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and (b) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months (or, if agreed to by all Lenders under the relevant Facility, nine or twelve months) thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not later than 11:00 A.M., New York City time, on the date that is three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(i) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(ii) the Borrower may not select an Interest Period under a particular Facility that would extend beyond the Revolving Termination Date or beyond the date final payment is due on the Term Loans;

(iii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and

(iv) the Borrower shall select Interest Periods so as not to require a payment or prepayment of any Eurodollar Loan during an Interest Period for such Loan.

"Investments": as defined in Section 8.8.

"Issuing Lender": JPMorgan Chase Bank or any affiliate thereof in its capacity as issuer of any Letter of Credit.

"JPMorgan Chase Bank": JPMorgan Chase Bank, N.A.

"L/C Commitment": \$10,000,000.

"L/C Disbursement": a payment by the applicable Issuing Lender pursuant to an applicable Letter of Credit.

"L/C Exposure": with respect to any Revolving Lender at any time, an amount equal to the aggregate amount of such Revolving Lender's portion of the L/C Obligations at such time.

"L/C Fee Payment Date": the last day of each March, June, September and December and the last day of the Revolving Commitment Period.

“L/C Obligations”: at any time, an amount equal to the sum of (a) the aggregate then undrawn and unexpired amount of the then outstanding Letters of Credit and (b) the aggregate amount of drawings under Letters of Credit that have not then been reimbursed pursuant to Section 3.11.

“L/C Participants”: the collective reference to all the Revolving Lenders other than the Issuing Lender.

“Lead Arranger”: JPMorgan Chase Bank.

“Lenders”: as defined in the preamble to this Agreement; provided, that unless the context otherwise requires, each reference herein to the Lenders shall be deemed to include any Conduit Lender.

“Letters of Credit”: as defined in Section 3.7(a).

“Lien”: any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement and any capital lease having substantially the same economic effect as any of the foregoing).

“Liquidity”: cash on-hand and funds to be drawn under the Revolving Loan subject to the requirements of Sections 6.2 and 8.1.

“Loan”: any loan made by any Lender pursuant to this Agreement.

“Loan Documents”: this Agreement, the Security Documents and the Notes and any amendment, waiver, supplement or other modification to any of the foregoing which expressly provides that it is a “Loan Document”.

“Loan Parties”: each Group Member that is a party to a Loan Document.

“Majority Facility Lenders”: with respect to any Facility, the holders of more than 50% of the aggregate unpaid principal amount of the Term Loans or the Total Revolving Extensions of Credit, as the case may be, outstanding under such Facility (or, in the case of the Revolving Facility, prior to any termination of the Revolving Commitments, the holders of more than 50% of the Total Revolving Commitments).

“Material Adverse Effect”: a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, or (b) the validity or enforceability of this Agreement or any of the other Loan Documents or the rights or remedies of the Agents or the Lenders hereunder or thereunder or the validity, perfection or priority of the Administrative Agent’s Liens upon the Collateral.

“Material Contract”: each agreement identified on Schedule 8.16 to this Agreement.

“Materials of Environmental Concern”: any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

“Moody’s”: Moody’s Investors Service, Inc, or any successor or assignee.

“Mortgages”: each of the mortgages and deeds of trust made by each Loan Party in favor of, or for the benefit of, the Administrative Agent for the benefit of the Secured Parties, in form and substance reasonably satisfactory to the Agents (with such changes thereto as shall be advisable under the law of the jurisdiction in which such mortgage or deed of trust is to be recorded).

“Multiemployer Plan”: a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Net Cash Proceeds”: (a) in connection with any Asset Sale or any Recovery Event, the proceeds thereof in the form of cash and Cash Equivalents (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or by the Disposition of any non-cash consideration received in connection therewith or otherwise, but only as and when received) of such Asset Sale or Recovery Event, net of (i) attorneys’ fees, accountants’ fees, investment banking fees, amounts required to be applied to the repayment of Indebtedness secured by a Lien expressly permitted hereunder on any asset that is the subject of such Asset Sale or Recovery Event (other than any Lien pursuant to a Security Document), (ii) other customary fees and expenses actually incurred in connection therewith, (iii) taxes paid or reasonably estimated to be payable as a result thereof (taking into account any amounts, if any, distributed or to be distributed to the members of Holdings with respect to taxes in connection with such Asset Sale or Recovery Event in accordance with Schedule 8.6) and (iii) the amount of any reserves established by the Borrower or its Subsidiaries to fund contingent liabilities reasonably estimated to be payable in connection therewith and (b) in connection with any issuance or sale of Capital Stock, any capital contribution or any incurrence of Indebtedness, the cash proceeds received from such issuance, contribution or incurrence, net of attorneys’ fees, investment banking fees, accountants’ fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith. Any Net Cash Proceeds shall include a deduction for tax distributions in respect of any realized gains assuming corporate tax rates (at applicable federal, state and local levels); provided that, at the option of the Borrower, such deduction on up to 29% of such gain may be calculated using individual tax rates (at applicable federal, state and local levels).

“Newco”: Winslow Acquisition Company.

“NLS”: National Logistics Services, LLC.

“NLS Financials”: as defined in Section 5.1(b)(i).

“Non-Consenting Lenders”: as defined in Section 11.1.



“Non-Excluded Taxes”: as defined in Section 4.10(a).

“Non-U.S. Lender”: as defined in Section 4.10(d).

“Notes”: the collective reference to any promissory notes evidencing Loans.

“Oak Hill”: collectively, Oak Hill Capital Partners II, L.P., and its Affiliates.

“Obligations”: the unpaid principal of and interest on (including interest accruing after the maturity of the Loans and Reimbursement Obligations and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans and all other obligations and liabilities of the Borrower to any Agent or to any Lender (or, in the case of Specified Hedge Agreements and any Specified Cash Management Agreements, any affiliate of any Lender, any Qualified Counterparty), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, any other Loan Document, the Letters of Credit, any Specified Hedge Agreement and any Specified Cash Management Agreement or any other document made, delivered or given in connection herewith or therewith, whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses (including all fees, charges and disbursements of counsel to any Agent or to any Lender that are required to be paid by the Borrower pursuant hereto) or otherwise; provided that any release of Collateral or Guarantors effected in the manner permitted by this Agreement shall not require the consent of holders of obligations under Specified Hedge Agreements and Specified Cash Management Agreements.

“Other Taxes”: any and all present or future stamp or documentary taxes or any other excise or property taxes, similar charges or similar levies arising from any payment made hereunder or under any Loan Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Document.

“Participant”: as defined in Section 11.6(c).

“PBGC”: the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA (or any successor).

“PPA”: the Pension Protection Act of 2006.

“Permitted Acquisitions”: any acquisition by the Borrower or any of its Subsidiaries, whether by purchase, merger or otherwise, of all of the assets or Capital Stock of, or a business line or a division of, any Person; provided that (i) such acquisition was not preceded by, or effected pursuant to, an unsolicited or hostile offer by the acquirer or an Affiliate of the acquirer; (ii) immediately prior to and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing or would result therefrom; (iii) such acquisition is made in accordance with all applicable Requirements of Law and material Contractual Obligations, and all material consents and approvals required by applicable Requirement of Law and material Contractual Obligations have been obtained; (iv) the Borrower’s Liquidity after giving pro forma effect to such acquisition and all Loans funded in connection therewith shall

have exceeded \$10,000,000; (v) the Consolidated Group shall be in compliance with the covenants contained in Section 8.1, both immediately before and after giving effect to such acquisition on a pro forma basis as of the most recently ended fiscal quarter for which a Compliance Certificate has been delivered pursuant to Section 7.2; (vi) the provisions of Section 7.10 are complied with in respect of such acquisition; (vii) after giving pro forma effect to the acquisition and all Indebtedness assumed, incurred or repaid in connection with the acquisition, the Consolidated Leverage Ratio on the date of the acquisition (based on Consolidated EBITDA determined on a pro forma basis, as set forth in the definition of "Consolidated EBITDA", as of the most recently ended fiscal quarter of the Borrower for which financial statements have then been delivered) shall be either (x) if the maximum Consolidated Leverage Ratio on the date of the acquisition is greater than 2.5:1.0, 0.50:1.0 lower than the maximum Consolidated Leverage Ratio applicable under Section 8.1(a) or (y) if the maximum Consolidated Leverage Ratio on the date of the acquisition is equal to or less than 2.5:1.0, 0.25:1.0 lower than the maximum Consolidated Leverage Ratio applicable under Section 8.1(a), and in either case, the Administrative Agent shall have received a Compliance Certificate pursuant to Section 7.2 accompanied by such supporting information as the Administrative Agent may reasonably request; and (viii) any Person or assets or division as acquired in accordance herewith shall be in primarily the same business or lines of business as the Borrower or reasonably related thereto.

"Permitted Investors": the collective reference to the Sponsors and their Control Investment Affiliates.

"Person": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any employee pension benefit plan (other than a Multiemployer Plan) that is subject to Title IV of ERISA or Section 412 of the Code or Section 302 of the ERISA and in respect of which the Borrower or any Commonly Controlled Entity is (or, if such Plan were terminated, would under Section 4062 or 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Pricing Grid": (a) with respect to Revolving Loans and Swingline Loans, the grid set forth in the definition of "Applicable Margin" under the caption "Revolving Loans and Swingline Loans", and (b) with respect to Term Loans, the grid set forth in the definition of "Applicable Margin" under the caption "Term Loans".

"Prime Rate": as defined in the definition of "Base Rate".

"Pro Forma Balance Sheet": as defined in Section 5.1(c).

"Prohibited Transaction": as defined in Section 406 of ERISA and Section 4975(f)(3) of the Code.

"Projections": as defined in Section 7.2(c).

"Properties": as defined in Section 5.17(a).

“Property”: any right or interest in or to property of any kind whatsoever, whether real, personal or mixed and whether tangible or intangible, including, without limitation, Capital Stock.

“Purchase Money Obligation”: for any Person, the obligations of such Person in respect of Indebtedness (including Capital Lease Obligations) incurred for the purpose of financing all or any part of the purchase price of any property (including Capital Stock of any Person) or the cost of installation, construction or improvement of any property and any refinancing thereof; provided, however, that the amount of Indebtedness does not exceed the cost of such acquisition, installation, construction or improvement, as the case may be.

“Qualified Counterparty”: with respect to any Specified Hedge Agreement or Specified Cash Management Agreement, any counterparty thereto that, at the time such Specified Hedge Agreement or Specified Cash Management Agreement was entered into, was a Lender, an Affiliate of a Lender, the Administrative Agent or an Affiliate of the Administrative Agent.

“Qualifying IPO”: Holdings’ first underwritten public offering of its common Capital Stock pursuant to a registration statement under the Securities Act of 1933, as amended, that (i) results in gross proceeds of at least \$50,000,000 and (ii) results in the listing or quotation of Holdings’ common Capital Stock on a recognized United States or international securities exchange.

“Recovery Event”: any settlement of or payment in excess of \$500,000 in respect of any property or casualty insurance claim or any condemnation proceeding relating to any asset of any Group Member.

“Refunded Swingline Loans”: as defined in Section 3.4(b).

“Refunding Date”: as defined in Section 3.4(c).

“Register”: as defined in Section 11.6(b).

“Regulation U”: Regulation U of the Board as in effect from time to time.

“Reimbursement Obligation”: the obligation of the Borrower to reimburse the Issuing Lender pursuant to Section 3.11 for amounts drawn under Letters of Credit.

“Reinvestment Deferred Amount”: with respect to any Reinvestment Event, the aggregate Net Cash Proceeds received by any Group Member in connection therewith that are not applied to prepay the Term Loans or reduce the Revolving Commitments pursuant to Section 4.2(b) as a result of the delivery of a Reinvestment Notice.

“Reinvestment Event”: any Asset Sale or Recovery Event in respect of which the Borrower has delivered a Reinvestment Notice.

“Reinvestment Notice”: a written notice executed by a Responsible Officer stating that no Event of Default has occurred and is continuing and that the Borrower (directly or

indirectly through a Subsidiary) intends and expects to use all or a specified portion of the Net Cash Proceeds of an Asset Sale or Recovery Event to acquire or repair assets useful in its business.

“Reinvestment Prepayment Amount”: with respect to any Reinvestment Event, the Reinvestment Deferred Amount relating thereto less any amount expended prior to the relevant Reinvestment Prepayment Date to acquire or repair assets useful in the Borrower’s business.

“Reinvestment Prepayment Date”: with respect to any Reinvestment Event, the earlier of (a) the date occurring twelve months after such Reinvestment Event and (b) the date on which the Borrower shall have determined not to, or shall have otherwise ceased to, acquire or repair assets useful in the Borrower’s business with all or any portion of the relevant Reinvestment Deferred Amount.

“Reorganization”: with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

“Reportable Event”: any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty day notice period is waived under subsection .27, .28, .29, .30, .31, .32, .34 or .35 of PBGC Reg. § 4043.

“Required Lenders”: at any time, the holders of more than 50% of the sum of (i) the aggregate unpaid principal amount of the Term Loans then outstanding and (ii) the Total Revolving Commitments then in effect or, if the Revolving Commitments have been terminated, the Total Revolving Extensions of Credit then outstanding.

“Requirement of Law”: as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Responsible Officer”: the chief executive officer, president or chief financial officer of the Borrower, but in any event, with respect to financial matters, the chief financial officer of the Borrower.

“Restricted Payments”: as defined in Section 8.6.

“Revolving Commitment”: as to any Lender, the obligation of such Lender, if any, to make Revolving Loans and participate in Swingline Loans and Letters of Credit in an aggregate principal and/or face amount not to exceed the amount set forth under the heading “Revolving Commitment” under such Lender’s name on Schedule 1.1 or in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original amount of the Total Revolving Commitments is \$30,000,000.

“Revolving Commitment Period”: the period from and including the Closing Date to the Revolving Termination Date.

“Revolving Extensions of Credit”: as to any Revolving Lender at any time, an amount equal to the sum of (a) the aggregate principal amount of all Revolving Loans held by such Lender then outstanding, (b) such Lender’s Revolving Percentage of the L/C Obligations then outstanding and (c) such Lender’s Revolving Percentage of the aggregate principal amount of Swingline Loans then outstanding.

“Revolving Facility”: as defined in the definition of “Facility”.

“Revolving Lender”: each Lender that has a Revolving Commitment or that holds Revolving Loans.

“Revolving Loans”: as defined in Section 3.1(a).

“Revolving Percentage”: as to any Revolving Lender at any time, the percentage which such Lender’s Revolving Commitment then constitutes of the Total Revolving Commitments (or, at any time after the Revolving Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender’s Revolving Loans then outstanding constitutes of the aggregate principal amount of the Revolving Loans then outstanding); provided, that, in the event that the Revolving Loans are paid in full prior to the reduction to zero of the Revolving Extensions of Credit, the Revolving Percentages shall be determined in a manner designed to ensure that the other outstanding Revolving Extensions of Credit shall be held by the Revolving Lenders on a comparable basis.

“Revolving Termination Date”: December 31, 2014.

“S&P”: Standard & Poor’s Ratings Group, a division of McGraw-Hill, Inc. or any successor or assignee.

“Schein”: Henry Schein, Inc.

“Schein Assets”: the meaning of “Contributed Assets” as defined in the Transaction Agreement.

“Schein Business”: the meaning of “Contributed Schein Vet Business” as defined in the Transaction Agreement.

“SEC”: the Securities and Exchange Commission, any successor thereto and any analogous Governmental Authority.

“Secured Parties”: the collective reference to the Lenders, the Administrative Agent, the Qualified Counterparties, the Issuing Lender and the Swingline Lender.

“Security Documents”: the collective reference to the Guarantee and Collateral Agreement, the Control Agreements, the Mortgages and all other security documents hereafter delivered to the Administrative Agent granting a Lien on any property of any Person to secure

the obligations and liabilities of any Loan Party to any Secured Party under any Loan Document or under any Specified Hedge Agreement or Specified Cash Management Agreement.

“Solvent”: when used with respect to any Person, means that, as of any date of determination, (a) the amount of the “present fair saleable value” of the assets of such Person will, as of such date, exceed the amount of all “liabilities of such Person, contingent or otherwise”, as of such date, as such quoted terms are determined in accordance with applicable federal and state laws governing determinations of the insolvency of debtors, (b) the present fair saleable value of the assets of such Person will, as of such date, be greater than the amount that will be required to pay the liability of such Person on its debts as such debts become absolute and matured, (c) such Person will not have, as of such date, an unreasonably small amount of capital with which to conduct its business and (d) such Person will be able to pay its debts as they mature. For purposes of this definition, (i) “debt” means liability on a “claim”, and (ii) “claim” means any (x) right to payment, whether or not such a right is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, unmatured, disputed, undisputed, legal, equitable, secured or unsecured or (y) right to an equitable remedy for breach of performance if such breach gives rise to a right to payment, whether or not such right to an equitable remedy is reduced to judgment, fixed, contingent, matured or unmatured, disputed, undisputed, secured or unsecured.

“Specified Cash Management Agreement”: any agreement providing for treasury, depository, purchasing card or cash management services, including in connection with any automated clearing house transfers of funds or any similar transactions between the Borrower or any Guarantor and any Lender or affiliate thereof.

“Specified Hedge Agreement”: any Hedge Agreement (a) entered into by (i) the Borrower or any of its Subsidiaries and (ii) Qualified Counterparty, as counterparty, and (b) that has been designated by such Qualified Counterparty and the Borrower, by notice to the Administrative Agent, as a Specified Hedge Agreement. The designation of any Hedge Agreement as a Specified Hedge Agreement shall not create in favor of any Qualified Counterparty that is a party thereto any rights in connection with the management or release of any Collateral or of the obligations of any Guarantor under the Guarantee and Collateral Agreement.

“Sponsors”: collectively, Oak Hill, Darby and Schein.

“Subordinated Debt”: any Indebtedness that is subordinated in right of payment to the Obligations.

“Subsidiary”: as to any Person, a corporation, partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned. Unless otherwise qualified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

“Swingline Commitment”: the obligation of the Swingline Lender to make Swingline Loans pursuant to Section 3.3 in an aggregate principal amount at any one time outstanding not to exceed \$5,000,000.

“Swingline Lender”: JPMorgan Chase Bank, or any other Lender designated by the Administrative Agent and the Borrower.

“Swingline Loans”: as defined in Section 3.3(a).

“Swingline Participation Amount”: as defined in Section 3.4(c).

“Term Commitment”: as to any Lender, the obligation of such Lender, if any, to make a Term Loan to the Borrower hereunder on the Closing Date in a principal amount not to exceed the amount set forth under the heading “Term Commitment” under such Lender’s name on Schedule 1.1 or in the Assignment and Assumption pursuant to which such Lender became a party hereto, as the same may be changed from time to time pursuant to the terms hereof. The original aggregate amount of the Term Commitments is \$320,000,000.

“Term Facility”: as defined in the definition of “Facility”.

“Term Lender”: each Lender that has a Term Commitment or that holds a Term Loan.

“Term Loan”: as defined in Section 2.1.

“Term Percentage”: as to any Term Lender at any time, the percentage which such Lender’s Term Commitment then constitutes of the aggregate Term Commitments (or, at any time after the Closing Date, the percentage which the aggregate principal amount of such Lender’s Term Loans then outstanding constitutes of the aggregate principal amount of the Term Loans then outstanding).

“Term Termination Date”: December 31, 2015.

“Total Revolving Commitments”: at any time, the aggregate amount of the Revolving Commitments then in effect.

“Total Revolving Extensions of Credit”: at any time, the aggregate amount of the Revolving Extensions of Credit of the Revolving Lenders outstanding at such time.

“Transactions”: the transactions described in the recitals hereto.

“Transaction Agreement”: the Omnibus Agreement, dated as of November 29, 2009, among Schein, National Logistics Services, LLC, Newco, Holdings, the Borrower, Oak Hill, Butler, Darby, Burns and the Management Members party thereto, as in effect on the Closing Date or as may be amended, waived or otherwise modified in accordance with Section 8.16.

“Transaction Documentation”: collectively, the Transaction Agreement and all disclosure schedules, exhibits and annexes thereto and all side letters and agreements affecting the terms thereof or entered into in connection therewith.

“Transferee”: any Assignee or Participant.

“Type”: as to any Loan, its nature as a Base Rate Loan or a Eurodollar Loan.

“United States”: the United States of America.

“Wholly Owned Subsidiary”: as to any Person, any other Person all of the Capital Stock of which (other than directors’ qualifying shares required by law) is owned by such Person directly and/or through other Wholly Owned Subsidiaries.

“Wholly Owned Guarantor”: any Guarantor that is a Wholly Owned Subsidiary of the Borrower.

“Withdrawal Liability”: liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Title IV of ERISA.

1.2 Other Definitional Provisions. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in the other Loan Documents or any certificate or other document made or delivered pursuant hereto or thereto.

(b) As used herein and in the other Loan Documents, and any certificate or other document made or delivered pursuant hereto or thereto, (i) accounting terms relating to any Group Member not defined in Section 1.1 and accounting terms partly defined in Section 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP, (ii) the words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”, (iii) the word “incur” shall be construed to mean incur, create, issue, assume, become liable in respect of or suffer to exist (and the words “incurred” and “incurrence”; shall have correlative meanings), (iv) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, Capital Stock, securities, revenues, accounts, leasehold interests and contract rights and (v) references to agreements or other Contractual Obligations shall, unless otherwise specified, be deemed to refer to such agreements or Contractual Obligations as amended, supplemented, restated or otherwise modified from time to time (subject to any applicable restrictions hereunder).

(c) The words “hereof”, “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.



(e) Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the applicati on thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. Notwithstanding any other provision contained herein, all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made, without giving effect to any election under Statement of Financial Accounting Standards 159 (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of Holdings, the Borrower or any Subsidiary at “fair value”, as defined therein

(f) To the extent that Holdings, the Borrower or any Subsidiary shall change its fiscal year end to the fiscal year end of Schein or change its methodology for determining fiscal quarters to Schein’s methodology as of the date hereof for determining Schein’s fiscal quarters, any references herein (including Section 8.1) or any other Loan Document to fiscal quarters or fiscal years ended on a specified date (from and after the date of such change) shall be deemed modified to refer to the applicable corresponding Schein fiscal quarter or fiscal year, as the case may be.

## SECTION 2.

### AMOUNT AND TERMS OF TERM LOANS

2.1 Term Loans. (a) On the Closing Date, subject to the terms and conditions of this Agreement, each Term Lender severally agrees to make a term loan to the Borrower (a “Term Loan”) in an amount not to exceed the amount of the Term Commitment of such Lender, the proceeds of which shall be utilized to finance a portion of the Transactions and to pay related fees and expenses.

(b) The Term Loans may from time to time be Eurodollar Loans or Base Rate Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 2.2 and 4.3.

2.2 Procedure for Term Loan Borrowing. The Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 10:00 A.M., New York City time, one Business Day prior to the anticipated Closing Date) requesting that the Term Lenders make the Term Loans on the Closing Date and specifying the amount to be borrowed and the Type of Loan. The Term Loans made on the Closing Date shall initially be Eurodollar Loans with an Interest Period of one month. Upon receipt of such notice the Administrative Agent shall prom ptly notify each Term Lender thereof. Not later than 12:00 noon, New York City time, on the Closing Date each Term Lender shall

make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the Term Loan or Term Loans to be made by such Lender. The Administrative Agent shall credit the account of the Borrower on the books of such office of the Administrative Agent with the aggregate of the amounts made available to the Administrative Agent by the Term Lenders in immediately available funds.

2.3 Repayment of Term Loans. The Term Loan of each Lender shall mature and be repaid (i) during the period commencing March 31, 2010 and ending September 30, 2015, in 23 equal consecutive quarterly installments each in the amount of one quarter of one percent (0.25%) per annum of the original aggregate amount of the Term Commitments and a final installment equal to the remaining unpaid principal balance of the Term Loans on the Term Termination Date.

### SECTION 3.

#### AMOUNT AND TERMS OF REVOLVING COMMITMENTS

3.1 Revolving Commitments. (a) Subject to the terms and conditions hereof, each Revolving Lender severally agrees to make revolving credit loans ("Revolving Loans") to the Borrower from time to time during the Revolving Commitment Period in an aggregate principal amount at any one time outstanding which, when added to such Lender's Revolving Percentage of the sum of (i) the L/C Obligations then outstanding and (ii) the aggregate principal amount of the Swingline Loans then outstanding, does not exceed the amount of such Lender's Revolving Commitment. During the Revolving Commitment Period the Borrower may use the Revolving Commitments by borrowing, prepaying and reborrowing the Revolving Loans in whole or in part, all in accordance with the terms and conditions hereof. The Revolving Loans may from time to time be Eurodollar Loans or Base Rate Loans, as determined by the Borrower and notified to the Administrative Agent in accordance with Sections 3.2 and 4.3.

(b) The Borrower agrees to repay all outstanding Revolving Loans on the Revolving Termination Date.

3.2 Procedure for Revolving Loan Borrowing. The Borrower may borrow under the Revolving Commitments during the Revolving Commitment Period on any Business Day, provided that the Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 12:00 noon, New York City time, (a) three Business Days prior to the requested Borrowing Date, in the case of Eurodollar Loans, or (b) one Business Day prior to the requested Borrowing Date, in the case of Base Rate Loans) (provided that any such notice of a borrowing of Base Rate Loans to finance payments required to be made pursuant to Section 3.11 may be given not later than 10:00 A.M., New York City time, on the date of the proposed borrowing), specifying (i) the aggregate amount and Types of Revolving Loans to be borrowed, (ii) in the event more than one Type of Revolving Loans, the respective amounts of each such Type of Revolving Loan, (iii) the requested Borrowing Date and (iv) in the case of Eurodollar Loans, the respective amounts of each such Type of Loan and the respective lengths of the initial Interest Period therefor. Each borrowing under the Revolving Commitments shall be in an amount equal to (x) in the case of Base Rate Loans, \$1,000,000 or a whole multiple of \$100,000 in excess thereof (or, if the then aggregate Available Revolving

Commitments are less than \$1,000,000, such lesser amount) and (y) in the case of Eurodollar Loans, \$2,000,000 or a whole multiple of \$100,000 in excess thereof; provided, that (x) the Swingline Lender may request, on behalf of the Borrower, borrowings under the Revolving Commitments that are Base Rate Loans in other amounts pursuant to Section 3.4 and (y) borrowings of Base Rate Loans pursuant to Section 3.11 shall not be subject to the foregoing minimum amounts. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Revolving Lender thereof. Each Revolving Lender will make the amount of its pro rata share of each borrowing available to the Administrative Agent for the account of the Borrower at the Funding Office prior to 12:00 noon, New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Revolving Lenders and in like funds as received by the Administrative Agent. No more than \$5,000,000 of Revolving Loans shall be made on the Closing Date.

