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

# FORM 10-Q

(Mark One)

**☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the quarterly period ended June 29, 2019**

**or**

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

**For the transition period from _____ to _____**
**Commission File Number:** 0-27078

# HENRY SCHEIN, INC.

**(Exact name of registrant as specified in its charter)**

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

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

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

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $.01 per share | HSIC | Nasdaq Global Select Market |

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 every Interactive Data File required to be submitted 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 such files).

Yes ☑ No ☐

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

Large accelerated filer ☑
Accelerated filer ☐
Non-accelerated filer ☐
Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☑

As of July 29, 2019, there were 148,259,226 shares of the registrant's common stock outstanding.

**HENRY SCHEIN, INC.**
**INDEX**

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

| | June 29, 2019 (unaudited) | December 29, 2018 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 84,924 | $ 56,885 |
| Accounts receivable, net of reserves of $54,130 and $53,121 | 1,203,925 | 1,168,776 |
| Inventories, net | 1,367,516 | 1,415,512 |
| Prepaid expenses and other | 452,349 | 451,033 |
| Assets of discontinued operations | - | 1,083,014 |
| Total current assets | 3,108,714 | 4,175,220 |
| Property and equipment, net | 315,422 | 314,221 |
| Operating lease right-of-use assets, net | 236,113 | - |
| Goodwill | 2,431,103 | 2,081,029 |
| Other intangibles, net | 631,337 | 376,031 |
| Investments and other | 389,648 | 420,367 |
| Assets of discontinued operations | - | 1,133,659 |
| Total assets | $ 7,112,337 | $ 8,500,527 |
| | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 745,621 | $ 785,756 |
| Bank credit lines | 242,787 | 951,458 |
| Current maturities of long-term debt | 9,136 | 8,280 |
| Operating lease liabilities | 68,288 | - |
| Liabilities of discontinued operations | - | 577,607 |
| Accrued expenses: | | |
| Payroll and related | 224,574 | 242,876 |
| Taxes | 108,590 | 154,613 |
| Other | 426,281 | 498,237 |
| Total current liabilities | 1,825,277 | 3,218,827 |
| Long-term debt | 973,147 | 980,344 |
| Deferred income taxes | 72,177 | 27,218 |
| Operating lease liabilities | 178,240 | - |
| Other liabilities | 329,568 | 357,741 |
| Liabilities of discontinued operations | - | 62,453 |
| Total liabilities | 3,378,409 | 4,646,583 |
| | | |
| Redeemable noncontrolling interests | 287,714 | 219,724 |
| Redeemable noncontrolling interests from discontinued operations | - | 92,432 |
| Commitments and contingencies | | |
| | | |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value, 1,000,000 shares authorized, none outstanding | - | - |
| Common stock, $.01 par value, 480,000,000 shares authorized, 147,823,846 outstanding on June 29, 2019 and 151,401,668 outstanding on December 29, 2018 | 1,478 | 1,514 |
| Additional paid-in capital | 65,356 | - |
| Retained earnings | 2,900,387 | 3,208,589 |
| Accumulated other comprehensive loss | (139,944) | (248,771) |
| Total Henry Schein, Inc. stockholders' equity | 2,827,277 | 2,961,332 |
| Noncontrolling interests | 618,937 | 580,456 |
| Total stockholders' equity | 3,446,214 | 3,541,788 |
| Total liabilities, redeemable noncontrolling interests and stockholders' equity | $ 7,112,337 | $ 8,500,527 |

See accompanying notes.

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| Net sales | $ 2,447,827 | $ 2,316,032 | $ 4,808,095 | $ 4,589,482 |
| Cost of sales | 1,680,396 | 1,597,704 | 3,288,974 | 3,152,025 |
| Gross profit | 767,431 | 718,328 | 1,519,121 | 1,437,457 |
| Operating expenses: | | | | |
| Selling, general and administrative | 593,218 | 552,723 | 1,167,826 | 1,106,937 |
| Restructuring costs | 11,925 | 8,497 | 16,566 | 11,172 |
| Operating income | 162,288 | 157,108 | 334,729 | 319,348 |
| Other income (expense): | | | | |
| Interest income | 3,654 | 3,724 | 8,425 | 7,177 |
| Interest expense | (12,785) | (17,235) | (29,086) | (34,139) |
| Other, net | (1,416) | (437) | (1,835) | (1,187) |
| Income from continuing operations before taxes, equity in earnings of affiliates and noncontrolling interests | 151,741 | 143,160 | 312,233 | 291,199 |
| Income taxes | (35,880) | (33,879) | (75,362) | (70,021) |
| Equity in earnings of affiliates | 5,556 | 5,310 | 8,186 | 8,130 |
| Net income from continuing operations | 121,417 | 114,591 | 245,057 | 229,308 |
| Income (loss) from discontinued operations | (2,221) | 32,918 | (11,217) | 66,832 |
| Net Income | 119,196 | 147,509 | 233,840 | 296,140 |
| Less: Net income attributable to noncontrolling interests | (4,664) | (3,955) | (9,891) | (7,138) |
| Less: Net (income) loss attributable to noncontrolling interests from discontinued operations | - | (2,342) | 366 | (7,572) |
| Net income attributable to Henry Schein, Inc. | $ 114,532 | $ 141,212 | $ 224,315 | $ 281,430 |
| Amounts attributable to Henry Schein Inc.: | | | | |
| Continuing operations | $ 116,753 | $ 110,636 | $ 235,166 | $ 222,170 |
| Discontinued operations