3.3 Swingline Commitment. (a) Subject to the terms and conditions hereof, the Swingline Lender agrees to make a portion of the credit otherwise available to the Borrower under the Revolving Commitments from time to time during the Revolving Commitment Period by making swing line loans ("Swingline Loans") to the Borrower; provided that (i) the aggregate principal amount of Swingline Loans outstanding at any time shall not exceed the Swingline Commitment then in effect (notwithstanding that the Swingline Loans outstanding at any time, when aggregated with the Swingline Lender's other outstanding Revolving Loans hereunder, may exceed the Swingline Commitment then in effect) and (ii) the Borrower shall not request, and the Swingline Lender shall not make, any Swingline Loan if, after giving effect to the making of such Swingline Loan, the aggregate amount of the Available Revolving Commitments would be less than zero. During the Revolving Commitment Period, the Borrower may use the Swingline Commitment by borrowing, repaying and reborrowing, all in accordance with the terms and conditions hereof. Swingline Loans shall be Base Rate Loans only.

(b) The Borrower shall repay to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Revolving Termination Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least three Business Days after such Swingline Loan is made.

3.4 Procedure for Swingline Borrowing; Refunding of Swingline Loans. (a) Whenever the Borrower desires that the Swingline Lender make Swingline Loans it shall give the Swingline Lender irrevocable telephonic notice confirmed promptly in writing (which telephonic notice must be received by the Swingline Lender not later than 1:00 P.M., New York City time, on the proposed Borrowing Date), specifying (i) the aggregate amount of Swingline Loans to be borrowed and (ii) the requested Borrowing Date (which shall be a Business Day during the Revolving Commitment Period). Each borrowing under the Swingline Commitment shall be in an amount equal to \$500,000 or a whole multiple of \$100,000 in excess thereof. Not later than 3:00 P.M., New York City time, on the Borrowing Date specified in a notice in respect of Swingline Loans, the Swingline Lender shall make available to the Administrative Agent at the Funding Office an amount in immediately available funds equal to the amount of the Swingline Loan to be made by the Swingline Lender. The Administrative Agent shall make the

proceeds of such Swingline Loan available to the Borrower on such Borrowing Date by depositing such proceeds in the account of the Borrower with the Administrative Agent on such Borrowing Date in immediately available funds.

(b) The Swingline Lender, at any time and from time to time in its sole and absolute discretion may, on behalf of the Borrower (which hereby irrevocably directs the Swingline Lender to act on its behalf), on one Business Day's notice given by the Swingline Lender no later than 12:00 noon, New York City time, request each Revolving Lender to make, and each Revolving Lender hereby agrees to make, a Revolving Loan, in an amount equal to such Revolving Lender's Revolving Percentage of the aggregate amount of the Swingline Loans (the "Refunded Swingline Loans") outstanding on the date of such notice, to repay the Swingline Lender. Each Revolving Lender shall make the amount of such Revolving Loan available to the Administrative Agent at the Funding Office in immediately available funds, not later than 10:00 A.M., New York City time, one Business Day after the date of such notice. The proceeds of such Revolving Loans shall be immediately made available by the Administrative Agent to the Swingline Lender for application by the Swingline Lender to the repayment of the Refunded Swingline Loans and all of the Borrower's obligations with respect to such Swingline Loans shall be deemed satisfied in full. The Borrower irrevocably authorizes the Swingline Lender to charge the Borrower's accounts with the Administrative Agent (up to the amount available in each such account) in order to immediately pay the amount of such Refunded Swingline Loans to the extent amounts received from the Revolving Lenders are not sufficient to repay in full such Refunded Swingline Loans.

(c) If prior to the time a Revolving Loan would have otherwise been made pursuant to Section 3.4(b), one of the events described in Section 9(f) shall have occurred and be continuing with respect to the Borrower or if for any other reason, as determined by the Swingline Lender in its sole discretion, Revolving Loans may not be made as contemplated by Section 3.4(b), each Revolving Lender shall, on the date such Revolving Loan was to have been made pursuant to the notice referred to in Section 3.4(b) (the "Refunding Date"), purchase for cash an undivided participating interest in the then outstanding Swingline Loans by paying to the Swingline Lender an amount (the "Swingline Participation Amount") equal to (i) such Revolving Lender's Revolving Percentage times (ii) the sum of the aggregate principal amount of Swingline Loans then outstanding that were to have been repaid with such Revolving Loans.

(d) Whenever, at any time after the Swingline Lender has received from any Revolving Lender such Lender's Swingline Participation Amount, the Swingline Lender receives any payment on account of the Swingline Loans, the Swingline Lender will distribute to such Lender its Swingline Participation Amount (appropriately adjusted, in the case of interest payments, to reflect the period of time during which such Lender's participating interest was outstanding and funded and, in the case of principal and interest payments, to reflect such Lender's pro rata portion of such payment if such payment is not sufficient to pay the principal of and interest on all Swingline Loans then due); provided, however, that in the event that such payment received by the Swingline Lender is required to be returned, such Revolving Lender will return to the Swingline Lender any portion thereof previously distributed to it by the Swingline Lender.

(e) Each Revolving Lender's obligation to make the Loans referred to in Section 3.4(b) and to purchase participating interests pursuant to Section 3.4(c) shall be absolute and unconditional and shall not be affected by any circumstance, including (i) any setoff, counterclaim, recoupment, defense or other right that such Revolving Lender or the Borrower may have against the Swingline Lender, the Borrower or any other Person for any reason whatsoever; (ii) the occurrence or continuance of a Default or an Event of Default or the failure to satisfy any of the other conditions specified in Section 6; (iii) any adverse change in the condition (financial or otherwise) of the Borrower; (iv) any breach of this Agreement or any other Loan Document by the Borrower, any other Loan Party or any other Revolving Lender; or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

3.5 Commitment Fees, etc. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Revolving Lender a commitment fee for the period from and including the date hereof to but excluding the last day of the Revolving Commitment Period, computed at the Commitment Fee Rate on the average daily amount of the Available Revolving Commitment of such Lender during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December and on the Revolving Termination Date, commencing on the first of such date to occur after the date hereof.

(b) The Borrower agrees to pay to the Administrative Agent the fees in the amounts and on the dates as set forth in any fee agreements with the Administrative Agent and to perform any other obligations contained therein.

(c) The Borrower agrees to pay to the Lead Arranger the fees in the amounts and on the dates as set forth in any fee agreements with the Lead Arranger and to perform any other obligations contained therein.

3.6 Termination or Reduction of Revolving Commitments. The Borrower shall have the right, upon not less than three Business Days' notice to the Administrative Agent, to terminate the Revolving Commitments or, from time to time, to reduce the amount of the Revolving Commitments without premium or penalty; provided that no such termination or reduction of Revolving Commitments shall be permitted if, after giving effect thereto and to any prepayments of the Revolving Loans and Swingline Loans made on the Closing Date the reof, the Total Revolving Extensions of Credit would exceed the Total Revolving Commitments. Any such reduction shall be in an amount equal to \$1,000,000, or a whole multiple thereof, and shall reduce permanently the Revolving Commitments then in effect.

3.7 L/C Commitment. (a) Subject to the terms and conditions hereof, the Issuing Lender, in reliance on the agreements of the other Revolving Lenders set forth in Section 3.10(a), agrees to issue letters of credit ("Letters of Credit") for the account of the Borrower (or any Subsidiary of the Borrower) on any Business Day during the Revolving Commitment Period in such form as may be reasonably approved from time to time by the Issuing Lender; provided that the Issuing Lender shall have no obligation to issue any Letter of Credit if, after giving effect to such issuance, (i) the L/C Obligations would exceed the L/C Commitment or (ii) the aggregate amount of the Available Revolving Commitments would be less than zero. Each Letter of Credit shall (i) be denominated in Dollars, (ii) have a face amount of at least \$50,000 (unless otherwise

agreed by the Issuing Lender) and (iii) expire no later than the earlier of (x) the first anniversary of its date of issuance and (y) the date that is five Business Days prior to the Revolving Termination Date, provided that any Letter of Credit with a one-year term may provide for the renewal thereof for additional periods not to exceed one year (which shall in no event extend beyond the date referred to in clause (y) above).

(b) The Issuing Lender shall not at any time be obligated to issue any Letter of Credit hereunder if such issuance would conflict with, or cause the Issuing Lender or any L/C Participant to exceed any limits imposed by, any applicable Requirement of Law.

3.8 Procedure for Issuance of Letter of Credit. The Borrower may from time to time request that the Issuing Lender issue a Letter of Credit by delivering to the Issuing Lender at its address for notices specified herein an Application therefor, completed to the reasonable satisfaction of the Issuing Lender, and such other certificates, documents and other papers and information as the Issuing Lender may reasonably request. Upon receipt of any Application, the Issuing Lender will notify the Administrative Agent of the amount, the beneficiary and the requested expiration of the requested Letter of Credit, and upon receipt of confirmation from the Administrative Agent that after giving effect to the requested issuance, the Available Revolving Commitments would not be less than zero, the Issuing Lender will process such Application and the certificates, documents and other papers and information delivered to it in connection therewith in accordance with its customary procedures and shall promptly issue the Letter of Credit requested thereby (but in no event shall the Issuing Lender be required to issue any Letter of Credit earlier than three Business Days after its receipt of the Application therefor and all such other certificates, documents and other papers and information relating thereto) by issuing the original of such Letter of Credit to the beneficiary thereof or as otherwise may be agreed to by the Issuing Lender and the Borrower. The Issuing Lender shall furnish a copy of such Letter of Credit to the Borrower (with a copy to the Administrative Agent) promptly following the issuance thereof. The Issuing Lender shall promptly furnish to the Administrative Agent, which shall in turn promptly furnish to the Lenders, notice of the issuance of each Letter of Credit (including the amount thereof).

3.9 Fees and Other Charges. (a) The Borrower will pay a fee on the face amount of all outstanding Letters of Credit at a per annum rate equal to the Applicable Margin then in effect with respect to Eurodollar Loans under the Revolving Facility, shared ratably among the Revolving Lenders and payable quarterly in arrears on each L/C Fee Payment Date after the issuance date. In addition, the Borrower agrees to pay the Issuing Lender for its own account a fronting fee of 0.25% per annum on the undrawn and unexpired amount of each Letter of Credit as agreed by the Borrower and the Issuing Lender, payable quarterly in arrears on each L/C Fee Payment Date after the issuance date.

(b) In addition to the foregoing fees, the Borrower agrees to pay or reimburse the Issuing Lender for such normal and customary costs and expenses as are incurred or charged by the Issuing Lender in issuing, negotiating, effecting payment under, amending or otherwise administering any Letter of Credit.

3.10 L/C Participations. (a) The Issuing Lender irrevocably agrees to grant and hereby grants to each L/C Participant, and, to induce the Issuing Lender to issue Letters of

Credit hereunder, each L/C Participant irrevocably agrees to accept and purchase and hereby accepts and purchases from the Issuing Lender, on the terms and conditions set forth below, for such L/C Participant's own account and risk an undivided interest equal to such L/C Participant's Revolving Percentage in the Issuing Lender's obligations and rights under and in respect of each Letter of Credit issued hereunder and the amount of each draft paid by the Issuing Lender thereunder. Each L/C Participant unconditionally and irrevocably agrees with the Issuing Lender that, if a draft is paid under any Letter of Credit for which the Issuing Lender is not reimbursed in full by the Borrower in accordance with the terms of this Agreement, such L/C Participant shall pay to the Administrative Agent upon demand of the Issuing Lender an amount equal to such L/C Participant's Revolving Percentage of the amount of such draft, or any part thereof, that is not so reimbursed. The Administrative Agent shall promptly forward such amounts to the Issuing Lender.

(b) If any amount required to be paid by any L/C Participant to the Administrative Agent for the account of the Issuing Lender pursuant to Section 3.10(a) in respect of any unreimbursed portion of any payment made by the Issuing Lender under any Letter of Credit is paid to the Administrative Agent for the account of the Issuing Lender within three Business Days after the date such payment is due, such L/C Participant shall pay to the Administrative Agent for the account of the Issuing Lender on demand an amount equal to the product of (i) such amount, times (ii) the daily average Federal Funds Effective Rate during the period from and including the date such payment is required to the date on which such payment is immediately available to the Issuing Lender, times (iii) a fraction the numerator of which is the number of days that elapse during such period and the denominator of which is 360. If any such amount required to be paid by any L/C Participant pursuant to Section 3.10(a) is not made available to the Administrative Agent for the account of the Issuing Lender by such L/C Participant within three Business Days after the date such payment is due, the Issuing Lender shall be entitled to recover from such L/C Participant, on demand, such amount with interest thereon calculated from such due date at the rate per annum applicable to Base Rate Loans under the Revolving Facility. A certificate of the Issuing Lender submitted to any L/C Participant with respect to any amounts owing under this Section shall be conclusive in the absence of manifest error.

(c) Whenever, at any time after the Issuing Lender has made payment under any Letter of Credit and has received from any L/C Participant its pro rata share of such payment in accordance with Section 3.10(a), the Administrative Agent or the Issuing Lender receives any payment related to such Letter of Credit (whether directly from the Borrower or otherwise, including proceeds of collateral applied thereto by the Issuing Lender), or any payment of interest on account thereof, the Administrative Agent or the Issuing Lender, as the case may be, will distribute to such L/C Participant its pro rata share thereof; provided, however, that in the event that any such payment received by Administrative Agent or the Issuing Lender, as the case may be, shall be required to be returned by the Administrative Agent or the Issuing Lender, such L/C Participant shall return to the Administrative Agent for the account of the Issuing Lender the portion thereof previously distributed by the Administrative Agent or the Issuing Lender, as the case may be, to it.

3.11 Reimbursement Obligation of the Borrower. If any draft is paid under any Letter of Credit, the Borrower shall reimburse the Issuing Lender for the amount of (a) the draft

so paid and (b) any taxes, fees, charges or other costs or expenses incurred by the Issuing Lender in connection with such payment, not later than 12:00 noon, New York City time, on (i) the Business Day that the Borrower receives notice of such draft, if such notice is received on such day prior to 10:00 A.M., New York City time, or (ii) if clause (i) above does not apply, the Business Day immediately following the day that the Borrower receives such notice. Each such payment shall be made to the Issuing Lender at its address for notices referred to herein in Dollars and in immediately available funds. Interest shall be payable on any such amounts from and including the date on which the relevant draft is paid but excluding the date payment is made in full at the rate set forth in (i) until the Business Day next succeeding the date of the relevant notice, Section 4.5(b) and (ii) thereafter, Section 4.5(c). Each drawing under any Letter of Credit shall (unless (x) Borrower directly reimburses the Issuing Lender in accordance with this Section 3.11 or (y) an event of the type described in clause (i) or (ii) of Section 9(f) shall have occurred and be continuing with respect to the Borrower, in which case the procedures specified in Section 3.10 for funding by L/C Participants shall apply) constitute a request by the Borrower to the Administrative Agent for a borrowing pursuant to Section 3.2 of Base Rate Loans (or, at the option of the Administrative Agent and the Swingline Lender in their sole discretion, a borrowing pursuant to Section 3.4 of Swingline Loans) in the amount of such drawing. The Borrowing Date with respect to such borrowing shall be the first date on which a borrowing of Revolving Loans (or, if applicable, Swingline Loans) could be made, pursuant to Section 3.2 or, if applicable, Section 3.4, if the Administrative Agent had received a notice of such borrowing at the time the Administrative Agent receives notice from the Issuing Lender of such drawing under such Letter of Credit.

3.12 Obligations Absolute. The Borrower's obligations under Section 3.11 shall be absolute and unconditional under any and all circumstances and irrespective of any setoff, counterclaim or defense to payment that the Borrower may have or have had against the Issuing Lender, any beneficiary of a Letter of Credit or any other Person. The Borrower also agrees with the Issuing Lender that the Issuing Lender shall not be responsible for, and the Borrower's Reimbursement Obligations under Section 3.11 shall not be affected by, among other things, the validity or genuineness of documents or of any endorsements thereon, even if such documents shall in fact prove to be invalid, fraudulent or forged, or any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or any claims whatsoever of the Borrower against any beneficiary of such Letter of Credit or any such transferee. The Issuing Lender shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors or omissions found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of the Issuing Lender. The Borrower agrees that any action taken or omitted by the Issuing Lender under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct, shall be binding on the Borrower and shall not result in any liability of the Issuing Lender to the Borrower.

3.13 Letter of Credit Payments. If any draft shall be presented for payment under any Letter of Credit, the Issuing Lender shall promptly notify the Borrower of the date and amount thereof. The responsibility of the Issuing Lender to the Borrower in connection with any draft presented for payment under any Letter of Credit shall, in addition to any payment



obligation expressly provided for in such Letter of Credit, be limited to determining that the documents (including each draft) delivered under such Letter of Credit in connection with such presentment are substantially in conformity with such Letter of Credit.

3.14 Applications. To the extent that any provision of any Application related to any Letter of Credit is inconsistent with the provisions of this Section 3, the provisions of this Section 3 shall apply.

#### SECTION 4.

##### GENERAL PROVISIONS APPLICABLE

##### TO LOANS AND LETTERS OF CREDIT

4.1 Optional Prepayments. The Borrower may at any time and from time to time prepay the Revolving Loans and the Term Loans, in whole or in part, without premium or penalty, upon irrevocable notice delivered to the Administrative Agent no later than 12:00 noon, New York City time, three Business Days prior thereto, in the case of Eurodollar Loans, and no later than 12:00 noon, New York City time, one Business Day prior thereto, in the case of Base Rate Loans, which notice shall specify the date and amount of prepayment and whether the prepayment is of Eurodollar Loans or Base Rate Loans; provided, that if a Eurodollar Loan is prepaid on any day other than the last day of the Interest Period applicable thereto, the Borrower shall also pay any amounts owing pursuant to Section 4.11; provided further, that any such notice of prepayment delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities to refinance the Obligations, in which case such notice of prepayment may be revoked by the Borrower if such condition is not satisfied. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with (except in the case of Revolving Loans that are Base Rate Loans and Swingline Loans) accrued interest to such date on the amount prepaid. Partial prepayments of the Term Loans and Revolving Loans shall be in an aggregate principal amount of \$1,000,000 or a whole multiple of \$100,000 in excess thereof. Partial prepayments of Swingline Loans shall be in an aggregate principal amount of \$100,000 or a whole multiple thereof.

4.2 Mandatory Prepayments and Commitment Reductions. (a) If any Indebtedness shall be incurred by any Group Member (other than Excluded Indebtedness), an amount equal to 100% of the Net Cash Proceeds thereof shall be applied on the date of such issuance, incurrence or contribution toward the prepayment of the Term Loans and the reduction of the Revolving Commitments as set forth in Section 4.2(d).

(b) If on any date any Group Member shall receive Net Cash Proceeds from any Asset Sale or Recovery Event then, unless a Reinvestment Notice shall be delivered in respect thereof, 100% of the Net Cash Proceeds thereof shall be applied on such date toward the prepayment of the Term Loans and the reduction of the Revolving Commitments as set forth in Section 4.2(d); provided that, notwithstanding the foregoing, on each Reinvestment Prepayment Date, an amount equal to the Reinvestment Prepayment Amount with respect to the relevant

Reinvestment Event shall be applied toward the prepayment of the Loans as set forth in Section 4.2(d).

(c) If, for any fiscal year of the Borrower, commencing with the fiscal year ending December 31, 2010, there shall be Excess Cash Flow, the Borrower shall, on the relevant Excess Cash Flow Application Date, apply the difference between (i) the ECF Percentage of such Excess Cash Flow and (ii) all optional prepayments of the Term Loans during such fiscal year toward the prepayment of the Term Loans and the reduction of the Revolving Commitments. Each such prepayment and commitment reduction shall be made on a date (an "Excess Cash Flow Application Date") no later than five Business Days after the earlier of (A) the date on which the financial statements of the Borrower referred to in Section 7.1(a), for the fiscal year with respect to which such prepayment is made, are required to be delivered to the Lenders and (B) the date such financial statements are actually delivered.

(d) Amounts to be applied in connection with mandatory prepayments and commitment reductions made pursuant to Section 4.2(a), (b) and (c) shall be applied, first, to the prepayment of the Term Loans in accordance with Section 4.8(b) and second, to reduce permanently the Revolving Commitments. Any such reduction of the Revolving Commitments shall be accompanied by prepayment of the Revolving Loans and/or Swingline Loans to the extent, if any, that the Total Revolving Extensions of Credit exceed the amount of the Total Revolving Commitments as so reduced; provided that if the aggregate principal amount of Revolving Loans and Swingline Loans then outstanding is less than the amount of such excess (because L/C Obligations constitute a portion thereof), the Borrower shall, to the extent of the balance of such excess, replace outstanding Letters of Credit and/or deposit an amount in cash in a cash collateral account established with the Administrative Agent for the benefit of the Lenders on terms and conditions satisfactory to the Administrative Agent. The application of any prepayment pursuant to Section 4.2 shall be made, first, to Base Rate Loans and, second, to Eurodollar Loans. Each prepayment of the Loans under Section 4.2 (except in the case of Revolving Loans that are Base Rate Loans and Swingline Loans) shall be accompanied by accrued interest to the date of such prepayment on the amount prepaid.

4.3 Conversion and Continuation Options. (a) The Borrower may elect from time to time to convert Eurodollar Loans to Base Rate Loans by giving the Administrative Agent prior irrevocable notice of such election no later than 12:00 noon, New York City time, on the Business Day preceding the proposed conversion date, provided that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert Base Rate Loans to Eurodollar Loans by giving the Administrative Agent prior irrevocable notice of such election no later than 12:00 noon, New York City time, on the third Business Day preceding the proposed conversion date (which notice shall specify the length of the initial Interest Period therefor), provided that no Base Rate Loan under a particular Facility may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing and the Administrative Agent or the Majority Facility Lenders in respect of such Facility have determined in its or their sole discretion not to permit such conversions. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

(b) Any Eurodollar Loan may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving irrevocable notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in Section 1.1, of the length of the next Interest Period to be applicable to such Loans; provided that no Eurodollar Loan under a particular Facility may be continued as such when any Event of Default has occurred and is continuing and the Administrative Agent has or the Majority Facility Lenders in respect of such Facility have determined in its or their sole discretion not to permit such continuations; provided, further, that if the Borrower shall fail to give any required notice as described above in this paragraph or if such continuation is not permitted pursuant to the preceding proviso such Eurodollar Loans shall be automatically converted to Base Rate Loans on the last day of such then expiring Interest Period. Upon receipt of any such notice the Administrative Agent shall promptly notify each relevant Lender thereof.

4.4 Limitations on Eurodollar Tranches. Notwithstanding anything to the contrary in this Agreement, all borrowings, conversions and continuations of Eurodollar Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, (a) after giving effect thereto, the aggregate principal amount of the Eurodollar Loans comprising each Eurodollar Tranche shall be equal to \$2,000,000 or a whole multiple of \$100,000 in excess thereof and (b) no more than ten Eurodollar Tranches shall be outstanding at any one time.

4.5 Interest Rates and Payment Dates. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each Base Rate Loan shall bear interest at a rate per annum equal to the Base Rate plus the Applicable Margin.

(c) (i) If all or a portion of the principal amount of any Loan or Reimbursement Obligation shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), all outstanding Loans and Reimbursement Obligations (whether or not overdue) shall bear interest at a rate per annum equal to (x) in the case of the Loans, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this Section plus 2% or (y) in the case of Reimbursement Obligations, the rate applicable to Base Rate Loans under the Revolving Facility plus 2%, and (ii) if all or a portion of any interest payable on any Loan or Reimbursement Obligation or any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum equal to the rate then applicable to Base Rate Loans under the relevant Facility plus 2% (or, in the case of any such other amounts that do not relate to a particular Facility, the rate then applicable to Base Rate Loans under the Revolving Facility plus 2%), in each case, with respect to clauses (i) and (ii) above, from the date of such non-payment until such amount is paid in full (after as well as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date; provided that interest accruing pursuant to paragraph (c) of this Section shall be payable from time to time on demand.

(e) In the event that the information contained in any certificate delivered in accordance with the definition of “Applicable Margin” is shown to be inaccurate, and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period (an “Applicable Period”) than the Applicable Margin actually applied for such Applicable Period, then (i) the Borrower shall immediately deliver to the Administrative Agent a correct certificate for such Applicable Period, (ii) the Applicable Margin shall be determined as if the Applicable Margin were the corrected level in the Pricing Grid for such Applicable Period, and (iii) the Borrower shall immediately deliver to the Administrative Agent full payment in respect of the accrued additional interest on the applicable Loans as a result of such increased Applicable Margin for such Applicable Period, which payment shall be promptly delivered to the Administrative Agent and applied by the Administrative Agent in accordance herewith (it being understood that nothing in this Section 4.5(e) shall limit the rights of the Administrative Agent and Lenders to exercise their rights under Section 4.5(c) or Section 9).

4.6 Computation of Interest and Fees. (a) Interest and fees payable pursuant hereto shall be calculated on the basis of a 360-day year for the actual days elapsed, except that with respect to Base Rate Loans the rate of interest of which is calculated on the basis of the Prime Rate, the interest thereon shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the Base Rate or the Eurocurrency Reserve Requirements shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the relevant Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to Section 4.5(a).

4.7 Inability to Determine Interest Rate. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower absent manifest error) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Majority Facility Lenders in respect of the relevant Facility that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to such Lenders (as conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period,

then the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the relevant Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans under the relevant Facility requested to be made on the first day of such Interest Period shall be made as Base Rate Loans, (y) any Loans under the relevant Facility that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as Base Rate Loans and (z) any outstanding Eurodollar Loans under the relevant Facility shall be converted, on the last day of the then-current Interest Period, to Base Rate Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans under the relevant Facility shall be made or continued as such, nor shall the Borrower have the right to convert Loans under the relevant Facility to Eurodollar Loans.

4.8 Pro Rata Treatment and Payments. (a) Each borrowing by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any commitment fee and any reduction of the Commitments of the Lenders shall be made pro rata according to the respective Term Percentages or Revolving Percentages, as the case may be, of the relevant Lenders.

(b) Each payment (including each mandatory prepayment made pursuant to Section 4.2) by the Borrower on account of principal of and interest on the Term Loans shall be made pro rata according to the respective outstanding principal amounts of the Term Loans then held by the Term Lenders. The amount of each principal prepayment of the Term Loans shall be applied to reduce the then remaining installments of the Term Loans pro rata based upon the then remaining principal amount thereof. Amounts repaid or prepaid on account of the Term Loans may not be reborrowed, except that optional prepayments of the Term Loans made pursuant to Section 4.1 shall be applied to the installments thereof at the Borrower's discretion.

(c) Each payment (including each mandatory prepayment made pursuant to Section 4.2) by the Borrower on account of principal of and interest on the Revolving Loans shall be made pro rata according to the respective outstanding principal amounts of the Revolving Loans then held by the Revolving Lenders.

(d) All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without setoff or counterclaim and shall be made prior to 12:00 noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders, at the Funding Office, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to each relevant Lender promptly upon receipt in like funds as received, net of any amounts owing by such Lender pursuant to Section 10.7. If any payment hereunder (other than payments on the Eurodollar Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day. If any payment on a Eurodollar Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day. In the case of any extension of any payment of principal pursuant to the preceding two sentences, interest thereon shall be payable at the then applicable rate during such extension.

(e) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its share of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the greater of (i) the Federal Funds Effective Rate and (ii) a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this paragraph shall be conclusive in the absence of manifest error. If such Lender's share of such borrowing is not made available to the Administrative Agent by such Lender within three Business Days of such Borrowing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to Base Rate Loans under the relevant Facility, on demand, from the Borrower.

(f) Unless the Administrative Agent shall have been notified in writing by the Borrower prior to the date of any payment due to be made by the Borrower hereunder that the Borrower will not make such payment to the Administrative Agent, the Administrative Agent may assume that the Borrower is making such payment, and the Administrative Agent may, but shall not be required to, in reliance upon such assumption, make available to the Lenders their respective pro rata shares of a corresponding amount. If such payment is not made to the Administrative Agent by the Borrower within three Business Days after such due date, the Administrative Agent shall be entitled to recover, on demand, from each Lender to which any amount which was made available pursuant to the preceding sentence, such amount with interest thereon at the rate per annum equal to the daily average Federal Funds Effective Rate. Nothing herein shall be deemed to limit the rights of the Administrative Agent or any Lender against the Borrower.

4.9 Requirements of Law. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Letter of Credit, any Application or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by Section 4.10 and changes in the rate of tax on the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender that is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount that such Lender in its commercially reasonable judgment deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans or issuing or participating in Letters of Credit, or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender, upon its demand, any additional amounts necessary to compensate such Lender for such increased cost or reduced amount receivable. If any Lender becomes entitled to claim any additional amounts pursuant to this paragraph, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder or under or in respect of any Letter of Credit to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance ( taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender in its commercially reasonable judgment to be material, then from time to time, after submission by such Lender to the Borrower (with a copy to the Administrative Agent) of a written request therefor, the Borrower agrees to pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) A certificate setting forth in reasonable detail the calculation of the amount or amounts necessary to compensate such Lender or its holding company, as the case may be, as specified in Section 4.9(a) or 4.9(b), shall be submitted by any Lender to the Borrower (with a copy to the Administrative Agent) and shall be conclusive in the absence of manifest error. Notwithstanding anything to the contrary in this Section 4.9, the Borrower shall not be required to compensate a Lender pursuant to this Section 4.9 for any amounts incurred more than six months prior to the date that such Lender notifies the Borrower of such Lender's intention to claim compensation therefor; pro vided that, if the circumstances giving rise to such claim have a retroactive effect, then such six-month period shall be extended to include the period of such retroactive effect. The obligations of the Borrower pursuant to this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

4.10 Taxes. (a) Except as otherwise required by law, all payments made by the Borrower under this Agreement shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes, franchise taxes (imposed in lieu of net income taxes), United States backup withholding taxes imposed under Section 3406 of the Code and branch profits taxes imposed on any Agent or any

Lender as a result of a present or former connection between such Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from such Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any other Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") or Other Taxes are required to be withheld from any amounts payable to any Agent or any Lender hereunder, the amounts so payable to such Agent or such Lender shall be increased to the extent necessary to yield to such Agent or such Lender (after payment of all Non-Excluded Taxes and Other Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement, provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender with respect to any Non-Excluded Taxes (i) that are attributable to such Lender's failure to comply with the requirements of paragraph (d) of this Section or (ii) that are United States withholding taxes imposed on amounts payable to such Lender at the time such Lender becomes a party to this Agreement, except to the extent that such Lender's assignor (if any) was entitled, at the time of assignment, to receive additional amounts from the Borrower with respect to such Non-Excluded Taxes pursuant to this paragraph.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Whenever any Non-Excluded Taxes or Other Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of the relevant Agent or Lender, as the case may be, appropriate evidence of payment thereof. If the Borrower fails to pay any Non-Excluded Taxes or Other Taxes when due to the appropriate taxing authority or fails to provide to the Administrative Agent the required evidence of payment, the Borrower shall indemnify the Agents and the Lenders for any incremental taxes, interest or penalties that may become payable by any Agent or any Lender as a result of any such failure. The Borrower shall indemnify any Agent and each Lender, within 10 days after written demand therefor, for the full amount of any Non-Excluded Taxes or Other Taxes (including Non-Excluded Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by such Agent or such Lender, as the case may be, and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Non-Excluded Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent) or by the Administrative Agent, on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(d) Any Lender that is entitled to an exemption from or reduction of any applicable withholding tax with respect to payments hereunder or under any other Loan Document shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if requested by the Borrower or the Administrative Agent, shall deliver such other



documentation prescribed by applicable law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, in the case of any withholding tax other than U.S. federal withholding tax, the completion, execution and submission of such forms shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

Without limiting the generality of the foregoing, any Lender that is not a "U.S. person" as defined by section 7701(a)(30) of the Code (a "Non-U.S. Lender") shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Non-U.S. Lender becomes a Lender under this Agreement (and from time to time thereafter upon the request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(i) duly completed copies of Internal Revenue Service Form W-8BEN claiming eligibility for benefits of an income tax treaty to which the United States of America is a party,

(ii) duly completed copies of Internal Revenue Service Form W-8ECI,

(iii) in the case of a Non-U.S. Lender claiming the benefits of the exemption for portfolio interest under section 881(c) of the Code, (x) a certificate substantially in the Form of Exhibit C to the effect that (A) such Non-U.S. Lender is not (i) a "bank" within the meaning of section 881(c)(3)(A) of the Code, (ii) a "10 percent shareholder" of the Borrower within the meaning of section 881(c)(3)(B) of the Code or (iii) a "controlled foreign corporation" described in section 881(c)(3)(C) of the Code and (D) the interest payments in question are not effectively connected with a United States trade or business conducted by such Lender (a "U.S. Tax Compliance Certificate") and (y) duly completed copies of Internal Revenue Service Form W-8BEN,

(iv) to the extent a Non-U.S. Lender is not the beneficial owner (for example, where the Non-U.S. Lender is a partnership or participating Lender granting a typical participation), an Internal Revenue Service Form W-8IMY, accompanied by a Form W-8ECI, W-8BEN, U.S. Tax Compliance Certificate, Form W-9, and/or other certification documents from each beneficial owner, as applicable, or

(v) any other form prescribed by applicable law as a basis for claiming exemption from or a reduction in United States federal withholding tax duly completed together with such supplementary documentation as may be prescribed by applicable law to permit the Borrower or Administrative Agent to determine the withholding or deduction required to be made.

Each Lender agrees that if any form or certification previously delivered by it expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(e) Each Lender shall indemnify the Administrative Agent within 10 days after demand therefor, for the full amount of any taxes, levies, imposts, duties, charges, fees, deductions or withholdings attributable to such Lender that are payable or paid by the Administrative Agent, and reasonable expenses arising therefrom or with respect thereto, whether or not such taxes, levies, imposts, duties, charges, fees, deductions or withholdings were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error.

(f) If any Administrative Agent or any Lender has received a refund (as determined by the Administrative Agent or Lender, respectively, which determination shall be conclusive absent manifest error) of any Non-Excluded Taxes or Other Taxes (whether directly paid to the Lender or the Administrative Agent, as applicable, or applied to reduce another tax liability) as to which it has been indemnified by the Borrower or with respect to which the Borrower has paid additional amounts pursuant to this Section 4.10, it shall pay over such refund to the Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower under this Section 4.10 with respect to the Non-Excluded Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of such Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that the Borrower, upon the request of such Agent or such Lender, agrees to repay the amount paid over to the Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to such Agent or such Lender in the event such Agent or such Lender is required to repay such refund to such Governmental Authority. This paragraph shall not be construed to require any Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrower or any other Person.

(g) The agreements in this Section shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

4.11 Indemnity. The Borrower agrees (without duplication of amounts indemnified under Section 4.10 or Section 11.5) to indemnify each Lender and to hold each Lender harmless from any loss or expense that such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment of or conversion from Eurodollar Loans after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment of Eurodollar Loans on a day that is not the last day of an Interest Period with respect thereto. Such indemnification shall be limited to an amount equal to the excess, if any, of (i) the amount of interest that would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert

or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) that would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. A certificate as to any amounts payable pursuant to this Section submitted to the Borrower by any Lender shall be conclusive in the absence of manifest error. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

4.12 Change of Lending Office. Each Lender agrees that, upon the occurrence of any event giving rise to the operation of Section 4.9, 4.10(a) or 4.15 with respect to such Lender, it will, if requested by the Borrower, use reasonable efforts (subject to overall policy considerations of such Lender) to designate another lending office for any Loans affected by such event with the object of avoiding the consequences of such event; provided that such designation is made on terms that, in the sole judgment of such Lender, cause such Lender and its lending office(s) to suffer no economic, legal or regulatory disadvantage; provided, further that nothing in this Section shall affect or postpone any of the obligations of the Borrower or the rights of any Lender pursuant to Section 4.9, 4.10(a) or 4.15.

4.13 Mitigation Obligations; Replacement of Lenders. The Borrower shall be permitted to replace any Lender that (a) requests reimbursement for amounts owing pursuant to Section 4.9 or 4.10(a), (b) becomes a Defaulting Lender or (c) is a Non-Consenting Lender in accordance with Section 11.1; provided that (i) such replacement does not conflict with any Requirement of Law, (ii) no Event of Default shall have occurred and be continuing at the time of such replacement, (iii) prior to any such replacement, such Lender shall have not taken action under Section 4.12 so as to eliminate the continued need for payment of amounts owing pursuant to Section 4.9 or 4.10(a), (iv) the replacement financial institution shall purchase, at par, all Loans and other amounts owing to such replaced Lender on or prior to the date of replacement, (v) the Borrower shall be liable to such replaced Lender under Section 4.11 if any Eurodollar Loan owing to such replaced Lender shall be purchased other than on the last day of the Interest Period relating thereto, (vi) the replacement financial institution, if not already a Lender, shall be reasonably satisfactory to the Administrative Agent, (vii) the replaced Lender shall be obligated to make such replacement in accordance with the provisions of Section 11.6 (including any applicable processing fees associated with such replacement), (viii) until such time as such replacement shall be consummated, the Borrower agrees to pay all additional amounts (if any) required pursuant to Section 4.9 or 4.10(a), as the case may be, and (ix) any such replacement shall not be deemed to be a waiver of any rights that the Borrower, the Administrative Agent or any other Lender shall have against the replaced Lender.

4.14 Evidence of Debt. (a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(b) The Administrative Agent, on behalf of the Borrower, shall maintain the Register pursuant to Section 11.6(b), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder and any Note evidencing such Loan, the type of such Loan and each Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c) The entries made in the Register and the accounts of each Lender maintained pursuant to Section 4.14(a) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to the Borrower by such Lender in accordance with the terms of this Agreement.

(d) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will execute and deliver to such Lender a promissory note of the Borrower evidencing any Term Loans, Revolving Loans or Swingline Loans, as the case may be, of such Lender, substantially in the forms of Exhibit D-1, D-2 or D-3, respectively, with appropriate insertions as to date and principal amount.

4.15 Illegality. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert Base Rate Loans to Eurodollar Loans shall forthwith be canceled and (b) such Lender's then outstanding Eurodollar Loans, if any, shall be converted automatically to Base Rate Loans on the respective last days of the then current Interest Periods with respect to such Eurodollar Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower agrees to pay to such Lender such amounts, if any, as may be required pursuant to Section 4.11.

4.16 Defaulting Lender. Notwithstanding any provision of this Agreement to the contrary, if any Lender becomes a Defaulting Lender, then the following provisions shall apply for so long as such Lender is a Defaulting Lender:

(a) Fees shall cease to accrue on the unfunded portion of the Commitment of such Defaulting Lender pursuant to Section 3.5;

(b) The Aggregate Exposure of such Defaulting Lender shall not be included in determining whether all Lenders or the Required Lenders have taken or may take any action hereunder (including any consent to any amendment or waiver pursuant to Section 11.1), provided that any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender which affects such Defaulting Lender differently than other affected Lenders shall require the consent of such Defaulting Lender;

(c) If any Swingline Exposure or L/C Exposure exists at the time a Revolving Lender becomes a Defaulting Lender then:

(i) all or any part of such Swingline Exposure and L/C Exposure shall be reallocated among the non-Defaulting Lenders in accordance with their respective Applicable Percentages but only to the extent (x) the sum of all non-Defaulting Lenders' Revolving Credit Exposures plus such Defaulting Lender's Swingline Exposure and L/C Exposure does not exceed the total of all non-Defaulting Lenders' Revolving Commitments and (y) the conditions set forth in Section 6.2 are satisfied at such time;

(ii) if the reallocation described in clause (i) above cannot, or can only partially, be effected, the Borrower shall within one Business Day following notice by the Administrative Agent (x) first, prepay such Swingline Exposure and (y) second, cash collateralize such Defaulting Lender's L/C Exposure (after giving effect to any partial reallocation pursuant to clause (i) above) in accordance with the procedures set forth in Section 9 for so long as such L/C Exposure is outstanding;

(iii) if the Borrower cash collateralizes any portion of such Defaulting Lender's L/C Exposure pursuant to this Section 4.16(c), the Borrower shall not be required to pay any fees to such Defaulting Lender pursuant to Section 3.9 with respect to such Defaulting Lender's L/C Exposure during the period such Defaulting Lender's L/C Exposure is cash collateralized;

(iv) if the L/C Exposure of the non-Defaulting Lenders is reallocated pursuant to this Section 4.16(c), then the fees payable to the Lenders pursuant to Section 3.5 and Section 3.9 shall be adjusted in accordance with such non-Defaulting Lenders' Applicable Percentages; or

(v) if any Defaulting Lender's L/C Exposure is neither cash collateralized nor reallocated pursuant to this Section 4.16(c), then, without prejudice to any rights or remedies of the Issuing Lender or any Lender hereunder, all letter of credit fees payable under Section 3.9 with respect to such Defaulting Lender's L/C Exposure shall be payable to the Issuing Lender until such L/C Exposure is cash collateralized and/or reallocated;

(d) so long as any Revolving Lender is a Defaulting Lender, the Swingline Lender shall not be required to fund any Swingline Loan and the Issuing Lender shall not be required to issue, amend or increase any Letter of Credit, unless it is satisfied that the related exposure will be 100% covered by the Revolving Commitments of the non-Defaulting Lenders in a manner consistent with this Section 4.16(c)(i) and/or cash collateral will be provided by the Borrower in accordance with this Section 4.16(c); and

(e) so long as any Lender is a Defaulting Lender, any amount payable to such Defaulting Lender hereunder (whether on account of principal, interest, fees or otherwise and including any amount that would otherwise be payable to such Defaulting Lender pursuant to Section 4.8 but excluding Section 4.13) shall, in lieu of being distributed to such Defaulting Lender, be retained by the Administrative Agent in a segregated account and, subject to any applicable requirements of law, be applied at such time or times as may be determined by the

Administrative Agent (i) first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder, (ii) second, pro rata, to the payment of any amounts owing by such Defaulting Lender to the Issuing Lender or Swingline Lender hereunder, (iii) third, if such Defaulting Lender is a Revolving Lender and the Administrative Agent so determines or is requested by an Issuing Lender or Swingline Lender, held in such account as cash collateral for future funding obligations of the Defaulting Lender in respect of any existing or future participating interest in any Swingline Loan or Letter of Credit, (iv) fourth, to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent, (v) fifth, if such Defaulting Lender is a Revolving Lender and the Administrative Agent and the Borrower so determine, held in such account as cash collateral for future funding obligations of the Defaulting Lender in respect of any Loans under this Agreement, (vi) sixth, to the payment of any amounts owing to the Lenders or an Issuing Lender or Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender or such Issuing Lender or Swingline Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement, (vii) seventh, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement, and (viii) eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if such Defaulting Lender is a Revolving Lender and such payment is (x) a prepayment of the principal amount of any Loans or reimbursement obligations in respect of L/C Disbursements which such Defaulting Lender has funded its participation obligations and (y) made at a time when the conditions set forth in Section 6.2 are satisfied, such payment shall be applied solely to prepay the Loans of, and reimbursement obligations owed to, all non-Defaulting Lenders pro rata prior to being applied to the prepayment of any Loans, or reimbursement obligations owed to, such Defaulting Lender.

In the event that the Administrative Agent, the Borrower, the Issuing Lender and the Swingline Lender (as applicable) each agrees that a Defaulting Lender which is a Revolving Lender has adequately remedied all matters that caused such Lender to be a Defaulting Lender, then the Swingline Exposure and L/C Exposure of the Lenders shall be readjusted to reflect the inclusion of such Lender's Commitment and on such date such Lender shall purchase at par such of the Loans of the other Lenders (other than Swingline Loans) as the Administrative shall determine may be necessary in order for such Lender to hold such Loans in accordance with its Applicable Percentage.

## SECTION 5.

### REPRESENTATIONS AND WARRANTIES

To induce the Agents and the Lenders to enter into this Agreement and to make the Loans and issue or participate in the Letters of Credit, Holdings and the Borrower hereby jointly and severally represent and warrant to each Agent and each Secured Party that:

5.1 Financial Condition. There have been furnished to each Lender:

(a) (i) The audited balance sheets of Holdings and its Subsidiaries as of December 31, 2006, December 31, 2007 and December 31, 2008 and audited consolidated statements of income for the fiscal years then ended and (ii) the unaudited consolidated balance sheets of Holdings and its Subsidiaries as of September 30, 2008 and September 30, 2009 and the related unaudited consolidated statements of income for the nine-month periods ended on such dates (and, in the case of the consolidated balance sheet as of September 30, 2009, the twelve-month period ended on such date) present fairly in all material respects the consolidated financial condition of Holdings and its Subsidiaries as at such dates and the results of their operations for the periods then ended. All such financial statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the periods involved (except as otherwise stated therein or in the case of unaudited financial statements for the omission of footnotes and subject to year end adjustments, which adjustments are, individually and in the aggregate, immaterial).

(b) (i) The unaudited balance sheets of NLS as of December 29, 2007 and December 27, 2008, and unaudited statements of income for the fiscal years then ended and the unaudited balance sheet of NLS as of September 26, 2009, and an unaudited statement of income for the twelve fiscal month period then ended (collectively, the "NLS Financials"). Except as set forth on Schedule 5.1(b)(i), to the best knowledge of the Borrower, the NLS Financials fairly present, in all material respects, the financial condition of NLS as of the dates thereof and results of operations of NLS for the periods shown therein, and were derived from the books and records of NLS in conformity with GAAP consistently applied during the periods covered thereby (except as otherwise stated therein and for the omission of footnotes and subject to year end and other audit adjustments, which adjustments are, individually and in the aggregate, immaterial); and

(ii) (1) unaudited statement of contributed assets and assumed liabilities of the Core Vet Business as of December 29, 2007 and December 27, 2008, and unaudited statements of income for the fiscal years then ended, and (2) unaudited statement of contributed assets and assumed liabilities as of September 26, 2009, and an unaudited statement of income for the twelve fiscal month period then ended (collectively, the "Core Vet Financials"). Except as set forth on Schedule 5.1(b)(ii)-1, (A) the Core Vet Financials have been derived from the accounting records that underlie the consolidated financial statements of Schein as prepared as of the date hereof, which have been prepared in accordance with GAAP consistently applied during the periods covered thereby (except as otherwise stated therein or in the case of unaudited financial statements, subject to year end and other audit adjustments, which adjustments are, individually and in the aggregate, immaterial), (B) the net sales and direct costs have been determined in accordance with GAAP, consistently applied, (C) all other expenses reflected on the Core Vet Financials were determined and allocated in accordance with the principles, assumptions and methodologies on Schedule 5.1(b)(ii)-2 (the "Schein Allocation Methodologies"), which have been consistently applied to the Core Vet Financials, (D) Schein has not made any material mathematical error in applying the Schein Allocation Methodologies, and (E) none of the expenses under the category "Global SG&A Costs" on Schedule 5.1(b)(ii)-3, other than "Corporate Overhead", contains any material costs or expenses that directly support the Core Vet Business. □ 0;The income statements in the Core Vet Financials fairly present, in all material respects, the results of operations of the Core Vet Business for the periods shown therein, in accordance with the application of the Schein Allocation Methodologies and the

immediately preceding sentence. To the best knowledge of the Borrower, the Core Vet Financials have been prepared in good faith based on appropriate allocation methodologies that provide a reasonable and reasonably accurate presentation in the context of the Transactions.

(c) (i) The unaudited pro forma consolidated balance sheet (the “Pro Forma Balance Sheet”) of the Borrower as at September 30, 2009, (ii) the pro forma consolidated statements of income for the fiscal years ended December 31, 2007 and December 31, 2008, respectively, (iii) the pro forma consolidated statement of income for the twelve fiscal month period ended September 30, 2009 and (iv) the pro forma consolidated statement of income for the nine-month periods ended September 30, 2008 and September 30, 2009, respectively, to the extent prepared in reliance on the financial statements set forth in Section 5.1(b), to the best knowledge of the Borrower present fairly the pro forma consolidated financial condition of the Borrower as at such dates and the pro forma results of its operations for such periods, after giving effect (as if such events had occurred on October 1, 2008) to the Transactions (and, in the case of such balance sheet, the financing thereof). The Pro Forma Balance Sheet has been prepared based on the best information available to the Borrower as of the date of delivery thereof and as at September 30, 2009, assuming the events specified in the preceding sentence had actually occurred at such date.

5.2 No Change. Since September 30, 2009, there has been no development or event that has had or could reasonably be expected to have a Material Adverse Effect.

5.3 Corporate Existence; Compliance with Law. Each Group Member (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation or other entity and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except to the extent that the failure to do so could not reasonably be expected to have a Material Adverse Effect and (d) is in compliance with all Requirements of Law except to the extent that the failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

5.4 Power; Authorization; Enforceable Obligations. Each Loan Party has the power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to obtain extensions of credit hereunder. Each Loan Party has taken all necessary organizational action to authorize the execution, delivery and performance of the Loan Documents to which it is a party and, in the case of the Borrower, to authorize the extensions of credit on the terms and conditions of this Agreement. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the extensions of credit hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the Loan Documents, except (i) consents, authorizations, filings and notices described in Schedule 5.4, which consents, authorizations, filings and notices have been obtained or made and are in full force and effect and (ii) the filings referred to in Section 5.19. Each Loan Document has been duly executed and delivered on behalf of each Loan Party party thereto. This Agreement constitutes, and each other Loan Document constitutes, a legal, valid and binding



obligation of each Loan Party party thereto, enforceable against each such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

5.5 No Legal Bar. The execution, delivery and performance of this Agreement and the other Loan Documents, the issuance of Letters of Credit, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or any Contractual Obligation of any Group Member and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such Contractual Obligation (other than the Liens created by the Security Documents). No Requirement of Law or Contractual Obligation applicable to the Borrower or any of its Subsidiaries could reasonably be expected to have a Material Adverse Effect.

5.6 Litigation. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against any Group Member or against any of their respective properties or revenues (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) that could reasonably be expected to have a Material Adverse Effect.

5.7 No Default. No Group Member is in default under or with respect to any of its Contractual Obligations in any respect that could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

5.8 Ownership of Property; Liens. As of the Closing Date, each Group Member has a valid leasehold interest in all of its real property, and good title to, or a valid leasehold interest in, all of its other property, and none of such property is subject to any Lien except as permitted by Section 8.3.

5.9 Intellectual Property. Each Group Member owns, or is licensed or otherwise has the right to use, all Intellectual Property, free of material Liens, necessary for the conduct of its business as currently conducted. No material claim, litigation, investigation or other proceeding has been asserted and is pending, or to the knowledge of the Borrower, threatened by any Person involving any material Intellectual Property owned by any Group Member, or the validity or enforceability of any such Intellectual Property, nor does the Borrower know of any valid basis for any such claim. To the knowledge of the Borrower, the conduct of each Group Member's business and the use of owned and licensed Intellectual Property by each Group Member as currently used does not infringe, misappropriate or otherwise violate the Intellectual Property rights of any Person in any material respect.

5.10 Taxes. Each Group Member has filed or caused to be filed all Federal, state and other material tax returns that are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it or any of its property and all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any such taxes, fees or charges, the amount or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which reserves in

conformity with GAAP have been provided on the books of the Borrower, Holdings or their Subsidiaries, as the case may be); no tax Lien has been filed, and, to the knowledge of the Borrower, no claim is being asserted, with respect to any such tax, fee or other charge.

5.11 Federal Regulations. No part of the proceeds of any Loans, and no other extensions of credit hereunder, will be used (a) for “buying” or “carrying” any “margin stock” within the respective meanings of each of the quoted terms under Regulation U as now and from time to time hereafter in effect or (b) for any purpose that violates the provisions of the Regulations of the Board. No more than 25% of the assets of the Group Members consist of “margin stock” as so defined. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1, as applicable, referred to in Regulation U.

5.12 Labor Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect: (a) there are no strikes or other labor disputes against any Group Member pending or, to the knowledge of the Borrower, threatened; (b) hours worked by and payments made to employees of each Group Member have not been in violation of the Fair Labor Standards Act or any other applicable Requirement of Law dealing with such matters; and (c) all payments due from any Group Member on account of employee health and welfare insurance have been paid or accrued as a liability on the books of the relevant Group Member.

5.13 ERISA. During the five-year period prior to the date on which this representation is made or deemed made, and except as would not reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect to the Borrower or any Commonly Controlled Entity: (a) each Plan has complied in all material respects with the applicable provisions of ERISA and the Code; (b) no Reportable Event or non-exempt Prohibited Transaction has occurred; (c) prior to the effective date of the PPA, no “accumulated funding deficiency” (within the meaning of Section 412 of the Code or Section 302 of ERISA), and on and after the effective date of the PPA, no failure to satisfy the minimum funding standards (within the meaning of Sections 412 or 430 of the Code or Section 302 of ERISA) with respect to any Plan, whether or not waived, has occurred; (d) there has been no filing pursuant to Section 412(c) of the Code or Section 302(c) ERISA of an application for a waiver of the minimum funding standard with respect to any Plan, no failure to make by its due date a required installment under Section 430(j) of the Code with respect to any Plan, or failure by Borrower or any Commonly Controlled Entity to make a required contribution to a Multiemployer Plan; (e) neither Borrower nor any Commonly Controlled Entity has incurred any liability under Title IV of ERISA with respect to the termination of any Plan, including but not limited to the imposition of any Lien in favor of the PBGC or any Plan; (f) there has been no determination that any Plan is, or is expected to be, in “at risk” status within the meaning of Section 430 of the Code or Section 303 of ERISA; (g) neither Borrower nor any Commonly Controlled Entity has received any notice from the PBGC or a plan administrator of any notice relating an intention to terminate any Plan or to appoint a trustee to administer any Plan under Section 4042 of ERISA; (h) neither Borrower nor any Commonly Controlled Entity has incurred any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; and (i) neither Borrower nor any Commonly Controlled Entity has received any notice, or sent any notice to any

Multiemployer Plan, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, Insolvent, in Reorganization or in endangered or critical status within the meaning of Section 432 of the Code or Section 305 or Title IV of ERISA.

5.14 Investment Company Act; Other Regulations. No Loan Party is an “investment company”, or a company “controlled” by a Person required to register as an “investment company”, within the meaning of the Investment Company Act of 1940, as amended. No Loan Party is subject to regulation under any Requirement of Law (other than Regulation X of the Board) that limits its ability to incur Indebtedness.

5.15 Subsidiaries. Except as disclosed to the Administrative Agent by the Borrower in writing from time to time after the Closing Date, (a) Schedule 5.15 sets forth the name and jurisdiction of incorporation of each Subsidiary and, as to each such Subsidiary, the percentage of each class of Capital Stock owned by any Loan Party and (b) there are no outstanding subscriptions, options, warrants, calls, rights or other agreements or commitments (other than stock options granted to employees or directors and directors’ qualifying shares) of any nature relating to any Capital Stock of the Borrower or any Subsidiary, except as created by the Loan Documents.

5.16 Use of Proceeds. The proceeds of the Term Loans shall be used to finance a portion of the Transactions and to pay related fees and expenses. The proceeds of the Revolving Loans, together with the proceeds of the Swingline Loans and the Letters of Credit, shall be used to pay a portion of the fees and expenses relating to the Transactions and to finance working capital needs and for general corporate purposes of the Borrower and its Subsidiaries.

5.17 Environmental Matters. Except as, in the aggregate, could not reasonably be expected to have a Material Adverse Effect:

(a) the facilities and properties currently leased, owned or operated by any Group Member (the “Properties”) do not contain, and, to the Borrower’s knowledge, have not previously contained, any Materials of Environmental Concern in amounts or concentrations or under circumstances that constitute or constituted a violation of, or could reasonably be expected to give rise to liability to any Group Member under, any Environmental Law;

(b) no Group Member has received or is aware of any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the business operated by any Group Member (the “Business”), nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened;

(c) Materials of Environmental Concern have not been transported or disposed of by any Group Member nor has any Group Member arranged for the disposal of any Materials of Environmental Concern in violation of, or in a manner or to a location that could reasonably be expected to give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties or any formerly leased, owned or operated facility or property, by

any Group Member or, to the Borrower's knowledge, any other Person in violation of, or in a manner that could reasonably be expected to give rise to liability of any Group Member under, any applicable Environmental Law;

(d) no judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Borrower, threatened, under any Environmental Law to which any Group Member is or will be named as a party with respect to the Properties or the Business, nor is any Group Member subject to any consent decrees or other decrees, consent orders, administrative orders or other orders, that remain outstanding or unresolved under any Environmental Law with respect to the Properties or the Business;

(e) there has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or any formerly leased, owned or operated facility or property, or arising from or related to the operations of any Group Member in connection with the Properties or otherwise in connection with the Business, in amounts or in a manner that could reasonably be expected to give rise to liability to any Group Member under Environmental Laws;

(f) all Group Members, the Properties and all operations at the Properties are in compliance, and, to the Borrower's knowledge, have been in compliance, with all applicable Environmental Laws; and

(g) no Group Member has assumed any liability of any other Person under Environmental Laws.

5.18 Accuracy of Information, etc. No statement or information contained in this Agreement, any other Loan Document, the Confidential Information Memorandum or any other document, certificate or statement furnished by or on behalf of any Loan Party to the Administrative Agent or the Lenders, for use in connection with the transactions contemplated by this Agreement or the other Loan Documents, contained as of the date such statement, information, document or certificate was so furnished (and, in the case of the Confidential Information Memorandum, as of the date of this Agreement), any untrue statement of a material fact or omitted to state a material fact necessary to make the statements contained herein or therein not misleading. The projections and pro forma financial information contained in the materials referenced above (including the projections for the Borrower and its Subsidiaries on a quarterly basis for 2010 and 2011 and on an annual basis for 2012 through 2015) are based upon good faith estimates and assumptions believed by management of the Borrower to be reasonable at the time made, it being recognized by the Lenders that such financial information as it relates to future events is not to be viewed as fact and that actual results during the period or periods covered by such financial information may differ from the projected results set forth therein by a material amount. As of the Closing Date, (i) the representations and warranties contained in the Transaction Documentation made by or on behalf of any Loan Party were true and correct in all material respects and (ii) to the knowledge of the Borrower, the representations and warranties contained in the Transaction Documentation made by or on behalf of Persons other than the Loan Parties were true and correct in all material respects. There is no fact known to any Loan Party that could reasonably be expected to have a Material Adverse Effect that has not been expressly disclosed herein, in the other Loan Documents, in the Confidential Information

Memorandum or in any other documents, certificates and statements furnished to the Administrative Agent and the Lenders for use in connection with the transactions contemplated hereby and by the other Loan Documents.

5.19 Security Documents. (a) The Guarantee and Collateral Agreement is effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a legal, valid and enforceable security interest in the Collateral described therein and proceeds thereof. In the case of the Pledged Stock and Pledged Notes (as each is defined in the Guarantee and Collateral Agreement) described in the Guarantee and Collateral Agreement, when certificates (if any) and promissory notes representing such Pledged Stock and Pledged Notes, respectively, are delivered to the Administrative Agent (together with a properly completed and signed stock power or endorsement), and in the case of the other Collateral described in the Guarantee and Collateral Agreement, when financing statements and other filings specified on Schedule 5.19(a) in appropriate form are filed in the offices specified on Schedule 5.19(a), to the extent perfection can be accomplished by filing in such offices, the Guarantee and Collateral Agreement shall constitute a fully perfected first priority Lien on, and security interest in, all right, title and interest of the Loan Parties in such Collateral and the proceeds thereof, as security for the Obligations (as defined in the Guarantee and Collateral Agreement), in each case prior and superior in right to any other Person (except, in the case of Collateral other than Pledged Stock and Pledged Notes, Liens permitted by Section 8.3 which are entitled to priority as a matter of law).

(b) When executed and delivered, each of the Control Agreements will be effective to create in favor of the Administrative Agent, for the benefit of the Secured Parties, a legal, valid and enforceable security interest in each of the deposit accounts (other than payroll or benefit accounts) identified as such on Schedule 5.21.

5.20 Solvency. Each Loan Party is, and after giving effect to the Transactions and the incurrence of all Indebtedness and obligations being incurred in connection herewith and therewith will be and will continue to be, Solvent.

5.21 Deposit and Disbursement Accounts. As of the Closing Date, Schedule 5.21 lists all banks and other financial institutions at which any Loan Party maintains deposit or other accounts, and such Schedule 5.21 correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

5.22 Certain Documents. The Borrower has delivered to the Administrative Agent a complete and correct copy of the Transaction Documentation, including any amendments, supplements or modifications with respect to any of the foregoing.

5.23 Holdings. After giving effect to the consummation of the Transactions, Holdings does not engage in any trade or business or own or hold any assets (other than its interest in the Borrower and de minimus assets), and has not incurred any Indebtedness or Guarantee Obligations or other liabilities other than pursuant to the Loan Documents.

5.24 Foreign Assets Control Regulations. The Borrower is not, and to the knowledge of the Borrower, none of its Affiliates is, or will be after consummation of the Transactions contemplated by the Loan Documents and application of the proceeds of the Loans, by reason of being a “national” of a “designated foreign country” or a “specially designated national” within the meaning of the Regulations of the Office of Foreign Assets Control, United States Treasury Department (31 C.F.R., Subtitle B, Chapter V), or for any other reason, in violation of, any United States Federal statute or Presidential Executive Order concerning trade or other relations with any foreign country or any citizen or national thereof or the ownership or operation of any property.

5.25 Anti-Terrorism Laws.

(a) The Borrower is not and, to the knowledge of the Borrower, none of its Affiliates is in violation of any laws relating to terrorism or money laundering (“Anti-Terrorism Laws”), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the “Executive Order”), and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Public Law 107- 56.

(b) The Borrower is not, and to the knowledge of the Borrower, no Affiliate or broker or other agent of the Borrower acting or benefiting in any capacity in connection with the Loans is, any of the following:

- (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;
- (ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;
- (iii) a Person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; or
- (iv) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order.

(c) The Borrower does not, and to the knowledge of the Borrower, no broker or other agent of the Borrower acting in any capacity in connection with the Loans, (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in paragraph (b) above, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

SECTION 6.

CONDITIONS PRECEDENT

6.1 Conditions to Initial Extension of Credit. The agreement of each Lender to make the initial extension of credit requested to be made by it on the Closing Date is subject to the satisfaction or waiver, prior to or concurrently with the making of such extension of credit on the Closing Date, of the following conditions precedent:

(a) Credit Agreement; Guarantee and Collateral Agreement. The Administrative Agent shall have received (i) this Agreement, executed and delivered by the Administrative Agent, the Borrower and each Person listed on Schedule 1.1, (ii) the Guarantee and Collateral Agreement, executed and delivered by the Borrower and each Guarantor and (iii) an Acknowledgement and Consent in the form attached to the Guarantee and Collateral Agreement, executed and delivered by each Issuer (as defined therein), if any, that is not a Loan Party.

(b) Transactions, etc. In each case the following shall have occurred:

(i) The Transactions shall have been consummated in accordance with all material applicable law and no provision of the Transaction Documentation shall have been waived, amended, supplemented or otherwise modified in any manner that is materially adverse to the interests of the Lenders without approval of the Administrative Agent; and

(ii) The Administrative Agent shall have received (1) satisfactory evidence that the existing credit agreement dated as of July 1, 2005, as amended and restated as of January 22, 2007, among the Borrower, Butler, Holdings, the several lenders parties thereto, Wells Fargo Bank, N.A., as syndication agent, J.P. Morgan Securities Inc. (as successor to Bear Stearns & Co. Inc.), as lead arranger and JPMorgan Chase Bank (as successor to Bear Stearns Corporate Lending Inc.), as administrative agent, shall have been terminated and all amounts thereunder shall have been paid in full, (2) evidence that satisfactory arrangements shall have been made for the termination of all Liens granted in connection therewith and (3) evidence that satisfactory arrangements shall have been made for the termination of all Liens granted in connection with the Schein Assets.

(c) Approvals. The governmental and third party approvals set forth on Schedule 6.1(c) shall have been obtained and be in full force and effect, and all applicable waiting periods shall have expired without any action being taken or threatened by any competent authority that would restrain, prevent or otherwise impose adverse conditions on the financing contemplated hereby.

(d) Lien Searches. The Administrative Agent shall have received the results of a recent lien search in each of the domestic jurisdictions where assets of each Loan Party are located, and such search shall reveal no Liens on any of the assets of the Loan Parties except for

liens permitted by Section 8.3 or discharged on or prior to the Closing Date pursuant to documentation satisfactory to the Administrative Agent.

(e) Closing Certificate; Certified Certificate of Incorporation; Good Standing Certificates. The Administrative Agent shall have received (i) a certificate of each Loan Party, dated the Closing Date, substantially in the form of Exhibit E, with appropriate insertions and attachments including the certificate of formation or appropriate formation documents of each Loan Party certified by the relevant authority of the jurisdiction of organization of such Loan Party, and (ii) a long form good standing certificate for each Loan Party from its jurisdiction of organization.

(f) Representations and Warranties. Each of the representations and warranties (to the extent applicable on the Closing Date) made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date.

(g) Legal Opinions. The Administrative Agent shall have received the executed legal opinion of Paul, Weiss, Rifkind, Wharton & Garrison LLP, counsel to the Borrower and its Subsidiaries, in form and substance reasonably acceptable to the Administrative Agent.

(h) Fees. The Lenders and the Agents shall have received all fees required to be paid, and all expenses for which invoices have been presented (including the reasonable fees and expenses of legal counsel), on or before the Closing Date.

(i) Solvency Certificate. The Administrative Agent shall have received a solvency certificate, in form and substance satisfactory to the Administrative Agent, from the chief financial officer or other authorized officer of the Borrower.

(j) Filings, Registrations and Recordings. Each document (including any Uniform Commercial Code financing statement) required by the Security Documents or under law or reasonably requested by the Administrative Agent to be filed, registered or recorded in order to create in favor of the Administrative Agent, for the benefit of the Lenders, a perfected Lien on the Collateral described therein, prior and superior in right to any other Person (other than with respect to Liens expressly permitted by Section 8.3), shall be in proper form for filing, registration or recordation.

(k) Insurance. The Administrative Agent shall have received insurance certificates satisfying the requirements of Section 5.3(b) of the Guarantee and Collateral Agreement.

(l) Ratings. The Administrative Agent shall have received evidence that the Borrower has obtained a corporate rating of at least B2 from Moody's and B from S&P, and the Facilities shall have received a facility rating of at least B2 from Moody's and B from S&P, in each case with stable or better outlook.

(m) Other Documents. The Administrative Agent shall have received such other documents, instruments and certificates as it shall reasonably require.



6.2 Conditions to Each Extension of Credit. The agreement of each Lender to make any extension of credit requested to be made by it on any date (including its initial extension of credit on the Closing Date) is subject to the satisfaction of the following conditions precedent:

(a) Representations and Warranties. Each of the representations and warranties made by any Loan Party in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date, except for any representation and warranty that expressly relates to an earlier date, in which case such representation and warranty shall be true and correct as of such date.

(b) No Default. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the extensions of credit requested to be made on such date.

Each borrowing by and issuance of a Letter of Credit on behalf of the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date of such extension of credit that the conditions contained in this Section 6.2 have been satisfied.

## SECTION 7.

### AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or Agent hereunder, the Borrower shall and shall cause each of its Subsidiaries to:

7.1 Financial Statements. Furnish to the Administrative Agent and each Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the audited consolidated balance sheet of the Consolidated Group as at the end of such year and the related audited consolidated statements of income and of cash flows for such year, setting forth in each case in comparative form the figures for the previous year, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by independent certified public accountants of nationally recognized standing; and

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Consolidated Group, the unaudited consolidated balance sheet of the Consolidated Group as at the end of such quarter and the related unaudited consolidated statements of income and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments).

All such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the

periods reflected therein and with prior periods (except as approved by such accountants or officer, as the case may be, and disclosed therein).

7.2 Certificates; Other Informati. Furnish to the Administrative Agent and each Lender (or, in the case of clause (g), to the relevant Lender):

(a) concurrently with the delivery of the financial statements referred to in Section 7.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default with respect to any financial and/or accounting matters, including Borrower's noncompliance with any financial covenants set forth in this Agreement, except as specified in such certificate;

(b) concurrently with the delivery of any financial statements pursuant to Section 7.1, (i) a certificate of a Responsible Officer stating that, to the best of such Responsible Officer's knowledge, each Loan Party during such period has observed or performed all of its covenants and other agreements, and satisfied every condition, contained in this Agreement and the other Loan Documents to which it is a party to be observed, performed or satisfied by it, and that such Responsible Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) in the case of quarterly or annual financial statements, (x) a Compliance Certificate containing all information and calculations necessary for determining compliance by each Group Member with the provisions of this Agreement referred to therein as of the last day of the fiscal quarter or fiscal year of the Borrower, as the case may be, and (y) to the extent not previously disclosed to the Administrative Agent, (1) a description of any change in the jurisdiction of organization of any Loan Party, (2) a list of any Intellectual Property acquired by or exclusively licensed to any Loan Party and (3) a description of any Person that has become a Group Member, in each case since the date of the most recent report delivered pursuant to this clause (y) (or, in the case of the first such report so delivered, since the Closing Date);

(c) as soon as available, and in any event no later than 60 days after the end of each fiscal year of the Borrower, a detailed consolidated budget for the following fiscal year (including a projected consolidated balance sheet of the Borrower and its Subsidiaries as of the end of the following fiscal year, the related consolidated statements of projected cash flow, projected changes in financial position and projected income and a description of the underlying assumptions applicable thereto), and, as soon as available, significant revisions, if any, of such budget and projections with respect to such fiscal year (collectively, the "Projections" 221:), which Projections shall in each case be accompanied by a certificate of a Responsible Officer stating that such Projections are based on reasonable estimates, information and assumptions and that such Responsible Officer has no reason to believe that such Projections are incorrect or misleading in any material respect;

(d) if the Borrower or Holdings is not then a reporting company under the Exchange Act, as amended, within 45 days after the end of each fiscal quarter of the Borrower (or 90 days, in the case of the last fiscal quarter of any fiscal year), a narrative discussion and analysis of the financial condition and results of operations of the Borrower and its Subsidiaries for such fiscal quarter and for the period from the beginning of the then current fiscal year to the

end of such fiscal quarter, as compared to the portion of the Projections covering such periods and to the comparable periods of the previous year;

(e) no later than 3 Business Days prior to the effectiveness thereof, copies of substantially final drafts of any proposed amendment, supplement, waiver or other modification with respect to the Transaction Documentation;

(f) within 5 days after the same are sent, copies of all financial statements and reports that the Borrower sends to the holders of any class of its debt securities or public equity securities and, within 5 days after the same are filed, copies of all financial statements and reports that the Borrower may make to, or file with, the SEC; and

(g) promptly, such additional financial and other information as any Lender may from time to time reasonably request.

7.3 Payment of Obligations. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its material obligations of whatever nature, except where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the relevant Group Member.

7.4 Maintenance of Existence; Compliance. (a) (i) Preserve, renew and keep in full force and effect its organizational existence and (ii) take all reasonable action to maintain all rights, privileges and franchises necessary or desirable in the normal conduct of its business, except, in each case, as otherwise permitted by Section 8.4 and except, in the case of clause (ii) above, to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect; and (b) comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

7.5 Maintenance of Property; Insurance. (a) Keep all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks (but including in any event public liability, product liability and business interruption) as are usually insured against in the same general area by companies engaged in the same or a similar business.

7.6 Inspection of Property; Books and Records; Discussions. (a) Keep proper books of records and accounts in which full, true and correct entries in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities and (b) permit representatives designated by any Lender upon reasonable prior notice to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time during normal business hours and as often as may reasonably be desired and to discuss the business, operations, properties and financial and other condition of the Group Members in the presence of an officer or other representative of the Borrower with officers and employees of the Group Members and with their independent certified public accountants.

7.7 Notices. Promptly give notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of any Group Member or (ii) litigation, investigation or proceeding that may exist at any time between any Group Member and any Governmental Authority, that in either case could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting any Group Member (i) in which the amount involved is \$2,000,000 or more and not covered by insurance, (ii) in which injunctive or similar relief is sought or (iii) which relates to any Loan Document;

(d) the following events that could in any case reasonably be expected to have a Material Adverse Effect, as soon as possible and in any event within 30 days after the Borrower or any Commonly Controlled Entity knows or has reason to know thereof: (i) the occurrence of a Reportable Event or non-exempt Prohibited Transaction; (ii) a failure to satisfy the minimum funding standards (within the meaning of Sections 412 or 430 of the Code or Section 302 of ERISA) with respect to any Plan, whether or not waived, or a filing pursuant to Section 402(c) of the Code or Section 302(c) ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (iii) a failure to make by its due date a required installment under Section 430(j) of the Code with respect to any Plan, or a failure by Borrower or any Commonly Controlled Entity to make a required contribution to a Multiemployer Plan; (iv) the incurrence by Borrower or any Commonly Controlled Entity of liability under Title IV of ERISA with respect to the termination of any Plan, including but not limited to the imposition of any Lien in favor of the PBGC or any Plan; (v) the determination that any Plan is, or is expected to be, in "at risk" status within the meaning of Section 430 of the Code or Section 303 of ERISA; (vi) the receipt by Borrower or any Commonly Controlled Entity of any notice from the PBGC or a plan administrator relating an intention to terminate any Plan or to appoint a trustee to administer any Plan under Section 4042 of ERISA; (vii) the incurrence by Borrower or any Commonly Controlled Entity of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (viii) the receipt by Borrower or any Commonly Controlled Entity of any notice, or sending by Borrower or any Commonly Controlled Entity of any notice to any Multiemployer Plan, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, Insolvent, in Reorganization or in endangered or critical status within the meaning of Section 432 of the Code or Section 305 or Title IV of ERISA;

(e) copies of any documents described in Sections 101(k) or 101(l) of ERISA that Borrower or any Commonly Controlled Entity may request and has actually received with respect to any Multiemployer Plan; provided, that if the Borrower or any Commonly Controlled Entity has not requested such documents or notices from the administrator or sponsor of the applicable Multiemployer Plan, then, upon reasonable request of the Administrative Agent, the Borrower and/or its Commonly Controlled Entities shall promptly make a request for such documents or notices from such administrator or sponsor and the Borrower shall provide copies of such documents and notices to the Administrative Agent promptly after receipt thereof, if and

to the extent such documents are actually received by the Borrower; and further provided, that the rights granted to the Administrative Agent in this section shall be exercised not more than once during a 12-month period; and

- (f) any development or event that has had or could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this Section 7.7 shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrower or the relevant Subsidiary proposes to take with respect thereto.

7.8 Environmental Laws. (a) Comply in all material respects with, and ensure compliance in all material respects by all tenants and subtenants of any Property, including any future Property to be acquired by any Group Member prior to the Term Termination Date, if any, with, all applicable Environmental Laws, and obtain and comply in all material respects with and maintain, and ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or permits required by applicable Environmental Laws for the operation of the Business. For purposes of this Section 7.8(a), noncompliance with any of the foregoing shall be deemed not to constitute a breach of this covenant if upon learning of any actual or alleged noncompliance, such Group Member shall promptly undertake reasonable efforts to achieve compliance and provided that any failure to comply with any of the foregoing would not, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(b) Conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws with respect to the Property or the Business.

7.9 Interest Rate Protection. Within 90 days after the Closing Date, enter into, and thereafter maintain, Hedge Agreements to the extent necessary to provide that at least 50% of the aggregate principal amount of the Term Loans is subject to either a fixed interest rate or interest rate protection for a period of not less than two years, which Hedge Agreements shall have terms and conditions reasonably satisfactory to the Administrative Agent.

7.10 Additional Collateral, etc. (a) With respect to any property acquired after the Closing Date by any Group Member (other than (x) any property described in paragraph (c) or (d) below and any interest in real property, (y) any property subject to a Lien expressly permitted by Section 8.3(g) or 8.3(j) and (z) property acquired by any Excluded Foreign Subsidiary) as to which the Administrative Agent, for the benefit of the relevant Secured Parties, does not have a perfected Lien, promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement or such other documents as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the relevant Secured Parties, a first priority security interest in such property and (ii) take all actions necessary or advisable to grant to the Administrative Agent, for the benefit of the relevant Secured Parties, a first priority security interest in such property, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the

Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent.

(b) With respect to any fee interest in any real property having a value (together with improvements thereof) of at least \$1,000,000 acquired after the Closing Date by any Group Member (other than (x) any such real property subject to a Lien expressly permitted by Section 8.3(g) or 8.3(j) and (y) real property acquired by any Excluded Foreign Subsidiary), promptly (i) execute and deliver a Mortgage, in favor of the Administrative Agent, in form and substance reasonably satisfactory to the Administrative Agent, for the benefit of the Secured Parties, covering such real property, which shall grant to the Administrative Agent for the benefit of the Secured Parties a first priority security interest in such property, (i i) if requested by the Administrative Agent, provide the Lenders with (x) title and extended coverage insurance covering such real property in an amount at least equal to the purchase price of such real property (or such other amount as shall be reasonably specified by the Administrative Agent) as well as a current ALTA survey thereof, together with a surveyor's certificate and (y) any consents or estoppels reasonably deemed necessary or advisable by the Administrative Agent in connection with such Mortgage, each of the foregoing in form and substance reasonably satisfactory to the Administrative Agent and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(c) With respect to any new Subsidiary (other than an Excluded Foreign Subsidiary) created or acquired after the Closing Date by any Group Member (which, for the purposes of this paragraph (c), shall include any existing Subsidiary that ceases to be an Excluded Foreign Subsidiary), promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the relevant Secured Parties, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is owned by any Group Member, in the case of the Secured Parties, (ii) deliver to the Administrative Agent the certificates, if any, representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the relevant Group Member, (iii) cause such new Subsidiary (A) to become a party to the Guarantee and Collateral Agreement, (B) to take such actions necessary or advisable to grant to the Administrative Agent for the benefit of the relevant Secured Parties a perfected first priority security interest in the Collateral described in the Guarantee and Collateral Agreement with respect to such new Subsidiary, including the filing of Uniform Commercial Code financing statements in such jurisdictions as may be required by the Guarantee and Collateral Agreement or by law or as may be requested by the Administrative Agent and (C) to deliver to the Administrative Agent a certificate of such Subsidiary, substantially in the form of Exhibit E, with appropriate insertions and attachments, and (iv) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

(d) With respect to any new Excluded Foreign Subsidiary created or acquired after the Closing Date by any Group Member (other than by any Group Member that is an

Excluded Foreign Subsidiary), promptly (i) execute and deliver to the Administrative Agent such amendments to the Guarantee and Collateral Agreement as the Administrative Agent deems necessary or advisable to grant to the Administrative Agent, for the benefit of the Secured Parties, a perfected first priority security interest in the Capital Stock of such new Subsidiary that is owned by any such Group Member (provided that in no event shall more than 65% of the total outstanding Capital Stock of any such new Subsidiary be required to be so pledged), (ii) deliver to the Administrative Agent the certificates, if any, representing such Capital Stock, together with undated stock powers, in blank, executed and delivered by a duly authorized officer of the relevant Group Member, as the case may be, and take such other action as may be necessary or, in the opinion of the Administrative Agent, desirable to perfect the Administrative Agent's security interest therein, and (iii) if requested by the Administrative Agent, deliver to the Administrative Agent legal opinions relating to the matters described above, which opinions shall be in form and substance, and from counsel, reasonably satisfactory to the Administrative Agent.

7.11 Maintenance of Ratings. At all times use commercially reasonable efforts to maintain ratings issued by Moody's and S&P with respect to the Facilities.

7.12 Patriot Act Compliance. Provide such information and take such actions as are reasonably required by the Administrative Agent or any Lender in order to assist the Administrative Agent and Lenders with compliance with the USA Patriot Act, Title III of Pub. L. 107-56, signed into law October 26, 2001, as amended.

7.13 Landlord Waivers; Bailee Letters. As reasonably requested by the Administrative Agent and to the extent not otherwise delivered pursuant to Sections 6.1 and 6.2, the Borrower shall use commercially reasonable efforts to obtain a landlord's agreement or bailee letter, as applicable, from the lessor of each leased property or bailee with respect to any warehouse, processor or converter facility or other location where Collateral having a fair market value in the aggregate equal to at least \$1,000,000 is reasonably likely to be stored or located for more than a temporary period, which agreement or letter shall be reasonably satisfactory in form and substance to the Administrative Agent.

7.14 Further Assurances. From time to time execute and deliver, or cause to be executed and delivered, such additional instruments, certificates or documents, and take all such actions, as the Administrative Agent may reasonably request for the purposes of implementing or effectuating the provisions of this Agreement and the other Loan Documents, or of more fully perfecting or renewing the rights of the Administrative Agent and the Secured Parties with respect to the Collateral (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or assets hereafter acquired by the Borrower or any Subsidiary which may be deemed to be part of the Collateral) pursuant hereto or thereto. Upon the exercise by the Administrative Agent or any Lender of any power, right, privilege or remedy pursuant to this Agreement or the other Loan Documents which requires any consent, approval, recording qualification or authorization of any Governmental Authority, the Borrower will execute and deliver, or will cause the execution and delivery of, all applications, certifications, instruments and other documents and papers that the Administrative Agent or such Lenders may be required to obtain from the Borrower or any of its Subsidiaries for such governmental consent, approval, recording, qualification or authorization.

## SECTION 8.

## NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect, any Letter of Credit remains outstanding or any Loan or other amount is owing to any Lender or Agent hereunder, the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

8.1 Financial Condition Covenants

(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio as at the last day of any fiscal quarter ending as set forth below to exceed the ratio set forth below opposite such fiscal quarter:

Fiscal Quarter	Consolidated Leverage Ratio
March 31, 2010	4.75:1.00
June 30, 2010	4.75:1.00
September 30, 2010	4.75:1.00
December 31, 2010	4.75:1.00
March 31, 2011	4.50:1.00
June 30, 2011	4.50:1.00
September 30, 2011	4.25:1.00
December 31, 2011	4.25:1.00
March 31, 2012	3.75:1.00
June 30, 2012	3.75:1.00
September 30, 2012	3.50:1.00
December 31, 2012	3.25:1.00
March 31, 2013	3.00:1.00
June 30, 2013	2.75:1.00
September 30, 2013	2.50:1.00
December 31, 2013	2.50:1.00
March 31, 2014	2.50:1.00
June 30, 2014	2.50:1.00
September 30, 2014	2.50:1.00
December 31, 2014	2.50:1.00
March 31, 2015	2.50:1.00
June 30, 2015	2.50:1.00
September 30, 2015	2.50:1.00
December 31, 2015	2.50:1.00



December 31, 2015

2.50:1.00

(b) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio for any period of four consecutive fiscal quarters of the Consolidated Group (or, if less, the number of full fiscal quarters subsequent to the Closing Date) ending with any fiscal quarter set forth below to be less than the ratio set forth below opposite such fiscal quarter:

Fiscal Quarter	Consolidated Interest Coverage Ratio
March 31, 2010	3.50:1.00
June 30, 2010	3.50:1.00
September 30, 2010	3.50:1.00
December 31, 2010	3.50:1.00
March 31, 2011	3.75:1.00
June 30, 2011	4.00:1.00
September 30, 2011	4.25:1.00
December 31, 2011	4.25:1.00
March 31, 2012	4.50:1.00
June 30, 2012	4.50:1.00
September 30, 2012	4.50:1.00
December 31, 2012	4.50:1.00
March 31, 2013	4.50:1.00
June 30, 2013	4.50:1.00
September 30, 2013	4.75:1.00
December 31, 2013	5.00:1.00
March 31, 2014	5.00:1.00
June 30, 2014	5.00:1.00
September 30, 2014	5.00:1.00
December 31, 2014	5.00:1.00
March 31, 2015	5.00:1.00
June 30, 2015	5.00:1.00
September 30, 2015	5.00:1.00
December 31, 2015	5.00:1.00

8.2 Indebtedness. Create, issue, incur, assume, become liable in respect of or suffer to exist any Indebtedness, except:

(a) Indebtedness of any Loan Party pursuant to any Loan Document;

(b) Indebtedness (i) of the Borrower to any Subsidiary, (ii) of any Wholly Owned Guarantor to the Borrower or any other Guarantor, (iii) of any Foreign Subsidiary to any other Foreign Subsidiary and (iv) subject to Section 8.8(h), of any Foreign Subsidiary to the Borrower or any Wholly Owned Guarantor;

(c) Guarantee Obligations incurred in the ordinary course of business by the Borrower or any of its Subsidiaries of obligations of the Borrower, any Wholly Owned Guarantor and, subject to Section 8.8(h), of any Foreign Subsidiary;

(d) Indebtedness outstanding on the date hereof and listed on Schedule 8.2(d) and any refinancings, refundings, renewals or extensions thereof (without increasing, or shortening the maturity of, the principal amount thereof);

(e) Indebtedness in respect of Purchase Money Obligations and any refinancings or renewals thereof (in an aggregate principal amount not to exceed \$10,000,000 at any one time outstanding);

(f) Hedge Agreements permitted under Section 8.11; and

(g) additional Indebtedness of the Borrower or any of its Subsidiaries in an aggregate principal amount (for the Borrower and all Subsidiaries) not to exceed \$10,000,000 at any one time outstanding.

(h) Indebtedness of a Person in an aggregate amount not to exceed \$10,000,000 at any time outstanding whose Capital Stock or assets are acquired in a Permitted Acquisition and any refinancing thereof; provided that such Indebtedness was not incurred in connection with, or in anticipation of such Permitted Acquisition;

(i) contingent liabilities in an aggregate amount not to exceed \$10,000,000 at any time outstanding in respect of any indemnification, adjustment of purchase price, earn out, non-compete, consulting, deferred compensation and similar obligations of the Borrower or their Subsidiaries incurred in connection with any Permitted Acquisition or the Disposition of any business or property;

(j) without duplication of Indebtedness permitted under clause (i) above, Indebtedness representing deferred compensation to employees of the Borrower and its Subsidiaries made in the ordinary course of business in an aggregate amount not to exceed \$2,500,000 (net of investment reserves in respect of such deferred compensation) at any time outstanding;

(k) Indebtedness incurred in the ordinary course and owed to any Person providing property, casualty or liability insurance to the Borrower or its Subsidiaries, so long as such Indebtedness shall not be in excess of the amount of the unpaid cost of, and shall be incurred only to defer the cost of, such insurance for the year in which such Indebtedness is incurred and such Indebtedness shall only be outstanding during such year;

(l) Indebtedness not to exceed \$200,000 at any time outstanding arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness is extinguished within five Business Days of the incurrence thereof;

(m) Indebtedness in respect of bid, performance or surety bonds, workers' compensation claims, self-insurance obligations and bankers' acceptances issued for the account of the Borrower or any of their Subsidiaries in the ordinary course of business, including guarantees or obligations of the Borrower or any of their Subsidiaries with respect to letters of credit supporting such bid, performance or surety bonds, workers' compensation claims, self-insurance obligations and bankers' acceptances; and

(n) unsecured Indebtedness of the Borrower that is subordinated in right of payment to the prior payment in full of the Obligations, pursuant to terms and conditions reasonably satisfactory to the Administrative Agent, and (ii) unsecured Guarantee Obligations of any Subsidiary that is a Guarantor in respect of such Indebtedness so long as such Guarantee Obligations are subordinated to the same extent as the obligations of the Borrower in respect of such Indebtedness; provided that (x) there are no scheduled payments of principal on such Indebtedness prior to the date six months after the Term Termination Date and (y) after giving effect to such Indebtedness and the Borrower's use of the proceeds thereof, the Borrower shall be in compliance with the financial covenants set forth in Section 8.1.

8.3 Liens. Create, incur, assume or suffer to exist any Lien upon any of its property, whether now owned or hereafter acquired, except for:

(a) Liens for taxes, assessments, government charges or levies not yet due or that are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business that are not overdue for a period of more than 45 days or that are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation and deposits made to secure liability to insurance carriers;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), sales, leases, statutory or regulatory obligations, self insurance obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions, licenses and other similar encumbrances incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and that do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or any of its Subsidiaries;

(f) Liens in existence on the date hereof listed on Schedule 8.3(f), securing Indebtedness permitted by Section 8.2(d); provided that no such Lien shall attach to any additional property after the Closing Date and that the amount of Indebtedness secured thereby is not increased;

(g) Liens securing Indebtedness of the Borrower or any Subsidiary incurred pursuant to Section 8.2(e) or 8.2(f); provided that (i) such Liens shall be created substantially simultaneously with the acquisition of such assets, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness and (iii) the amount of Indebtedness secured thereby is not increased;

(h) Liens created pursuant to the Loan Documents;

(i) any interest or title of a lessor or lessee under any lease entered into by the Borrower or any Subsidiary in the ordinary course of its business and covering only the assets so leased;

(j) Liens not otherwise permitted by this Section so long as neither (i) the aggregate outstanding principal amount of the obligations secured thereby nor (ii) the aggregate fair market value (determined as of the date such Lien is incurred) of the assets subject thereto exceeds (as to the Borrower and all Subsidiaries) \$5,000,000 at any one time;

(k) Liens upon inventory or other goods securing obligations in respect of bankers' acceptances or documentary letters of credit issued or created to facilitate the shipment or storage of such inventory or other goods;

(l) customary set-off rights or similar rights and remedies of applicable banks to the extent permitted under the Control Agreements, if applicable;

(m) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default;

(n) any Lien on any asset of the Borrower existing as of the date hereof as set forth on Schedule 8.3(f), including renewals and replacements thereof; provided that the principal amount of the Indebtedness secured by such Lien is not increased, the terms of such Indebtedness are not less favorable to the Borrower than the terms of the Indebtedness so renewed or replaced, and such Lien does not attach to any other property;

(o) Liens arising from precautionary Uniform Commercial Code financing statements by lessors in connection with operating leases;

(p) leases and subleases granted to third Persons in the ordinary course of business; and

(q) Liens securing Indebtedness incurred pursuant to Section 8.2(i).

8.4 Fundamental Changes. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or Dispose of, all or substantially all of its property or business, except that:

(a) any Subsidiary of the Borrower may be merged or consolidated with or into the Borrower (provided that the Borrower shall be the continuing or surviving corporation) or with or into any Wholly Owned Guarantor (provided that the Wholly Owned Guarantor shall be the continuing or surviving corporation); and

(b) any Subsidiary of the Borrower may Dispose of any or all of its assets (upon voluntary liquidation or otherwise) to the Borrower or any Wholly Owned Guarantor, or subject to Section 8.8(h) in a Foreign Subsidiary;

(c) any Subsidiary may merge with another Person to effect a transaction permitted under Section 8.8;

(d) Permitted Acquisitions; and

(e) transactions permitted under Section 8.5 shall be permitted.

8.5 Disposition of Property. Dispose of any of its property, whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person, except:

(a) the Disposition of obsolete or worn out property in the ordinary course of business;

(b) the sale of inventory in the ordinary course of business;

(c) Dispositions permitted by Section 8.4(b);

(d) the sale or issuance of any Subsidiary's Capital Stock to the Borrower or any Wholly Owned Guarantor;

(e) the Disposition of property having a fair market value not to exceed \$3,000,000 in the aggregate for any fiscal year of the Borrower; and

(f) the Disposition of leased properties of any Group Member not necessary for the conduct or the operation of the business of such Group Member consistent with terms disclosed to the Administrative Agent.

8.6 Restricted Payments. Declare or pay any dividend (other than dividends payable solely in common stock of the Person making such dividend) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any Capital Stock of any Group Member, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower or any Subsidiary (collectively, R 20;Restricted Payments"), except that:

(a) any Subsidiary may make Restricted Payments to the Borrower or any Wholly Owned Guarantor;

(b) the Borrower may make the Closing Date Distribution;

(c) the Borrower may pay dividends or make other Restricted Payments to Holdings in an aggregate amount since the date hereof equal to the sum of (i) \$10,000 and (ii) the portion of the Excess Cash Flow of the Borrower for each completed fiscal year of the Borrower not required to be paid as a mandatory prepayment pursuant to Section 4.2; provided that no such Restricted Payment shall be made if a Default or Event of Default shall have occurred and be continuing or would result after giving pro forma effect to such Restricted Payment;

(d) the Borrower may pay dividends to Holdings to permit Holdings to (i) pay corporate overhead expenses incurred in the ordinary course of business not to exceed \$1,000,000 in any fiscal year, (ii) pay any taxes that are due and payable by Holdings and the Borrower as part of a consolidated group not to exceed the amount of taxes that the Borrower and its Subsidiaries would have paid as a stand-alone group and (iii) so long as Borrower is treated, for U.S. federal income tax purposes, as a partnership or an entity disregarded as separate from its owner, pay the amounts necessary to make distributions described in Section 8.6(f) to the extent such distributions are attributable to the net income of the Borrower that is allocated to Holdings (determined as if the Borrower were a stand-alone partnership in the event the Borrower is a disregarded entity);

(e) the Borrower may purchase or redeem Capital Stock of any Group Member from deceased or terminated directors, managers and former and existing employees in an aggregate amount not to exceed \$5,000,000 in any fiscal year; provided that no Default or Event of Default shall have occurred and be continuing or would result after giving pro forma effect to such Restricted Payment; and

(f) so long as Holdings is treated as a partnership for tax purposes, Holdings may make cash distributions to each of its members from time to time in an amount not exceeding the amount of income taxes deemed payable by its members with respect to the net income of Holdings calculated as set forth on Schedule 8.6.

8.7 Capital Expenditures. Make or commit to make any Capital Expenditure, except Capital Expenditures of the Consolidated Group in the ordinary course of business not exceeding \$7,500,000 in the aggregate during any fiscal year; provided, that up to 100% of any such amount, if not so expended in the fiscal year for which it is permitted, may be carried over for expenditure in the next succeeding fiscal year (provided that such excess carryover may only be used after the amounts permitted to be expended in such fiscal year have been used and such carryover may only be used during such fiscal year).

8.8 Investments. Make any advance, loan, extension of credit (by way of guaranty or otherwise) or capital contribution to, or purchase any Capital Stock, bonds, notes, debentures or other debt securities of, or any assets constituting a business unit of, or make any other investment in, any Person (all of the foregoing, "Investments"), except:

(a) extensions of trade credit in the ordinary course of business;

(b) Investments in Cash Equivalents;

(c) Guarantee Obligations permitted by Section 8.2(c);

(d) loans and advances to employees of any Group Member of the Borrower in the ordinary course of business (including for travel, entertainment and relocation expenses) in an aggregate amount for all Group Members not to exceed \$500,000 at any one time outstanding;

(e) the Transactions;

(f) Investments in assets useful in the business of the Borrower and its Subsidiaries made by the Borrower or any of its Subsidiaries with the proceeds of any Reinvestment Deferred Amount;

(g) intercompany Investments by any Group Member in the Borrower or any Person that, prior to and after giving effect to such Investment, is a Guarantor;

(h) in addition to Investments otherwise expressly permitted by this Section, Investments by the Borrower or any of its Subsidiaries in an aggregate amount (valued at cost) not to exceed \$7,500,000 during the term of this Agreement;

(i) Investments existing on the date hereof as identified on Schedule 8.8(i);

(j) Investments made by the Borrower or any of its Subsidiaries for the purpose of consummating Permitted Acquisitions;

(k) deposits made in the ordinary course of business to secure the performance of leases not to exceed \$1,000,000;

(l) Investments received in connection with the bankruptcy or reorganization of suppliers or customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(m) Investments arising out of the receipt by the Borrower or any of their Subsidiaries of non-cash consideration for any Disposition permitted by Section 8.5 in an aggregate amount not to exceed \$2,500,000 at any time outstanding; and

(n) transactions expressly permitted by Section 8.2, 8.4, 8.5, 8.6, 8.8 or 8.9(j).

8.9 Transactions with Affiliates. Enter into any transaction, including any purchase, sale, lease or exchange of property, the rendering of any service or the payment of any management, advisory or similar fees, with any Affiliate (other than the Borrower or any Wholly Owned Guarantor) unless such transaction is:

(a) otherwise permitted under this Agreement;

(b) in the ordinary course of business of the relevant Group Member;

an Affiliate;

(c) upon fair and reasonable terms no less favorable to the relevant Group Member, than it would obtain in a comparable arm's length transaction with a Person that is not

(d) [intentionally deleted];

(e) the provision of services by Schein and its Control Investment Affiliates to the Borrower and its Subsidiaries pursuant to the Transaction Agreement;

(f) compensation (including indemnities and reimbursement of reasonable expenses which are customary and ordinary in light of the Borrower's industry and size) of officers and the directors and managers of the Borrower;

(g) benefit arrangements in the ordinary course (including for the payment of reasonable fees and compensation) with any employee, consultant, officer or director of any Group Member; provided that such arrangements have been disclosed to the Administrative Agent and Lenders prior to the Closing Date, and such arrangements are not modified without the consent of Required Lenders;

(h) transactions in existence on the date hereof as identified on Schedule 8.9(h);

(i) any transaction on the Closing Date constituting part of the Transactions;

(j) loans or advances to employees in the ordinary course of business not to exceed \$200,000 individually and \$1,000,000 in the aggregate at any time outstanding; or

(k) transactions expressly permitted by Section 8.2, 8.4, 8.5, 8.6 and 8.8.

8.10 Sales and Leasebacks. Enter into any arrangement with any Person providing for the leasing by any Group Member of real or personal property that has been or is to be sold or transferred by such Group Member to such Person or to any other Person to whom funds have been or are to be advanced by such Person on the security of such property or rental obligations of such Group Member, unless such sale and any resulting Indebtedness and/or Liens are expressly permitted hereunder.

8.11 Hedge Agreements. Enter into any Hedge Agreement, except (a) Hedge Agreements entered into to hedge or mitigate risks to which the Borrower or any Subsidiary has actual exposure (other than those in respect of Capital Stock) and (b) Hedge Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Borrower or any Subsidiary.

8.12 Changes in Fiscal Periods. Permit the fiscal year of the Borrower to end on a day other than December 31 or change the Borrower's method of determining fiscal quarters; provided that Borrower shall be permitted to change (x) its fiscal year to the fiscal year of Schein as determined in accordance with Schein's methodology as of the date hereof and (y) its



methodology of determining fiscal quarters to be consistent with the methodology of Schein for determining Schein's fiscal quarters.

8.13 Negative Pledge Clauses. Enter into or suffer to exist or become effective any agreement that prohibits, limits or imposes any condition upon the ability of any Group Member to create, incur, assume or suffer to exist any Lien upon any of its property or revenues, whether now owned or hereafter acquired, to secure its obligations under the Loan Documents or any refinancing thereof other than:

(a) this Agreement and the other Loan Documents;

(b) any agreements governing any Purchase Money Obligations otherwise permitted hereby (in which case, any prohibition or limitation shall only be effective against the assets financed thereby);

(c) any prohibition or limitation that (1) exists pursuant to applicable law, (2) restricts subletting or assignment of any lease governing a leasehold interest of the Borrower or its Subsidiaries, or (3) is imposed by any amendments or refinancings that are otherwise permitted by this Agreement or the Loan Documents; provided that such amendments and refinancings are no more materially restrictive with respect to such prohibitions and limitations than those prior to such amendment or refinancing;

(d) any other agreement that does not restrict in any manner (directly or indirectly) Liens created pursuant to the Loan Documents on any Collateral securing the Obligations and does not require the direct or indirect granting of any Lien securing any Indebtedness or other obligation by virtue of the granting of Liens on or pledge of property of any Loan Party to secure the Obligations; and

(e) any prohibition or limitation that (1) consists of customary restrictions and conditions contained in any agreement relating to the Disposition of any property permitted under Section 8.5 pending the consummation of such sale or (2) exists in any agreement in effect at the time any Person becomes a Subsidiary of the Borrower, so long as such agreement was not entered into in contemplation of such Person becoming a Subsidiary.

8.14 Clauses Restricting Subsidiary Distributions. Enter into or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Subsidiary of the Borrower to (a) make Restricted Payments in respect of any Capital Stock of such Subsidiary held by, or pay any Indebtedness owed to, the Borrower or any other Subsidiary of the Borrower, (b) make loans or advances to, or other Investments in, the Borrower or any other Subsidiary of the Borrower or (c) transfer any of its assets to the Borrower or any other Subsidiary of the Borrower, except for such encumbrances or restrictions existing under or by reason of (i) any restrictions existing under the Loan Documents, (ii) any restrictions with respect to a Subsidiary imposed pursuant to an agreement that has been entered into in connection with the Disposition of all or substantially all of the Capital Stock or assets of such Subsidiary, (iii) applicable law, (iv) customary provisions restricting subletting or assignment of any lease governing a leasehold interest of a Subsidiary, (v) any Lien permitted by Section 8.3 restricting the transfer of the property subject thereto, (vi) customary provisions in partnership

agreements, limited liability company organizational governance documents, asset sales and stock sale agreements and other similar agreements entered into in the ordinary course of business that restrict the transfer of ownership interests in such partnership, limited liability company or similar person, (vii) any encumbrances or restrictions imposed by any amendments or refinancings that are otherwise permitted by this Agreement or the Loan Documents; provided that such amendments or refinancings are no more materially restrictive with respect to such encumbrances and restrictions than those prior to such amendment or refinancings, (viii) customary provisions restricting assignment of any agreement entered into by a Subsidiary in the ordinary course of business, (ix) customary restrictions and conditions contained in any agreement relating to the Disposition of any property permitted under Section 8.5 pending the consummation of such sale, (x) any agreement applicable to such Subsidiary in effect at the time such Subsidiary becomes a Subsidiary of the Borrower, so long as such agreement was not entered into in connection with or in contemplation of such person becoming a Subsidiary of such Borrower, (xi) restrictions on cash or other deposits or net worth imposed by suppliers or landlords under contracts entered into in the ordinary course of business, (xii) any instrument governing Indebtedness assumed in connection with any Permitted Acquisition, which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person or the properties or assets of the Person so acquired.

8.15 Lines of Business. Enter into any business, either directly or through any Subsidiary, except for those businesses in which the Borrower and its Subsidiaries are engaged on the date of this Agreement or that are reasonably related thereto.

8.16 Amendments to Material Contracts and Transaction Documentation. (a) Amend, supplement or otherwise modify (pursuant to a waiver or otherwise) the terms and conditions of the indemnities and licenses furnished to the Borrower or any of its Subsidiaries pursuant to the Transaction Documentation such that after giving effect thereto such indemnities or licenses shall be materially less favorable to the interests of the Loan Parties or the Lenders with respect thereto, (b) otherwise amend, supplement or otherwise modify the terms and conditions of the Transaction Agreement in a manner adverse to any Agent or Lender, as may be determined in the reasonable discretion of the Agents or (c) otherwise amend, supplement or otherwise modify the terms and conditions of any Material Contract or the Transaction Documentation (other than the Transaction Agreement) or any such other documents except for any such amendment, supplement or modification that (i) becomes effective after the Closing Date and (ii) could not reasonably be expected to have a Material Adverse Effect.

8.17 Additional Deposit Accounts. Create or replace any deposit account listed on Schedule 5.21 (other than payroll or benefit accounts) unless (i) the Administrative Agent shall have consented in writing in advance to the addition or replacement of such account with the relevant bank, (ii) prior to the time of the opening of any such new account, the applicable Loan Party and such bank shall have executed and delivered to the Administrative Agent a tri-party blocked account agreement, in form and substance satisfactory to the Administrative Agent, and (iii) prior to the time of the opening of such new account, the Loan Parties shall have delivered to the Administrative Agent an updated Schedule 5.21 (together with any amendments or supplements to the schedules to the Guarantee and Collateral Agreement) reflecting the additional or subtracted account.

8.18 Optional Payments and Modifications of Certain Debt Instruments. (a) Make or offer to make any optional or voluntary payment, prepayment, repurchase or redemption of or otherwise optionally or voluntarily defease or segregate funds with respect to any Subordinated Debt; (b) amend, modify, waive or otherwise change, or consent or agree to any amendment, modification, waiver or other change to, any of the terms of any Subordinated Debt if the effect of such amendment, modification, waiver or other change is to increase the interest rate on any Subordinated Debt, change (to earlier dates) any dates on which payments of principal or interest are due thereon, change any event of default or condition to an event of default with respect thereto (other than to eliminate any such event of default or increase any grace period related thereto or otherwise make such event of default or condition less restrictive or burdensome on the Borrower), change the redemption, prepayment or defeasance provisions thereof, change the subordination provisions of any Subordinated Debt (or any guarantee thereof), or to increase materially the obligations of the Borrower thereunder or to confer any additional rights on the holders of any Subordinated Debt (or a trustee or other representative on their behalf) that would be adverse in any material respect to any Loan Party or the Lenders, or require the payment of a consent fee; or (c) designate any Indebtedness (other than obligations of the Loan Parties pursuant to the Loan Documents) as "Designated Senior Debt" (or any other defined term having a similar purpose) for the purposes of any document governing any Subordinated Debt.

## SECTION 9.

### EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) the Borrower shall fail to pay any principal of any Loan or Reimbursement Obligation when due in accordance with the terms hereof; or the Borrower shall fail to pay any interest on any Loan or Reimbursement Obligation, or any other amount payable hereunder or under any other Loan Document, within five Business Days after any such interest or other amount becomes due in accordance with the terms hereof; or

(b) any representation or warranty made or deemed made by any Loan Party herein or in any other Loan Document or that is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been inaccurate in any material respect on or as of the date made or deemed made; or

(c) (i) any Loan Party shall default in the observance or performance of any agreement contained in clause (i) or (ii) of Section 7.4(a) (with respect to the Borrower only), Section 7.7(a) or Section 8 of this Agreement or Sections 5.6 and 5.8(b) of the Guarantee and Collateral Agreement or (ii) an "Event of Default" under and as defined in any Mortgage shall have occurred and be continuing; or

(d) any Loan Party shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a

period of 30 days after notice to the Borrower from the Administrative Agent or the Required Lenders; or

(e) any Group Member (i) defaults in making any payment of any principal of any Indebtedness (including any Guarantee Obligation, but excluding the Loans) on the scheduled or original due date with respect thereto; or (ii) defaults in making any payment of any interest on any such Indebtedness beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness was created; or (iii) defaults in the observance or performance of any other agreement or condition relating to any such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or beneficiary of such Indebtedness (or a trustee or agent on behalf of such holder or beneficiary) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or to become subject to a mandatory offer to purchase by the obligor thereunder or (in the case of any such Indebtedness constituting a Guarantee Obligation) to become payable; provided, that a default, event or condition described in clause (i), (ii) or (iii) of this paragraph (e) shall not at any time constitute an Event of Default unless, at such time, one or more defaults, events or conditions of the type described in clauses (i), (ii) and (iii) of this paragraph (e) shall have occurred and be continuing with respect to Indebtedness the outstanding principal amount of which exceeds in the aggregate \$10,000,000; or

(f) (i) any Group Member shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or any Group Member shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against any Group Member any case, proceeding or other action of a nature referred to in clause (i) above that (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undischarged, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against any Group Member any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets that results in the entry of an order for any such relief that shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) any Group Member shall take any formal action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) any Group Member shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) a Reportable Event or non-exempt Prohibited Transaction with respect to any Plan; (ii) a failure to satisfy the minimum funding standards (within the meaning of Sections 412 or 430 of the Code or Section 302 of ERISA) with respect to any Plan, whether or not waived, or a filing pursuant to Section 402(c) of the Code or Section 302(c) ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (iii) a failure to make by its due date a required installment under Section 430(j) of the Code with respect to

any Plan, or a failure by Borrower or any Commonly Controlled Entity to make a required contribution to a Multiemployer Plan; (iv) the incurrence by Borrower or any Commonly Controlled Entity of liability under Title IV of ERISA with respect to the termination of any Plan, including but not limited to the imposition of any Lien in favor of the PBGC or any Plan; (v) the determination that any Plan is, or is expected to be, in "at risk" status within the meaning of Section 430 of the Code or Section 303 of ERISA; (vi) the receipt by Borrower or any Commonly Controlled Entity of any notice from the PBGC or a plan administrator relating an intention to terminate any Plan or to appoint a trustee to administer any Plan under Section 4042 of ERISA; (vii) a trustee shall be appointed by a United States district court to administer any Plan; (viii) the incurrence by Borrower or any Commonly Controlled Entity of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; (ix) the receipt by Borrower or any Commonly Controlled Entity of any notice, or sending by Borrower or any Commonly Controlled Entity of any notice to any Multiemployer Plan, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, Insolvent, in Reorganization or in endangered or critical status within the meaning of Section 432 of the Code or Section 305 or Title IV of ERISA; or (x) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (x) above, such event or condition, together with all other such events or conditions, if any, could reasonably be expected to have a Material Adverse Effect; or

(h) one or more judgments or decrees shall be entered against any Group Member involving in the aggregate a liability (not paid or fully covered by insurance as to which the relevant insurance company has acknowledged coverage) of \$10,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(i) any of the Security Documents shall cease, for any reason, to be in full force and effect, or any Loan Party or any Affiliate of any Loan Party shall so assert, or any Lien created by any of the Security Documents shall cease to be enforceable and of the same effect and priority purported to be created thereby, or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(j) the guarantee contained in Section 2 of the Guarantee and Collateral Agreement shall cease, for any reason, to be in full force and effect or any Loan Party or any Affiliate of any Loan Party shall so assert; or

(k) any Change of Control shall occur; or

(l) Holdings shall (i) conduct, transact or otherwise engage in, or commit to conduct, transact or otherwise engage in, any business or operations other than those incidental to its ownership of the Capital Stock of the Borrower and its Subsidiaries, (ii) incur, create, assume or suffer to exist any Indebtedness or other liabilities or financial obligations, except (x) nonconsensual obligations imposed by operation of law, (y) obligations pursuant to the Loan Documents to which it is a party and (z) obligations with respect to its Capital Stock, or (iii) own, lease, manage or otherwise operate any properties or assets (including cash (other than cash received in connection with dividends made by the Borrower in accordance with Section 8.6

pending application in the manner contemplated by said Section) and Cash Equivalents) other than the ownership of shares of Capital Stock of the Borrower;

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) above with respect to the Borrower, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Revolving Commitments to be terminated forthwith, whereupon the Revolving Commitments shall immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents (including all amounts of L/C Obligations, whether or not the beneficiaries of the then outstanding Letters of Credit shall have presented the documents required thereunder) to be due and payable forthwith, whereupon the same shall immediately become due and payable. With respect to all Letters of Credit with respect to which presentment for honor shall not have occurred at the time of an acceleration pursuant to this paragraph, the Borrower shall at such time deposit in a cash collateral account opened by the Administrative Agent an amount equal to the aggregate then undrawn and unexpired amount of such Letters of Credit. Amounts held in such cash collateral account shall be applied by the Administrative Agent to the payment of drafts drawn under such Letters of Credit, and the unused portion thereof after all such Letters of Credit shall have expired or been fully drawn upon, if any, shall be applied to repay other obligations of the Borrower hereunder and under the other Loan Documents and the Specified Hedge Agreements. After all such Letters of Credit shall have expired or been fully drawn upon, all Reimbursement Obligations shall have been satisfied and all other obligations of the Borrower hereunder and under the other Loan Documents and the Specified Hedge Agreements shall have been paid in full, the balance, if any, in such cash collateral account shall be returned to the Borrower (or such other Person as may be lawfully entitled thereto). Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived by the Borrower.

#### SECTION 10.

#### THE AGENTS

10.1 Appointment. Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any

provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

10.2 Delegation of Duties. Each Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Agent shall be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

10.3 Exculpatory Provisions. Neither any Agent nor any of their respective officers, directors, employees, agents, advisors, attorneys-in-fact or affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except to the extent that any of the foregoing are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by any Loan Party or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Agents under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of any Loan Party a party thereto to perform its obligations hereunder or thereunder. The Agents shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of any Loan Party.

10.4 Reliance by Agents. Each Agent shall be entitled to rely, and shall be fully protected in relying, upon any instrument, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex, teletype or e-mail message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including counsel to the Borrower), independent accountants and other experts selected by such Agent. The Administrative Agent may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. Each Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders (or, if so specified by this Agreement, all Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense that may be incurred by it by reason of taking or continuing to take any such action. The Agents shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders (or, if so specified by this Agreement, all Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

10.5 Notice of Default. (a) No Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless such Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a “notice of default”. In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders and, with respect to any such notice received from any Lender, the Borrower.

(b) The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders (or, if so specified by this Agreement, all Lenders or any other instructing group of Lenders specified by this Agreement); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

10.6 Non-Reliance on Agents and Other Lenders. Each Lender expressly acknowledges that neither the Agents nor any of their respective officers, directors, employees, agents, advisors, attorneys-in-fact or affiliates have made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of a Loan Party or any affiliate of a Loan Party, shall be deemed to constitute any representation or warranty by any Agent to any Lender. Each Lender represents to the Agents that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Loan Parties and their affiliates. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of any Loan Party or any affiliate of a Loan Party that may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, advisors, attorneys-in-fact or affiliates.

10.7 Indemnification. Lenders agree to indemnify each Agent and its officers, directors, employees, affiliates, agents, advisors and controlling persons (each, an “Agent Indemnitee”) (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Aggregate Exposure Percentages in effect on the date on which indemnification is sought under this Section 10.7 (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such Aggregate Exposure



Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever that may at any time (whether before or after the payment of the Loans) be imposed on, incurred by or asserted against such Agent Indemnitee in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by such Agent Indemnitee under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements that are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from such Agent Indemnitee's gross negligence or willful misconduct; and provided, further, to the extent any indemnification of the Issuing Lender or the Swingline Lender is required pursuant to this Section 10.7 as a result of any action, judgment or suit against such Person solely in its capacity as Issuing Lender or Swingline Lender, such indemnification shall be limited to the Revolving Lenders only. The agreements in this Section 10.7 shall survive the payment of the Loans and all other amounts payable hereunder.

10.8 Agent in Its Individual Capacity. Each Agent and its affiliates may make loans to, accept deposits from and generally engage in any kind of business with any Loan Party as though such Agent were not an Agent. With respect to its Loans made or renewed by it and with respect to any Letter of Credit issued or participated in by it, each Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include each Agent in its individual capacity.

10.9 Successor Administrative Agent. Subject to this Section 10.9, the Administrative Agent may resign as Administrative Agent upon 180 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall (unless an Event of Default under Section 9(a) or Section 9(f) with respect to the Borrower shall have occurred and be continuing) be subject to a approval by the Borrower (which approval shall not be unreasonably withheld or delayed), whereupon such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. If no successor agent has accepted appointment as Administrative Agent by the date that is 180 days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above; provided, however, that the Administrative Agent may resign upon 30 days' notice to the Lenders and the Borrower in the event that such resignation is upon the request or demand of any Governmental Authority or in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any

Requirement of Law, and in such case if no successor agent has accepted appointment as Administrative Agent by the date that is 30 days following the retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective and the Lenders shall assume and perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Required Lenders appoint a successor agent as provided for above. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 10 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

10.10 Agents Generally. Except as expressly set forth herein, no Agent shall have any duties or responsibilities hereunder in its capacity as such.

10.11 The Lead Arranger. The Lead Arranger, in its capacity as such, shall have no duties or responsibilities, and shall incur no liability, under this Agreement and the other Loan Documents.

## SECTION 11.

### MISCELLANEOUS

11.1 Amendments and Waivers. Neither this Agreement nor any other Loan Document, or any terms hereof or thereof, may be amended, supplemented or modified except in accordance with the provisions of this Section 11.1. The Required Lenders and each Loan Party party to the relevant Loan Document may, or, with the written consent of the Required Lenders, the Administrative Agent and each Loan Party party to the relevant Loan Document may, from time to time, (a) enter into written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Loan Parties hereunder or thereunder or (b) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall:

(i) forgive or reduce the principal amount or extend the final scheduled date of maturity of any Loan, extend the scheduled date of any amortization payment in respect of any Term Loan, reduce the stated rate of any interest or fee payable hereunder (except (x) in connection with the waiver of applicability of any post-default increase in interest rates, which waiver shall be effective with the consent of the Majority Facility Lenders of each adversely affected Facility and (y) that any amendment or modification of defined terms used in the financial covenants in this Agreement shall not constitute a reduction in the rate of interest or fees for purposes of this clause (i)) or extend the scheduled date of any payment thereof, or increase the amount or extend the expiration date of any Lender's Revolving Commitment, in each case without the written consent of each Lender directly affected thereby;

- (ii) eliminate or reduce the voting rights of any Lender under this Section 11.1 without the written consent of such Lender;
- (iii) reduce any percentage specified in the definition of Required Lenders or consent to the assignment or transfer by the Borrower of any of their rights and obligations under this Agreement and the other Loan Documents, in each case without the written consent of all Lenders;
- (iv) release all or substantially all of the Collateral under the Security Documents or release all or substantially all of the Guarantors or any significant Guarantor from its obligations under the Guarantee and Collateral Agreement, in each case without the written consent of all Lenders;
- (v) amend, modify or waive any provision of any Security Document without the written consent of all Lenders;
- (vi) amend, modify or waive any condition precedent to any extension of credit under the Revolving Facility set forth in Section 6.2 (excluding in connection with any waiver of an existing Default or Event of Default) without the written consent of the Majority Facility Lenders with respect to the Revolving Facility;
- (vii) amend, modify or waive any provision of Section 4.8 without the written consent of the Majority Facility Lenders in respect of each Facility adversely affected thereby;
- (viii) change the application of Net Cash Proceeds or Excess Cash Flow to be applied to prepay Loans under Section 4.2(c) without the written consent of the Majority Facility Lenders with respect to each Facility;
- (ix) reduce the percentage specified in the definition of Majority Facility Lenders with respect to any Facility without the written consent of all Lenders under such Facility;
- (x) amend, modify or waive any provision of Section 10 without the written consent of each Agent adversely affected thereby;
- (xi) amend, modify or waive any provision of Section 3.3 or 3.4 without the written consent of the Swingline Lender; or
- (xii) amend, modify or waive any provision of Sections 3.7 to 3.14 without the written consent of the Issuing Lender.

Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Loan Parties, the Lenders, the Agents and all future holders of the Loans. In the case of any waiver, the Loan Parties, the Lenders and the Agents shall be restored to their former position and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be

cured and not continuing; but no such waiver shall extend to any subsequent or other Default or Event of Default, or impair any right consequent thereon.

Notwithstanding the foregoing, this Agreement may be amended (or amended and restated) with the written consent of the Required Lenders, the Administrative Agent and the Borrower (a) to add one or more additional credit facilities to this Agreement and to permit the extensions of credit from time to time outstanding thereunder and the accrued interest and fees in respect thereof (collectively, the "Additional Extensions of Credit") to share ratably in the benefits of this Agreement and the other Loan Documents with the Term Loans and Revolving Extensions of Credit and the accrued interest and fees in respect thereof and (b) to include appropriately the Lenders holding such credit facilities in any determination of the Required Lenders and Majority Facility Lenders; provided that no such amendment shall permit the Additional Extensions of Credit to share ratably with or with preference to the Term Loans in the application of mandatory prepayments without the consent of the Majority Facility Lenders under each Facility (other than the Revolving Facility) or otherwise to share ratably with or with preference to the Revolving Extensions of Credit without the consent of the Majority Facility Lenders under the Revolving Facility.

Further, notwithstanding anything to the contrary herein, the provisions of Section 4.16 may not be amended, modified or waived without the written consent of the Administrative Agent, the Issuing Lender and the Required Lenders. Further, notwithstanding the foregoing (but in accordance with Section 4.16(b)), no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder.

In addition, notwithstanding the foregoing, this Agreement may be amended with the written consent of the Administrative Agent, the Borrower and the Lenders providing the relevant Replacement Term Loans (as defined below) to permit the refinancing of all outstanding Term Loans ("Refinanced Term Loans") with a replacement "B" term loan tranche hereunder ("Replacement Term Loans"), provided that (a) the aggregate principal amount of such Replacement Term Loans shall not exceed the aggregate principal amount of such Refinanced Term Loans, (b) the Applicable Margin for such Replacement Term Loans shall not be higher than the Applicable Margin for such Refinanced Term Loans, (c) the weighted average life to maturity of such Replacement Term Loans shall not be shorter than the weighted average life to maturity of such Refinanced Term Loans at the time of such refinancing and (d) all other terms applicable to such Replacement Term Loans shall be substantially identical to, or less favorable to the Lenders providing such Replacement Term Loans than, those applicable to such Refinanced Term Loans, except to the extent necessary to provide for covenants and other terms applicable to any period after the latest final maturity of the Term Loans in effect immediately prior to such refinancing.

If, in connection with any proposed amendment, modification, waiver or termination requiring the consent of more than the Required Lenders, the consent of Required Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained being referred to as a "Non-Consenting Lender"), then either (x) the Administrative Agent or (y) a Person reasonably acceptable to the Administrative Agent who shall provide its consent to the proposed amendment, modification, waiver or termination in question, shall have the right to purchase from such Non-Consenting Lenders, and such Non-Consenting Lenders agree that they shall, upon the Administrative Agent's request, sell and assign to the Administrative Agent or such Person, all of the Loans of such Non-Consenting

Lenders for an amount equal to the principal balance of all Loans held by such Non-Consenting Lenders and all accrued interest and fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment and Assumption; provided that the Administrative Agent is not the Non-Consenting Lender whose Loans are being assigned. In addition to the foregoing, the Borrower may replace any Non-Consenting Lender pursuant to Section 4.13.

11.2 Notices. Except with respect to notices and other communications expressly permitted to be given by telephone, all notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by telecopy), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or three Business Days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrower and the Agents, and as set forth in an administrative questionnaire delivered to the Administrative Agent in the case of the Lenders, or to such other address as may be hereafter notified by the respective parties hereto:

- If to the Borrower:
  - Butler Animal Health Supply, LLC
  - 400 Metro Place North
  - Dublin, OH 43017
  - Attention: Leo E. McNeil
  - Telecopy: (614) 659-1653
  - Telephone: (614) 659-1652
  
- with a copy to:
  - Paul, Weiss, Rifkind, Wharton & Garrison LLP
  - 1285 Avenue of the Americas
  - New York, NY 10019
  - Attention: Eric Goodison, Esq
  - Telecopy: (212) 757-3990
  - Telephone: (212) 373-3000
  
- with a copy to:
  - Salon Marrow Dyckman Newman & Broudy, LLP
  - 292 Madison Avenue
  - New York, New York 10017
  - Attention: Joel Salon, Esq.
  - Telecopy: (212) 661-3339
  - Telephone: (212) 661-7100
  
- with a copy to:
  - Proskauer Rose LLP
  - 1585 Broadway
  - New York, NY 10036
  - Attention: Steven L. Kirshenbaum, Esq
  - Telecopy: (212) 969-2900

with a copy to:

Henry Schein, Inc.  
135 Duryea Road  
Melville, NY 11747  
Attention: General Counsel  
Facsimile: (631) 843-5660

If to the Administrative Agent:

JPMorgan Loan & Agency Services  
1111 Fannin Street, Floor 10  
Houston, TX 77002  
Attention: Amanda Brewer  
Telecopy: (713) 750-2956  
Telephone: (713) 427-0002

; provided that any notice, request or demand to or upon any Agent, the Issuing Lender or the Lenders shall not be effective until received.

Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Section 2 unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

11.3 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of any Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

11.4 Survival of Representations and Warranties. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans and other extensions of credit hereunder.

11.5 Payment of Expenses and Taxes. The Borrower agrees (a) to pay or reimburse each Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including the reasonable fees and disbursements of counsel to such Agent and filing and recording fees and expenses, with statements with respect to the foregoing to be submitted to the Borrower prior to the Closing Date (in the case of amounts to be paid on the Closing Date) and from time to time thereafter on a quarterly basis or such other periodic basis as such Agent shall deem appropriate, (b) to pay or reimburse each

Lender and Agent for all its reasonable out-of-pocket costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents, including the reasonable fees and disbursements of counsel (including the allocated fees and expenses of in-house counsel) to each Lender and of counsel to such Agent, (c) to pay, indemnify, and hold each Lender and Agent harmless (without duplication of amounts indemnified under Section 4.10 or 4.11) from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, that may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, and (d) to pay, indemnify, and hold each Lender and Agent and their respective officers, directors, employees, affiliates, agents, trustees, advisors and controlling persons (each, an "Indemnitee") harmless (without duplication of amounts indemnified under Section 4.10 or 4.11) from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents (regardless of whether any Loan Party is or is not a party to any such actions or suits) and any such other documents, including any of the foregoing relating to the use of proceeds of the Loans or the violation of, noncompliance with or liability under, any Environmental Law applicable to the operations of any Group Member or any facility or property at any time leased, owned or operated or in any way used by any Group Member and the reasonable fees and expenses of legal counsel in connection with claims, actions or proceedings by any Indemnitee against any Loan Party under any Loan Document (all the foregoing in this clause (d), collectively, the "Indemnified Liabilities"); provided that the Borrower shall have no obligation hereunder to any Indemnitee with respect to Indemnified Liabilities to the extent such Indemnified Liabilities are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from the gross negligence or willful misconduct of such Indemnitee. Without limiting the foregoing, to the extent permitted by applicable law, and except with respect to any Indemnitee, to the extent involving Indemnified Liabilities subject to the above proviso concerning gross negligence or willful misconduct by such Indemnitee, the Borrower agrees not to assert and to cause its Subsidiaries not to assert, and hereby waives and agrees to cause its Subsidiaries to waive, all rights for contribution or any other rights of recovery with respect to all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature, under or related to Environmental Laws, that any of them might have by statute or otherwise against any Indemnitee. All amounts due under this Section 11.5 shall be payable not later than 10 Business Days after written demand therefor. Statements payable by the Borrower pursuant to this Section 11.5 shall be submitted to Leo E. McNeil at the address of the Borrower set forth in Section 11.2, or to such other Person or address as may be hereafter designated by the Borrower in a written notice to the Administrative Agent. The agreements in this Section 11.5 shall survive repayment of the Loans and all other amounts payable hereunder.

11.6 Successors and Assigns; Participations and Assignments. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any affiliate of the Issuing Lender that issues any Letter of Credit), except that (i) the Borrower may not assign or

otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section 11.6.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees (each, an "Assignee") all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an affiliate of a Lender, an Approved Fund (as defined below) or, if an Event of Default has occurred and is continuing, any other Person; and

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of all or any portion of a Term Loan to a Lender, an affiliate of a Lender or an Approved Fund; and

(C) in the case of any assignment of a Revolving Commitment, the Issuing Lender and the Swingline Lender.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender, an affiliate of a Lender or an Approved Fund or an assignment of the entire remaining amount of the assigning Lender's Commitments or Loans under any Facility, the amount of the Commitments or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Assumption, as of the Trade Date) shall not be less than \$5,000,000 (or in the case of the Term Facility, \$1,000,000) unless the Borrower and the Administrative Agent otherwise consent; provided that (1) no such consent of the Borrower shall be required if an Event of Default has occurred and is continuing and (2) such amounts shall be aggregated in respect of each Lender and its affiliates or Approved Funds, if any;

(B) (1) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500 and (2) the assigning Lender shall have paid in full any amounts owing by it to the Administrative Agent;

(C) the Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an administrative questionnaire in which the Assignee designates one or more credit contacts to whom all syndicate-level information (which may contain material non-public information about the Borrower and its



Affiliates and their related parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including federal and state securities laws;

(D) the Assignee shall not be a competitor of the Borrower or an affiliate of any such competitor; and

(E) in the case of an assignment by a Lender to a related CLO (as defined below) managed or administered by such Lender or an Affiliate of such Lender, the assigning Lender shall retain the sole right to approve any amendment, modification or waiver of any provision of this Agreement and the other Loan Documents, provided that the Assignment and Assumption between such Lender and such CLO may provide that such Lender will not, without the consent of such CLO, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the proviso to the second sentence of Section 11.1 and (2) directly affects such CLO.

For the purposes of this Section 11.6, the terms "Approved Fund", "CLO" and "competitor" have the following meanings:

"Approved Fund" means (a) with respect to any Lender, a CLO managed or administered by such Lender or an Affiliate of such Lender, and (b) with respect to any Lender that is a fund which invests in bank loans and similar extensions of credit, any other fund that invests in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"CLO" means any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course.

"competitor" means (a) a Person engaged primarily in the same or similar line of business as the Borrower, and (b) a Person (i) holding more than 5% or more of the voting rights of a competitor of the Borrower or (ii) having direct or indirect control or being under common control of a competitor of the Borrower.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(v) below, from and after the effective date specified in each Assignment and Assumption, the Assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 4.9, 4.10, 4.11 and 10.7). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section

11.6 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in New York City a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amount of the Loans and L/C Obligations owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Lender and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Lender and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an Assignee, the Assignee's completed administrative questionnaire (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section, and any written consent to such assignment required by paragraph (b) of this Section 11.6, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans owing to it); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations (c) no Participant shall be a competitor of the Borrower or an affiliate of any such competitor and (D) the Borrower, the Administrative Agent, the Issuing Lender, the Swingline Lender and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that (1) requires the consent of each Lender directly affected thereby pursuant to the proviso to the second sentence of Section 11.1 and (2) directly affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 4.9, 4.10 and 4.11 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section 11.6. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 11.7(b) as though it were a Lender, provided such Participant shall be subject to Section 11.7(a) as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as an agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal

amounts (and stated interest) of each Participant's interest in the Loans or other obligations under this Agreement (the "Participant Register"). The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.

(ii) A Participant shall not be entitled to receive any greater payment under Section 4.9 or 4.10 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. Any Participant that is a Non-U.S. Lender shall not be entitled to the benefits of Section 4.10 unless such Participant complies with Section 4.10(d).

(d) Any Lender may, without the consent of the Borrower or the Administrative Agent, at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section 11.6(d) shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or Assignee for such Lender as a party hereto. In the case of any Lender that is a fund that invests in bank loans, such Lender may, without the consent of the Borrower or the Administrative Agent, collaterally assign or pledge all or any portion of its rights under this Agreement, including the Loans or Notes or any other instrument evidencing its rights as a Lender under this Agreement, to any holder or, trustee for, or any other representative of holders of, obligations owed or securities issued, by such fund, as security for such obligations or securities; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or Assignee for such Lender as a party hereto.

(e) The Borrower, upon receipt of written notice from the relevant Lender, agree to issue Notes to any Lender requiring Notes to facilitate transactions of the type described in paragraph (d) above.

(f) Notwithstanding the foregoing, any Conduit Lender may assign any or all of the Loans it may have funded hereunder to its designating Lender without the consent of the Borrower or the Administrative Agent and without regard to the limitations set forth in Section 11.6(b). The Borrower, each Lender and the Administrative Agent hereby confirms that it will not institute against a Conduit Lender or join any other Person in instituting against a Conduit Lender any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding under any state bankruptcy or similar law, for one year and one day after the payment in full of the latest maturing commercial paper note issued by such Conduit Lender; provided, however, that each Lender designating any Conduit Lender hereby agrees to indemnify, save and hold harmless each other party hereto for any loss, cost, damage or expense arising out of its inability to institute such a proceeding against such Conduit Lender during such period of forbearance.

11.7 Adjustments; Set-off. (a) Except to the extent that this Agreement expressly provides for payments to be allocated to a particular Lender or to the Lenders under a

particular Facility, if any Lender (a "Benefitted Lender") shall receive any payment of all or part of the Obligations owing to it (other than in connection with an assignment made pursuant to Section 11.6), or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in Section 9(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of the Obligations owing to such other Lender, such Benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of the Obligations owing to each such other Lender, or shall provide such other Lenders with the benefits of any such collateral, as shall be necessary to cause such Benefitted Lender to share the excess payment or benefits of such collateral ratably with each of the Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such Benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise), to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such setoff and application made by such Lender; provided that the failure to give such notice shall not affect the validity of such setoff and application.

11.8 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by e-mail or facsimile transmission shall be effective as delivery of a manually executed counterpart hereof. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

11.9 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

11.10 Integration. This Agreement and the other Loan Documents represent the entire agreement of the Borrower, the Agents and the Lenders with respect to the subject matter hereof and thereof, and there are no promises, undertakings, representations or warranties by any Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

**11.11 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK, WITHOUT REFERENCE TO THE CONFLICT OF LAWS PRINCIPLES THEREOF.**

11.12 Submission To Jurisdiction; Waivers. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower, at the address set forth in Section 11.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section any special, exemplary, punitive or consequential damages.

11.13 Acknowledgments. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) no Agent or Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Agents and Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower and the Lenders.

11.14 Releases of Guarantees and Liens. (a) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the Administrative Agent is hereby irrevocably authorized by each Lender (without requirement of notice to or consent of any Lender except as expressly required by Section 11.1) to take any action requested by the Borrower having the effect of releasing any Collateral or Guarantee Obligations (i) to the extent necessary to permit consummation of any transaction not prohibited by any Loan Document or that has been consented to in accordance with Section 11.1 or (ii) under the circumstances described in paragraph (b) below.

(b) At such time as the Term Loans, the Revolving Loans, the Swingline Loans, the Reimbursement Obligations and the other obligations to the Administrative Agent and the Lenders under the Loan Documents (other than obligations under or in respect of Hedge Agreements) shall have been paid in full, the Commitments under the Term Facility and the Revolving Facility have been terminated, no Letters of Credit shall be outstanding and the obligations to any Qualified Counterparty under or in respect of Specified Hedge Agreements shall have been cash collateralized or paid in full, the Collateral shall be released from the Liens created by the Security Documents, and the Security Documents and all obligations (other than those expressly stated to survive such termination) of the Administrative Agent and each Loan Party under the Security Documents shall terminate, all without delivery of any instrument or performance of any act by any Person, provided that the Administrative Agent agrees upon such termination to promptly deliver to the Borrower UCC-3 termination statements, releases of Intellectual Property security instruments, discharges of existing Mortgages, and other release and termination documents as are reasonably requested by such Borrower to discharge the Liens as a matter of public record.

11.15 Confidentiality. Each Agent and each Lender agrees to keep confidential all non-public information provided to it by any Loan Party pursuant to or in connection with this Agreement that is designated by such Loan Party as confidential; provided that nothing herein shall prevent any Agent or any Lender from disclosing any such information (a) to any Agent, any other Lender or any Affiliate of a Lender, (b) subject to an agreement to comply with the provisions of this Section 11.15, to any actual or prospective Transferee or any direct or indirect counterparty to any Hedge Agreement (or any professional advisor to such counterparty), (c) to its employees, directors, agents, attorneys, accountants and other professional advisors or those of any of its affiliates, (d) upon the request or demand of any Governmental Authority, (e) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (f) if requested or required to do so in connection with any litigation or similar proceeding, (g) that has been publicly disclosed, (h) to the National Association of Insurance Commissioners or any similar organization or any nationally recognized rating agency that requires access to information about a Lender's investment portfolio in connection with ratings issued with respect to such Lender, (i) in connection with the exercise of any remedy hereunder or under any other Loan Document, or (j) if agreed by the Borrower in its sole discretion, to any other Person; provided that prior to disclosure pursuant to clauses (d), (e) or (f) above, the relevant party shall give reasonable prior notice of such disclosure to the Borrower to give the Borrower an opportunity to seek a protective order.

Each Lender acknowledges that information furnished to it pursuant to this Agreement or the other Loan Documents may include material non-public information

concerning the Borrower and its Affiliates and their related parties or their respective securities, and confirms that it has developed compliance procedures regarding the use of material non-public information and that it will handle such material non-public information in accordance with those procedures and applicable law, including Federal and state securities laws.

All information, including requests for waivers and amendments, furnished by the Borrower or the Agents pursuant to, or in the course of administering, this Agreement or the other Loan Documents will be syndicate-level information, which may contain material non-public information about the Borrower and its Affiliates and their related parties or their respective securities. Accordingly, each Lender represents to the Borrower and the Agents that it has identified in its administrative questionnaire a credit contact who may receive information that may contain material non-public information in accordance with its compliance procedures and applicable law, including Federal and state securities laws.

**11.16 WAIVERS OF JURY TRIAL. THE BORROWER, THE AGENTS AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

BUTLER ANIMAL HEALTH SUPPLY, LLC, as Borrower

By: /s/Leo E. McNeil  
Name: Leo E. McNeil  
Title: Executive Vice President and Chief Financial Officer

J.P. MORGAN SECURITIES INC., as Sole Lead Arranger and Sole Bookrunner

By: /s/Stathis Karanikolaidis  
Name: Stathis Karanikolaidis  
Title: Executive Director

JPMORGAN CHASE BANK, N.A., as Administrative Agent and Lender

By: /s/ Barbara R. Marks  
  
Name: Barbara R. Marks  
Title: Executive Director

THE BANK OF TOKYO-MITSUBISHI,  
as Lender

By: /s/ Brian McNany  
Name: Brian McNany  
Title: Assistant Vice President

TORONTO DOMINION (NEW YORK) LLC  
As Lender

By: /s/Debbi L. Brito  
Name: Debbi L. Brito  
Title: Authorized Signatory

*[Signature Page to the Butler Credit Agreement]*

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RAYMOND JAMES BANK FSB,  
as Lender

By: /s/ Steven Paley  
Name: Steven Paley  
Title: Senior Vice President

THE HUNTINGTON NATIONAL BANK  
as Lender

By: /s/Jeff D. Blendick  
Name: Jeff D. Blendick  
Title: Vice President

U.S. BANK N.A., as Lender

By: /s/Nathan M. Hall  
Name: Nathan M. Hall  
Title: AVP

HS FINANCE COMPANY, LLC, as Lender

By: /s/Steven Paladino  
Name: Steven Paladino  
Title: Manager

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Portions of this agreement have been omitted and separately filed with the SEC with a request for confidential treatment. The location of those omissions have been noted by [\*\*].

Execution Version

#### FIRST AMENDMENT

FIRST AMENDMENT, dated as of December 21, 2010 (this "First Amendment"), to the CREDIT AGREEMENT, dated as of December 31, 2009 (the "Credit Agreement"), among (a) BUTLER ANIMAL HEALTH SUPPLY, LLC, a Delaware limited liability company (the "Borrower"), (b) the several banks and other financial institutions or entities from time to time parties to the Credit Agreement (the "Lenders") and (c) JPMORGAN CHASE BANK, N.A., as administrative agent (in such capacity, the "Administrative Agent").

#### WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to the Credit Agreement;

WHEREAS, the Borrower intends to consummate the Armadillo Acquisition (as defined below) and the Iguana Acquisition (as defined below) (collectively, the "Acquisitions");

WHEREAS, the Borrower has requested that certain covenants in Section 7 and Section 8 of the Credit Agreement be amended to permit the Armadillo Acquisition, the Iguana Acquisition and certain transactions contemplated in connection with the Acquisitions;

WHEREAS, the Borrower has requested that Section 4.2(c) of the Credit Agreement be waived in order to provide funds for the Iguana Acquisition with respect to Excess Cash Flow for the fiscal year ending December 31, 2010;

WHEREAS, the Borrower has requested that certain other provisions of the Credit Agreement be amended and/or waived as set forth herein; and

WHEREAS, the Required Lenders are willing to agree to such amendments and to such waiver, in each case, on the terms set forth herein;

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the Borrower, the Administrative Agent and the Required Lenders hereby agree as follows:

#### I. DEFINED TERMS

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

#### II. AMENDMENTS TO THE CREDIT AGREEMENT

##### A. Amendments to Section 1.1 (Defined Terms).

1. Section 1.1 of the Credit Agreement is hereby amended by adding the following definitions in proper alphabetical order:

"Armadillo": the entity that will become a Subsidiary of the Borrower upon

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consummation of the Armadillo Acquisition, which is engaged primarily in the business of the Vet Software Business.

“Armadillo Acquisition”: the acquisition by the Borrower or a Wholly Owned Subsidiary of approximately [\*\*]% of the issued and outstanding Capital Stock of Armadillo in exchange for cash consideration in an amount not to exceed \$[\*\*] (based on [\*\*]% being acquired) and the Armadillo Contributed Assets, with the Armadillo Sellers retaining not more [\*\*]% of the issued and outstanding Capital Stock of Armadillo, on the terms and conditions set forth in the Armadillo Acquisition Agreement.

“Armadillo Acquisition Agreement”: a purchase agreement, expected to be dated no later than February 15, 2011, by and among the Armadillo Sellers, Armadillo, the Borrower and the other parties thereto.

“Armadillo Contributed Assets”: the property of the Borrower, consisting of its Vet Software Business to be contributed to Armadillo upon or after the consummation of the Armadillo Acquisition having a book value of \$[\*\*] or less in the aggregate as reasonably determined by the Borrower.

“Armadillo Sellers”: the sellers named in the Armadillo Acquisition Agreement.

“First Amendment”: the First Amendment to this Agreement, dated as of December 21, 2010, among the Borrower, the Administrative Agent and the other parties thereto.

“First Amendment Effective Date”: as defined in the First Amendment.

“Iguana”: the entity that will become a Subsidiary of the Borrower upon consummation of the Iguana Acquisition, which is engaged primarily in the business of the Vet Software Business.

“Iguana Acquisition”: the acquisition by the Borrower, a Wholly Owned Subsidiary or Armadillo of approximately [\*\*]% or more of the issued and outstanding Capital Stock of Iguana in exchange for cash consideration in an amount currently estimated not to exceed \$[\*\*] (based on [\*\*]% being acquired), including acquisition of any additional shares of Armadillo to equalize ownership with the Iguana Sellers, with the Iguana Sellers retaining directly or indirectly approximately [\*\*]% (or less) of the issued and outstanding Capital Stock of Iguana, on the terms and conditions set forth in the Iguana Acquisition Agreement

“Iguana Acquisition Agreement”: a purchase agreement, expected to be dated no later than June 30, 2011, by and among the Iguana Sellers, Iguana, the Borrower and the other parties thereto.

“Iguana Sellers”: the sellers named in the Iguana Acquisition Agreement.

“Vet Software Business”: developing, marketing, distributing and maintaining veterinarian practice management and software solutions (including ancillary services) and, incidentally, selling office products and computer hardware to veterinarians.

2. The definition of “Consolidated EBITDA” is hereby amended by

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deleting the “and” immediately preceding clause (m) of such definition and inserting the following immediately before the semicolon at the end of clause (m):

“, and (n) any fees, costs and expenses accrued or payable in connection with the Armadillo Acquisition or the Iguana Acquisition or the entry into the First Amendment”

3. The definition of “Excess Cash Flow” is hereby amended by deleting the “and” immediately preceding clause (b)(vii) of such definition, inserting in lieu thereof “, and inserting the following immediately before the period at the end of clause (vii):

“, and (viii) amounts paid pursuant to Sections 8.8(o) or (p) (less, if the Armadillo Acquisition is consummated in 2011 and not 2010, the portion of the amount paid in connection with the Iguana Acquisition in 2011 in an amount equal to what the Excess Cash Flow prepayment would have been for 2010 but for Section III of the First Amendment)”

B. Amendments to Section 7 (Affirmative Covenants).

1. Section 7.10(a) of the Credit Agreement is hereby amended by deleting the parenthetical therein in its entirety and substituting in lieu thereof the following:

“(other than (w) any property described in paragraph (c) or (d) below and any interest in real property, (x) any property subject to a Lien expressly permitted by Section 8.3(g) or 8.3(j), (y) property acquired by any Excluded Foreign Subsidiary and (z) any property of Armadillo and any property of Iguana, unless and until Armadillo or Iguana, as the case may be, becomes a Wholly Owned Subsidiary of the Borrower (at which time this exclusion shall no longer apply with respect to such property of such Wholly Owned Subsidiary))”

2. Section 7.10(b) of the Credit Agreement is hereby amended by deleting the second parenthetical therein in its entirety and substituting in lieu thereof the following:

“(other than (x) any such real property subject to a Lien expressly permitted by Section 8.3(g) or 8.3(j), (y) real property acquired by any Excluded Foreign Subsidiary and (z) any real property acquired by Armadillo and any real property acquired by Iguana, unless and until Armadillo or Iguana, as the case may be, becomes a Wholly Owned Subsidiary of the Borrower (at which time this exclusion shall no longer apply with respect to such real property of such Wholly Owned Subsidiary))”

3. Section 7.10(c) of the Credit Agreement is hereby amended by deleting the first parenthetical therein in its entirety and substituting in lieu thereof the following:

“(other than (x) an Excluded Foreign Subsidiary and (y) solely with respect to clause (iii), Armadillo and Iguana, unless and until Armadillo or Iguana, as the case may be, becomes a Wholly Owned Subsidiary of the Borrower (at which time this exclusion shall no longer apply with respect to such Wholly Owned Subsidiary))”

4. Section 7.10(d) of the Credit Agreement is hereby amended by deleting the first parenthetical therein in its entirety and substituting in lieu thereof the following:

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“(other than (x) by any Group Member that is an Excluded Foreign Subsidiary and (y) by Armadillo or Iguana, unless and until Armadillo or Iguana, as the case may be, becomes a Wholly Owned Subsidiary of the Borrower (at which time this exclusion shall no longer apply with respect to such new Excluded Foreign Subsidiary created or acquired after the Closing Date by such Wholly Owned Subsidiary))”

5. Section 7.14 of the Credit Agreement is hereby amended by inserting the following sentence at the end of Section 7.14:

“Notwithstanding the foregoing, the provisions of this Section 7.14 shall not apply to or with respect to Armadillo or Iguana, unless and until Armadillo or Iguana, as the case may be, becomes a Wholly Owned Subsidiary of the Borrower (at which time this exclusion shall no longer apply with respect to such Wholly Owned Subsidiary).”

C. Amendments to Section 8 (Negative Covenants).

1. Section 8.2(b)(ii) of the Credit Agreement is hereby amended by inserting after the words “of any Wholly Owned Guarantor” the phrase “(or Armadillo or Iguana in an aggregate amount for them not to exceed \$[\*\*] at any time outstanding).”

2. Section 8.4 of the Credit Agreement is hereby amended by deleting the “and” following the semicolon in clause (d), deleting the period at the end of clause (e) and inserting in lieu thereof “; and” and inserting the following new clause (f):

“(F) Armadillo and Iguana may be merged into or consolidated with each other or Dispose of any or all assets to each other (upon liquidation or otherwise).”

3. Section 8.5 of the Credit Agreement is hereby amended by deleting the “and” following the semicolon in clause (e), deleting the period at the end of clause (f) and inserting in lieu thereof “; ” and inserting the following new clauses (g) and (h) :

“(g) the Disposition of the Armadillo Contributed Assets; and”

“(h) the Disposition of assets by Armadillo to Iguana or by Iguana to Armadillo.”

4. Section 8.6 of the Credit Agreement is hereby amended by deleting the “and” following the semicolon in clause (e), deleting the period at the end of clause (f) and inserting in lieu thereof “; ” and inserting the following new clauses (g) and (h):

“(g) Armadillo and Iguana may pay dividends ratably to their equity owners; and”

“(h) transactions permitted by Section 8.8(p).”

5. Section 8.8 of the Credit Agreement is hereby amended by deleting the “and” following the semicolon in clause (m), deleting the period at the end of clause (n) and inserting in lieu thereof “; ” and inserting the following new clauses (o) and (p):

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“(o) the Armadillo Acquisition and the Iguana Acquisition; provided that (i) the Borrower’s Liquidity after giving pro forma effect to the Armadillo Acquisition and the Iguana Acquisition and all Loans funded in connection therewith shall have exceeded the amount required in clause (iv) of the definition of Permitted Acquisitions and (ii) promptly following the consummation of each of the Armadillo Acquisition and the Iguana Acquisition, the Borrower shall, and shall cause its applicable Subsidiaries to, pledge and deliver the Capital Stock acquired by the Borrower and its Subsidiaries in such acquisition as required by Section 7.10(c); and”

“(p) Investments acquired in satisfaction by the Borrower or a Wholly Owned Subsidiary of put rights or otherwise of the other holders of Armadillo or Iguana Capital Stock for cash payments (i) during fiscal year 2011 not to exceed \$[\*\*] in the aggregate, (ii) during fiscal year 2012 not to exceed \$[\*\*] in the aggregate and (iii) as long as after giving thereto there is no Default and on a pro forma basis the Borrower is in compliance with Section 8.1, during fiscal year 2013 and thereafter not to exceed the fair market value of the remaining Capital Stock of Armadillo and Iguana held by the Armadillo Sellers and the Iguana Sellers, respectively.”

6. Section 8.9 of the Credit Agreement is hereby amended by deleting the “and” following the semicolon in clause (j), deleting the period at the end of clause (k) and inserting in lieu thereof “; and” and inserting the following new clause (l):

“(l) transactions among Armadillo and Iguana.”

7. Section 8.13 of the Credit Agreement is hereby amended by inserting after the words “any agreement”, the phrase “binding on any Group Member”.

8. Section 8.17 of the Credit Agreement is hereby amended by inserting after the words “(other than payroll or benefit accounts”, the phrase “and, prior to them being wholly owned subsidiaries, deposit accounts opened by Armadillo or Iguana”

### III. WAIVER OF MANDATORY PREPAYMENT

The Required Lenders hereby waive the requirements set forth in Section 4.2(c) of the Credit Agreement with respect to Excess Cash Flow for the fiscal year ending December 31, 2010; provided that, notwithstanding the foregoing, the Borrower shall comply with the requirements set forth in Section 4.2(c) of the Credit Agreement (i) if either the Armadillo Acquisition or the Iguana Acquisition is not consummated prior to June 30, 2011, in which case the Excess Cash Flow Application Date in respect of such fiscal year shall be June 30, 2011 or (ii) following any earlier termination or abandonment of either the Armadillo Acquisition or the Iguana Acquisition, in which case such Excess Cash Flow Application Date shall be no later than the later of (a) five Business Days after the date of such termination or abandonment and (b) the date it would otherwise be under Section 4.2(c) of the Credit Agreement.

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IV. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants to each of the Lenders and the Administrative Agent that as of the First Amendment Effective Date:

1. Each of the representations and warranties made by any Loan Party in the Loan Documents are true and correct in all material respects on and as of the First Amendment Effective Date as if made on and as of such date except to the extent such representations and warranties expressly relate to an earlier date, in which case they shall be true and correct in all material respects as of such earlier date;
2. Immediately after giving effect to the First Amendment, no Default or Event of Default has occurred and is continuing; and
3. This First Amendment has been duly authorized, executed and delivered by it and this First Amendment and the Credit Agreement, as amended hereby, constitutes its valid and binding obligation, enforceable against it in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws relating to or affecting the enforcement of creditors' rights and subject to general equity principles (whether enforcement is sought by proceedings in equity or at law).

V. EFFECTIVENESS

The amendments set forth in Section II of this First Amendment and the waiver set forth in Section III of this First Amendment shall become effective on the date (the "First Amendment Effective Date") on which the following conditions precedent shall have been satisfied:

1. First Amendment. The Administrative Agent shall have received counterparts of this First Amendment, duly executed and delivered by the Borrower, the Required Lenders and the Administrative Agent.
2. Acknowledgement. The Administrative Agent shall have received the Acknowledgment and Confirmation, substantially in the form of Exhibit A hereto, executed and delivered by an authorized officer of the Borrower and each other Loan Party. The Borrower, the Administrative Agent and the Lenders hereby affirm and adopt the Credit Agreement as amended by this First Amendment.
3. Fees. The Borrower (a) shall have paid and the Administrative Agent shall have received all fees due and payable pursuant to that certain fee letter agreement (the "Fee Letter") dated as of December 20, 2010 among the Borrower and the Administrative Agent, including a consent fee to each Lender executing and delivering a counterpart of this First Amendment on or prior to 5:00 p.m. on December 17, 2010 (or such later time as the Borrower and the Administrative Agent shall agree) in an amount equal to **[\*\*]**% of the outstanding Revolving Commitments and Term Loans of such Lender, and (b) shall have paid to the Administrative Agent and the Administrative Agent shall have received all fees and expenses required under this First Amendment to be paid on or before the First Amendment Effective Date (including, without limitation, the reasonable fees and expenses of legal counsel), to the extent

[\*\*] - Confidential or proprietary information redacted.

invoiced at least one Business Day prior to the First Amendment Effective Date, in each case in immediately available funds.

VI. MISCELLANEOUS

A. Continuing Effect of the Credit Agreement. This First Amendment shall not constitute an amendment of any provision of the Credit Agreement not expressly referred to herein and shall not be construed as a waiver or consent to any further or future action on the part of the Borrower that would require a waiver or consent of the Lenders or the Administrative Agent. Except as expressly amended hereby, the provisions of the Credit Agreement are and shall remain in full force and effect. On and after the First Amendment Effective Date, (i) each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof", "herein", or words of like import referring to the Credit Agreement, and each reference in the other Loan Documents to the "Credit Agreement", "thereunder", "thereof", or words of like import referring to the Credit Agreement shall mean and be a reference to the Credit Agreement after giving effect to this First Amendment.

B. Counterparts. This First Amendment may be executed by the parties hereto in any number of separate counterparts (including emailed or facsimiled counterparts), each of which shall be deemed to be an original, and all of which taken together shall be deemed to constitute one and the same instrument.

C. GOVERNING LAW. THIS FIRST AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS FIRST AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

D. Expenses. The Borrower agrees to pay or reimburse the Administrative Agent and each Lender for all of their respective out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of this First Amendment, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent and each Lender.

*[remainder of page intentionally left blank]*

[\*\*] - Confidential or proprietary information redacted.



IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

BUTLER ANIMAL HEALTH SUPPLY, LLC, as Borrower

By: /s/Leo E. McNeil

Name: Leo E. McNeil Title: EVP/CFO

JPMORGAN CHASE BANK, N.A., as Administrative Agent and Lender

By: /s/Michelle Cipriani

Name: Michelle Cipriani

Title: Vice President

LANDMARK IV CDO LIMITED

By Aladdin Capital Management LLC, as Lender

By: /s/Thomas E. Bancroft

Name: Thomas E. Bancroft

Title: Designated Signatory

LANDMARK V CDO LIMITED

By Aladdin Capital Management LLC, as Lender

By: /s/Thomas E. Bancroft

Name: Thomas E. Bancroft

Title: Designated Signatory

LANDMARK VI CDO LTD

By Aladdin Capital Management LLC, as Lender

By: /s/Thomas E. Bancroft

Name: Thomas E. Bancroft

Title: Designated Signatory

[Signature Page to First Amendment Acknowledgment and Confirmation]

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LANDMARK VIII CLO LTD  
By Aladdin Capital Management LLC, as Lender

By: /s/Thomas E. Bancroft  
Name: Thomas E. Bancroft  
Title: Designated Signatory

LANDMARK IX CDO LTD  
By Aladdin Capital Management LLC, as Lender

By: /s/Thomas E. Bancroft  
Name: Thomas E. Bancroft  
Title: Designated Signatory

OWS CLO I, LTD/  
One Wall Street CLO II, LTD/  
US Bank Loan Fund (M)/  
Veritas CLO II, B.V.,  
as a Lender

By: /s/Josephine H. Shin  
Name: Josephine H. Shin  
Title: Senior Vice President

As a Lender,  
ARES VR CLO LTD.  
BY: ARES CLO MANAGEMENT VR, L.P., ITS INVESTMENT MANAGER  
BY: ARES CLO GP VR, LLC, ITS GENERAL PARTNER

By: /s/Jeff Moore  
Name: Jeff Moore  
Title: Vice President

[Signature Page to First Amendment Acknowledgment and Confirmation]

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ARES VIR CLO LTD.

BY: ARES CLO MANAGEMENT VIR, L.P., ITS INVESTMENT MANAGER

BY: ARES CLO GP VIR, LLC, ITS GENERAL PARTNER

By: /s/Jeff Moore

Name: Jeff Moore

Title: Vice President

Ares NF CLO XIII Ltd

By: Ares NF CLO XIII Management, L.P., its collateral manager

By: Ares NF CLO XIII Management LLC, its general partner

By: /s/Jeff Moore

Name: Jeff Moore

Title: Vice President

As a Lender,

Ares NF CLO XIV Ltd

By: Ares NF CLO XIV Management, L.P., its collateral manager

By: Ares NF CLO XIV Management LLC, its general partner

By: /s/Jeff Moore

Name: Jeff Moore

Title: Vice President

Ares NF CLO XV Ltd

By: Ares NF CLO XV Management, L.P., its collateral manager

By: Ares NF CLO XV Management LLC, its general partner

By: /s/Jeff Moore

Name: Jeff Moore

Title: Vice President

[Signature Page to First Amendment Acknowledgment and Confirmation]

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BABSON CLO LTD. 2004-II  
BABSON CLO LTD. 2005-I  
BABSON CLO LTD. 2008-I  
SUMMIT LAKE CLO, LTD.  
VICTORIA FALLS CLO, LTD., as Lenders

By: /s/Arthur J. McMahon, Jr.  
Name: Arthur J. McMahon, Jr.  
Title: Director

THE BANK OF TOKYO-MITSUBISHI UFJ TRUST COMPANY, as a Lender

By: /s/Brian McNany  
Name: Brian McNany  
Title: Assistant Vice President

SAN GABRIEL CLO I, LTD., as a Lender

By: /s/John Casparian  
Name: John Casparian  
Title: Co-President, Churchill Pacific Asset Management  
SIERRA CLO II, LTD., as a Lender

By: /s/John Casparian  
Name: John Casparian  
Title: Co-President, Churchill Pacific Asset Management

WHITNEY CLO I, LTD., as a Lender

By: /s/John Casparian  
Name: John Casparian  
Title: Co-President, Churchill Pacific Asset Management

[Signature Page to First Amendment Acknowledgment and Confirmation]

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CIFC Funding 2007-IV, Ltd., as a Lender  
By: Commercial Industrial Finance Corp., its Collateral Manager

By: /s/Rob Milton  
Name: Rob Milton  
Title: Secretary

CRATOS CLO I, LTD., as a Lender  
By: Cratos CDO Management, LLC  
As Attorney-in-Fact  
By: JMP Credit Advisors LLC, Its Manager

By: /s/Ronald J. Banks  
Name: Ronald J. Banks  
Title: Managing Director

Atrium IV, as a Lender

By: /s/Louis Farano  
Name: Louis Farano  
Title: Authorized Signatory

CSAM Funding IV, as a Lender

By: /s/Louis Farano  
Name: Louis Farano  
Title: Authorized Signatory

Madison Park Funding II, Ltd.

By: Credit Suisse Alternative Capital, Inc. as collateral manager, as a Lender

By: /s/Louis Farano  
Name: Louis Farano  
Title: Authorized Signatory

[Signature Page to First Amendment Acknowledgment and Confirmation]

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NAVIGATOR CDO 2005, LTD., as a Lender  
By: GE Asset Management Inc., as Collateral Manager

By: /s/John Campos  
Name: John Campos  
Title: Authorized Signatory

NAVIGATOR CDO 2006, LTD., as a Lender  
By: GE Asset Management Inc., as Collateral Manager

By: /s/John Campos  
Name: John Campos  
Title: Authorized Signatory

GOLUB CAPITAL SENIOR LOAN OPPORTUNITY FUND, LTD.  
By: GOLUB CAPITAL INCORPORATED, as Collateral Manager, as a Lender

By: /s/Michael C. Loehrke  
Name: Michael C. Loehrke  
Title: Designated Signatory

GOLUB CAPITAL FUNDING CLO-8, Ltd.  
By: GOLUB CAPITAL PARTNERS MANAGEMENT LTD, as Collateral Manager, as a Lender

By: /s/Michael C. Loehrke  
Name: Michael C. Loehrke  
Title: Designated Signatory

GOLUB CAPITAL FUNDING CLO 2007-1, LTD.  
By: GOLUB CAPITAL MANAGEMENT LLC, as Collateral Manager, as a Lender

By: /s/Michael C. Loehrke  
Name: Michael C. Loehrke  
Title: Designated Signatory

[Signature Page to First Amendment Acknowledgment and Confirmation]

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Waterfront CLO 2007-1, Ltd., as a Lender

By: /s/Robert E. Sydow

Name: Robert E. Sydow

Title: President

Grandview Capital Mgmt, LLC, as Investment Manager

BLCKSTONE / GSO SENIOR FLOATING RATE TERM FUND

By: GSO / BLACKSTONE DEBT FUNDS MANAGEMENT LLC AS INVESTMENT ADVISER

By: /s/Daniel H. Smith

Name: Daniel H. Smith

Title: Authorized Signatory

TRIBECA PARK CLO LTD.

By: GSO / Blackstone Debt Funds Management LLC as Portfolio Manager

By: /s/Daniel H. Smith

Name: Daniel H. Smith

Title: Authorized Signatory

SUN LIFE ASSURANCE COMPANY of CANADA (US)

By: GSO CP Holdings LP as Sub-Advisor

By: /s/Daniel H. Smith

Name: Daniel H. Smith

Title: Authorized Signatory

COLUMBUS PARK CDO LTD.

By: GSO / Blackstone Debt Funds Management LLC as Portfolio Manager

By: /s/Daniel H. Smith

Name: Daniel H. Smith

Title: Authorized Signatory

[Signature Page to First Amendment Acknowledgment and Confirmation]

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CHELSEA PARK CLO LTD.

By: GSO / Blackstone Debt Funds Management LLC as Portfolio Manager

By: /s/Daniel H. Smith

Name: Daniel H. Smith

Title: Authorized Signatory

GULF STREAM-COMPASS CLO 2005-I, LTD

By: Gulf Stream Asset Management LLC  
As Collateral Manager

By: /s/Stephen M. Riddell

Name: Stephen M. Riddell

Title: Portfolio Manager

GULF STREAM-COMPASS CLO 2005-II, LTD

By: Gulf Stream Asset Management LLC  
As Collateral Manager

By: /s/Stephen M. Riddell

Name: Stephen M. Riddell

Title: Portfolio Manager

GULF STREAM-SEXTANT CLO 2006-I, LTD

By: Gulf Stream Asset Management LLC As Collateral Manager

By: /s/Stephen M. Riddell

Name: Stephen M. Riddell

Title: Portfolio Manager

GULF STREAM-RASHINBAN CLO 2006-I, LTD

By: Gulf Stream Asset Management LLC  
As Collateral Manager

By: /s/Stephen M. Riddell

Name: Stephen M. Riddell

Title: Portfolio Manager

[Signature Page to First Amendment Acknowledgment and Confirmation]

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GULF STREAM-SEXTANT CLO 2007-I, LTD

By: Gulf Stream Asset Management LLC  
As Collateral Manager

By: /s/Stephen M. Riddell

Name: Stephen M. Riddell  
Title: Portfolio Manager

NEPTUNE FINANCE CCS, LTD.

By: Gulf Stream Asset Management LLC  
As Collateral Manager

By: /s/Stephen M. Riddell

Name: Stephen M. Riddell  
Title: Portfolio Manager

HS Finance, LLC, as a Lender

By: /s/Ferdinand G. Jahnel

Name: Ferdinand G. Jahnel  
Title: VP, Treasurer

LENDERS:

HillMark Funding Ltd.,

By: HillMark Capital Management, L.P., as Collateral Manager, as Lender

By: /s/Mark Gold

Name: Mark Gold  
Title: CEO

THE HUNTINGTON NATIONAL BANK, as a Lender

By: /s/Amanda M. Sigg

Name: Amanda M. Sigg  
Title: Vice President

[Signature Page to First Amendment Acknowledgment and Confirmation]

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ING Investment Management CLO I, LTD.

By: ING Investment Management Co.,  
as its investment manager

ING Investment Management CLO II, LTD.

By: ING Alternative Asset Management LLC,  
as its investment manager

ING Investment Management CLO III, LTD.

By: ING Alternative Asset Management LLC,  
as its investment manager

ING Investment Management CLO V, LTD.

By: ING Alternative Asset Management LLC,  
as its investment manager

ING International (II) – Senior Loans

By: ING Investment Management Co.,  
as its investment manager

By: /s/Michel Prince, CPA

Name: Michel Prince, CPA

Title: Senior Vice President

KATONAH VII CLO LTD., as a Lender

By: /s/Daniel Gilligan

Name: Daniel Gilligan

Title: Authorized Officer  
Katonah Debt Advisors, L.L.C.  
As Manager

KATONAH VIII CLO LTD., as a Lender

By: /s/Daniel Gilligan

Name: Daniel Gilligan

Title: Authorized Officer  
Katonah Debt Advisors, L.L.C.  
As Manager

[Signature Page to First Amendment Acknowledgment and Confirmation]

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KATONAH IX CLO LTD., as a Lender

By: /s/Daniel Gilligan  
Name: Daniel Gilligan  
Title: Authorized Officer  
Katonah Debt Advisors, L.L.C.  
As Manager

M&S Investment Holding I LLC, as a Lender

By: /s/Michael Ashkin  
Name: Michael Ashkin  
Title: Member

MARATHON CLO I LTD, as a Lender

By: Marathon Asset Management, L.P., its Collateral Manager

By: /s/Louis T. Hanover  
Name: Louis T. Hanover  
Title: Authorized Signatory

MARATHON CLO II LTD, as a Lender

By: Marathon Asset Management, L.P., its Collateral Manager

By: /s/Louis T. Hanover  
Name: Louis T. Hanover  
Title: Authorized Signatory

Marlborough Street CLO Ltd., as a Lender

By: Edwards Angell Palmer & Dodge LLP, Authorized Signatory

By: /s/Illegible  
A Member of the Firm

[Signature Page to First Amendment Acknowledgment and Confirmation]

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ILLINOIS STATE BOARD OF INVESTMENT

By: McDonnell Investment Management, LLC, as Manager, as a Lender

By: /s/Brian J. Murphy

Name: Brian J. Murphy

Title: Vice President

VENTURE III CDO LIMITED

By its investment advisor,

MJX Asset Management LLC, as a Lender

By: /s/Kenneth Ostmann

Name: Kenneth Ostmann

Title: Director

VENTURE IV CDO LIMITED

By its investment advisor,

MJX Asset Management LLC, as a Lender

By: /s/Kenneth Ostmann

Name: Kenneth Ostmann

Title: Director

VENTURE V CDO LIMITED

By its investment advisor,

MJX Asset Management LLC, as a Lender

By: /s/Kenneth Ostmann

Name: Kenneth Ostmann

Title: Director

VENTURE VI CDO LIMITED

By its investment advisor,

MJX Asset Management LLC, as a Lender

By: /s/Kenneth Ostmann

Name: Kenneth Ostmann

Title: Director

[Signature Page to First Amendment Acknowledgment and Confirmation]

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VENTURE VII CDO LIMITED  
By its investment advisor,  
MJX Asset Management LLC, as a Lender

By: /s/Kenneth Ostmann  
Name: Kenneth Ostmann  
Title: Director

VENTURE VIII CDO LIMITED  
By its investment advisor,  
MJX Asset Management LLC, as a Lender

By: /s/Kenneth Ostmann  
Name: Kenneth Ostmann  
Title: Director

NCRAM Senior Loan Trust 2005, as a Lender

By: /s/Robert Hoffman  
Name: Robert Hoffman  
Title: Executive  
Director  
Nomura Corporate Research and Asset Management Inc., as Investment  
Adviser

Nomura Bond & Loan Fund, as a Lender

By: /s/Robert Hoffman  
Name: Robert Hoffman  
Title: Executive Director  
By: Mitsubishi UFJ Trust & Banking Corporation as Trustee  
By: Nomura Corporate Research & Asset Management Inc. Attorney in Fact

[Signature Page to First Amendment Acknowledgment and Confirmation]

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OAK HILL CREDIT PARTNERS IV, LIMITED, as a Lender

By: Oak Hill CLO Management IV, LLC  
As Investment Manager

By: /s/Scott D. Krase

Name: Scott D. Krase  
Title: Authorized Person

OAK HILL CREDIT PARTNERS V, LIMITED, as a Lender

By: Oak Hill Advisors, L.P. As Portfolio Manager

By: /s/Scott D. Krase

Name: Scott D. Krase  
Title: Authorized Person

OHA PARK AVENUE CLO I, LTD., as a Lender

By: Oak Hill Advisors,  
L.P. As Investment Manager

By: /s/Scott D. Krase

Name: Scott D. Krase  
Title: Authorized Person

OHA FINLANDIA CREDIT FUND, as a Lender

By: /s/Scott D. Krase

Name: Scott D. Krase  
Title: Authorized Person

FUTURE FUND BOARD OF GUARDIANS, as a Lender

By: Oak Hill Advisors, L.P.  
As its Investment Advisor

By: /s/Scott D. Krase

Name: Scott D. Krase  
Title: Authorized Person

[Signature Page to First Amendment Acknowledgment and Confirmation]

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OREGON PUBLIC EMPLOYEES RETIREMENT FUND, as a Lender

By: Oak Hill Advisors, L.P.  
As Investment Manager

By: /s/ Scott D. Krase  
Name: Scott D. Krase  
Title: Authorized Person

GMAM GROUP PENSION TRUST I, as a Lender

By: STATE STREET BANK AND TRUST COMPANY, solely as Trustee

By: /s/ Timothy Norton  
Name: Timothy Norton  
Title: Officer

[Signature Page to First Amendment Acknowledgment and Confirmation]

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OCTAGON INVESTMENT PARTNERS V, LTD.

By: Octagon Credit Investors, LLC  
as Portfolio Manager

OCTAGON INVESTMENT PARTNERS VII, LTD.

By: Octagon Credit Investors, LLC  
as collateral manager

OCTAGON INVESTMENT PARTNERS IX, LTD.

By: Octagon Credit Investors, LLC  
as Manager

OCTAGON INVESTMENT PARTNERS IX, LTD.

By: Octagon Credit Investors, LLC  
as Collateral Manager

HAMLET II, LTD.

By: Octagon Credit Investors, LLC  
as Portfolio Manager

US Bank N.A., solely as trustee of the Doll Trust (for Qualified Institutional Investors only),  
(and not in its individual capacity)

By: Octagon Credit Investors, LLC  
as Portfolio Manager, as a Lender

By: /s/Donald C. Young

Name: Donald C. Young

Title: Portfolio Manager

PANGAEA CLO 2007-1 LTD., as a Lender

By: Pangaea Asset Management, LLC, its Collateral Manager

By: /s/Ryan C. Metcalfe

Name: Ryan C. Metcalfe

Title: Director

[Signature Page to First Amendment Acknowledgment and Confirmation]

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Pioneer Floating Rate Trust, as a Lender  
By: Pioneer Investment Management, Inc.,  
As advisor to each Lender above

By: /s/Margaret C. Begley  
Name: Margaret C. Begley  
Title: Secretary and Associate General Counsel

PPM MONARCH BAY FUNDING LLC, as a Lender

By: /s/Tara E. Kenny  
Name: Tara E. Kenny  
Title: Assistant Vice President

SERVES 2006-1 Ltd., as a Lender

By: /s/David C. Wagner  
PPM America, Inc., as Collateral Manager Name: David C. Wagner  
Title: Managing Director

North Dakota State Investment Board, as a Lender  
By: Prudential Investment Management, Inc., as Collateral Manager

By: /s/Joseph Lemanowicz  
Name: Joseph Lemanowicz  
Title: Vice President

Dryden IX – Senior Loan Fund 2005 p.l.c., as a Lender  
By: Prudential Investment Management, Inc., as Collateral Manager

By: /s/Joseph Lemanowicz  
Name: Joseph Lemanowicz  
Title: Vice President

[Signature Page to First Amendment Acknowledgment and Confirmation]

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Dryden VIII – Leveraged Loan CDO 2005, as a Lender  
By: Prudential Investment Management, Inc., as Collateral Manager

By: /s/Joseph Lemanowicz  
Name: Joseph Lemanowicz  
Title: Vice President

Dryden XXI Leveraged Loan CDO LLC, as a Lender  
By: Prudential Investment Management, Inc., as Collateral Manager

By: /s/Joseph Lemanowicz  
Name: Joseph Lemanowicz  
Title: Vice President

Dryden XVI – Leveraged Loan CDO 2006, as a Lender  
By: Prudential Investment Management, Inc., as Collateral Manager

By: /s/Joseph Lemanowicz  
Name: Joseph Lemanowicz  
Title: Vice President

Dryden XI –Leveraged Loan CDO 2006, as a Lender  
By: Prudential Investment Management, Inc., as Collateral Manager

By: /s/Joseph Lemanowicz  
Name: Joseph Lemanowicz  
Title: Vice President

[Signature Page to First Amendment Acknowledgment and Confirmation]

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Prudential Bank Loan Fund of the Prudential Trust Company Collective Trust, as a Lender  
By: Prudential Investment Management, Inc., as Collateral Manager

By: /s/Joseph Lemanowicz  
Name: Joseph Lemanowicz  
Title: Vice President

Raymond James Bank, as a Lender

By: /s/Steven Paley  
Name: Steven Paley  
Title: Senior Vice President

CAVALRY CLO I, LTD

By: Regiment Capital Management, LLC as its Investment Advisor  
By: Regiment Capital Advisors, LP its Manager and pursuant to deligated authority  
By: Regiment Capital Advisors, LLC its General Partner

By: /s/William J. Heffron  
William J. Heffron  
Authorized Signatory

Cornerstone CLO Ltd.

By: Stone Tower Debt Advisors LLC  
As Its Collateral Manager  
as a Lender

By: /s/Michael W. DelPercio  
Name: Michael W. DelPercio  
Title: Authorized Signatory

[Signature Page to First Amendment Acknowledgment and Confirmation]

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Granite Ventures II Ltd.  
By: Stone Tower Debt Advisors LLC  
As Its Collateral Manager  
as a Lender

By: /s/Michael W. DelPercio  
Name: Michael W. DelPercio  
Title: Authorized Signatory

Granite Ventures III Ltd.  
By: Stone Tower Debt Advisors LLC  
As Its Collateral Manager  
as a Lender

By: /s/Michael W. DelPercio  
Name: Michael W. DelPercio  
Title: Authorized Signatory

Rampart CLO 2007 Ltd.  
By: Stone Tower Debt Advisors LLC  
As Its Collateral Manager  
as a Lender

By: /s/Michael W. DelPercio  
Name: Michael W. DelPercio  
Title: Authorized Signatory

Rampart CLO 2006-1 Ltd.  
By: Stone Tower Debt Advisors LLC  
As Its Collateral Manager  
as a Lender

By: /s/Michael W. DelPercio  
Name: Michael W. DelPercio  
Title: Authorized Signatory

[Signature Page to First Amendment Acknowledgment and Confirmation]

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Stone Tower CLO III Ltd.

By: Stone Tower Debt Advisors LLC  
As Its Collateral Manager  
as a Lender

By: /s/Michael W. DelPercio

Name: Michael W. DelPercio  
Title: Authorized Signatory

Stone Tower CLO IV Ltd.

By: Stone Tower Debt Advisors LLC  
As Its Collateral Manager  
as a Lender

By: /s/Michael W. DelPercio

Name: Michael W. DelPercio  
Title: Authorized Signatory

Stone Tower CLO V Ltd.

By: Stone Tower Debt Advisors LLC  
As Its Collateral Manager  
as a Lender

By: /s/Michael W. DelPercio

Name: Michael W. DelPercio  
Title: Authorized Signatory

Stone Tower CLO VI Ltd.

By: Stone Tower Debt Advisors LLC  
As Its Collateral Manager  
as a Lender

By: /s/Michael W. DelPercio

Name: Michael W. DelPercio  
Title: Authorized Signatory

[Signature Page to First Amendment Acknowledgment and Confirmation]

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Stone Tower CLO VII Ltd.

By: Stone Tower Debt Advisors LLC  
As Its Collateral Manager  
as a Lender

By: /s/Michael W. DelPercio  
Name: Michael W. DelPercio  
Title: Authorized Signatory

Founders Grove CLO, Ltd.

By: Tall Tree Investment Management, LLC  
as Collateral Manager, as a Lender

By: /s/Michael J. Starshak Jr.  
Name: Michael J. Starshak Jr.  
Title: Officer

Grant Grove CLO, Ltd.

By: Tall Tree Investment Management, LLC  
as Collateral Manager, as a Lender

By: /s/Michael J. Starshak Jr.  
Name: Michael J. Starshak Jr.  
Title: Officer

Muir Grove CLO, Ltd.

By: Tall Tree Investment Management, LLC  
as Collateral Manager, as a Lender

By: /s/Michael J. Starshak Jr.  
Name: Michael J. Starshak Jr.  
Title: Officer

TORONTO DOMINION (NEW YORK) LLC,  
as a Lender

By: /s/David Perlman  
Name: David Perlman  
Title: Vice President

[Signature Page to First Amendment Acknowledgment and Confirmation]

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U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/CHRISTOPHER T. KORDES  
Name: CHRISTOPHER T. KORDES  
Title: SENIOR VICE PRESIDENT

Each of the persons listed on Annex A, Severally but not jointly, As Lender  
By: Wellington Management Company, LLP, as investment advisor

By: /s/Robert J. Toner  
Name: Robert J. Toner  
Title: Vice President & Counsel

WhiteHorse II, Ltd.  
WhiteHorse Capital Partners, L.P.  
As collateral manager  
WhiteRock Asset Advisor, LLC, its G.P.,  
as a Lender

By: /s/Jay Carvell  
Name: Jay Carvell  
Title: Manager

WhiteHorse III, Ltd.  
WhiteHorse Capital Partners, L.P.  
As collateral manager  
WhiteRock Asset Advisor, LLC, its G.P.,  
as a Lender

By: /s/Jay Carvell  
Name: Jay Carvell  
Title: Manager

[Signature Page to First Amendment Acknowledgment and Confirmation]

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First Amendment dated December 1, 2010 to Put Rights Agreement among HENRY SCHEIN, INC., OAK HILL CAPITAL MANAGEMENT PARTNERS II, L.P., OAK HILL CAPITAL PARTNERS II, L.P. and BUTLER ANIMAL HEALTH HOLDING COMPANY, LLC (the "Company").

**Background**

**WHEREAS:**

- A. The parties hereto have entered into a Put Rights Agreement dated December 31, 2009 (the "Put Rights Agreement");
- B. The Company may from time to time purchase shares of the Company from its employees, managers or consultants or issue options or restricted shares or other forms of long term incentive compensation (collectively, "Employee Securities") to its employees, managers or consultants;
- C. In connection with the purchases or issuances of Employee Securities described in the immediately previous recital, a valuation of the Company may be obtained from independent third parties or the Board of Managers of the Company may establish a value for the Company or a value or strike price for such Employee Securities (collectively, "Employee Valuations"); and
- D. The parties desire to amend the Put Rights Agreement to provide that such Employee Valuations shall not be taken into account in determining Fair Market Value under the Put Rights Agreement, inasmuch as such Employee Valuations will not have been determined in accordance with the provisions and procedures set forth in the Put Rights Agreement and such Employee Valuations may have been adjusted to reflect special circumstances not related to Fair Market Value, such as employee morale; and
- E. Capitalized terms not defined herein shall have the meanings ascribed to them in the Put Rights Agreement.



NOW, THEREFORE, the parties agree as follows:

1. **Amendment to Section 1.1(a).** Section 1.1(a) of the Put Rights Agreement is hereby amended by adding after the definition of “Discount Rate” the following definitions:  
“Employee Securities” shall have the meaning set forth in the recitals to the First Amendment to the Put Rights Agreement.  
“Employee Valuations” shall have the meaning set forth in the recitals to the First Amendment to the Put Rights Agreement.
2. **Amendments to Section 2.2(a)(ii).**
  - (a) The third sentence of Section 2.2(a)(ii) of the Put Rights Agreement is hereby amended by inserting the following clause immediately prior to the period at the end of such sentence:  
“; provided, further, however, that the Designated Investment Banker shall not consider the value placed on the Company or Employee Securities (whether by independent appraisal or by the Company’s Board of Managers) in connection with the purchase or issuance of Employee Securities.”
  - (b) The fifth sentence of Section 2.2(a)(ii) of the Put Rights Agreement is hereby amended by inserting the following clause immediately prior to the period at the end of such sentence:  
“; provided, further, however, that any such presentation shall not include any information regarding Employee Valuations.
3. **Amendment to Section 2.5(d).** Section 2.5(d) of the Put Rights Agreement is hereby amended by adding after the first sentence thereof a new sentence to read as follows:  
“Notwithstanding anything to the contrary herein, none of the Company, HSI or Oak Hill shall provide the Designated Investment Banker with information regarding Employee Valuations.”
4. **Ratification.** Except as hereby amended, the Put Rights Agreement is hereby ratified and confirmed.
5. **Incorporation by Reference.** The provisions of Article III of the Put Rights Agreement are hereby incorporated by reference as if fully set forth herein.

*(Signature page follows)*

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the date first above written.

**HENRY SCHEIN, INC.**

By: /s/ Michael Ettinger

Name: Michael Ettinger

Title: Senior vice president & secretary

**OAK HILL CAPITAL MANAGEMENT PARTNERS II, L.P.**

OHCP GenPar II, L.P., its general partner

OHCP MGP II, LLC, its general partner

By: /s/ John R. Monsky

Name: John R. Monsky

Title: Vice President

**OAK HILL CAPITAL PARTNERS II, L.P.**

OHCP GenPar II, L.P., its general partner

OHCP MGP II, LLC, its general partner

By: /s/ John R. Monsky

Name: John R. Monsky

Title: Vice President

**BUTLER ANIMAL HEALTH HOLDING COMPANY, LLC** (solely with respect to the amendment of Section 2.5(d) of the Put Rights Agreement)

By: /s/ Kevin R. Vasquez

Name: Kevin R. Vasquez

Title: CEO and President

First Amendment dated December 1, 2010 to Put Rights Agreement among HENRY SCHEIN, INC., BURNS VETERINARY SUPPLY, INC. and BUTLER ANIMAL HEALTH HOLDING COMPANY, LLC (the "Company").

**Background**

**WHEREAS:**

- A. The parties hereto have entered into a Put Rights Agreement dated December 31, 2009 (the "Put Rights Agreement");
- B. The Company may from time to time purchase shares of the Company from its employees, managers or consultants or issue options or restricted shares or other forms of long term incentive compensation (collectively, "Employee Securities") to its employees, managers or consultants;
- C. In connection with the purchases or issuances of Employee Securities described in the immediately previous recital, a valuation of the Company may be obtained from independent third parties or the Board of Managers of the Company may establish a value for the Company or a value or strike price for such Employee Securities (collectively, "Employee Valuations"); and
- D. The parties desire to amend the Put Rights Agreement to provide that such Employee Valuations shall not be taken into account in determining Fair Market Value under the Put Rights Agreement, inasmuch as such Employee Valuations will not have been determined in accordance with the provisions and procedures set forth in the Put Rights Agreement and such Employee Valuations may have been adjusted to reflect special circumstances not related to Fair Market Value, such as employee morale; and
- E. Capitalized terms not defined herein shall have the meanings ascribed to them in the Put Rights Agreement.

NOW, THEREFORE, the parties agree as follows:

1. **Amendment to Section 1.1(a).** Section 1.1(a) of the Put Rights Agreement is hereby amended by adding after the definition of “Discount Rate” the following definitions:  
“Employee Securities” shall have the meaning set forth in the recitals to the First Amendment to the Put Rights Agreement.  
“Employee Valuations” shall have the meaning set forth in the recitals to the First Amendment to the Put Rights Agreement.
2. **Amendments to Section 2.2(a)(ii).**
  - (a) The third sentence of Section 2.2(a)(ii) of the Put Rights Agreement is hereby amended by inserting the following clause immediately prior to the period at the end of such sentence:  
“; provided, further, however, that the Designated Investment Banker shall not consider the value placed on the Company or Employee Securities (whether by independent appraisal or by the Company’s Board of Managers) in connection with the purchase or issuance of Employee Securities.”
  - (b) The fifth sentence of Section 2.2(a)(ii) of the Put Rights Agreement is hereby amended by inserting the following clause immediately prior to the period at the end of such sentence:  
“; provided, further, however, that any such presentation shall not include any information regarding Employee Valuations.
3. **Amendment to Section 2.5(d).** Section 2.5(d) of the Put Rights Agreement is hereby amended by adding after the first sentence thereof a new sentence to read as follows:  
“Notwithstanding anything to the contrary herein, none of the Company, HSI or Burns shall provide the Designated Investment Banker with information regarding Employee Valuations.”
4. **Ratification.** Except as hereby amended, the Put Rights Agreement is hereby ratified and confirmed.
5. **Incorporation by Reference.** The provisions of Article III of the Put Rights Agreement are hereby incorporated by reference as if fully set forth herein.

*(Signature page follows)*

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the date first above written.

**HENRY SCHEIN, INC.**

By: /s/ Michael Ettinger  
Name: Michael Ettinger  
Title: Senior vice president & secretary

**BURNS VETERINARY SUPPLY, INC.**

By: /s/ Michael Caputo  
Name: Michael Caputo  
Title: President

**BUTLER ANIMAL HEALTH HOLDING COMPANY, LLC** (solely with respect to the amendment of Section 2.5(d) of the Put Rights Agreement)

By: /s/ Kevin R. Vasquez  
Name: Kevin R. Vasquez  
Title: CEO and President

**List of Subsidiaries**

Subsidiary	Jurisdiction of incorporation or organization
Butler Animal Health Supply, LLC	Delaware
Henry Schein Practice Solutions Inc.	Utah
Henry Schein Europe, Inc.	Delaware
Henry Schein Holding GmbH <sup>1</sup>	Germany

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<sup>1</sup> Henry Schein Holding GmbH is the parent company of 31 consolidated wholly-owned subsidiaries, all of which operate in the dental distribution field outside the United States.

**Consent of Independent Registered Public Accounting Firm**

Henry Schein, Inc.  
Melville, New York

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-171400, 333-164360, 333-111914, 333-39893, 333-91778, 333-35144, 333-33193, and 333-05453) of Henry Schein, Inc. of our reports dated February 22, 2011, relating to the consolidated financial statements, financial statement schedule and the effectiveness of Henry Schein, Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP

New York, New York  
February 22, 2011

**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 annual report on Form 10-K of Henry Schein, Inc. (the "registrant");
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: February 22, 2011

/s/ Stanley M. Bergman  
Stanley M. Bergman  
Chairman and Chief Executive Officer

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**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 annual report on Form 10-K of Henry Schein, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: February 22, 2011

/s/ Steven Paladino  
Steven Paladino  
Executive Vice President and  
Chief Financial Officer

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## CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 10-K of Henry Schein, Inc. (the "Company") for the period ended December 25, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stanley M. Bergman, the Chairman and Chief Executive Officer of the Company, and I, Steven Paladino, Executive Vice President and Chief Financial Officer of the Company, do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated February 22, 2011

/s/ Stanley M. Bergman  
Stanley M. Bergman  
Chairman and Chief Executive Officer

Dated February 22, 2011

/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.

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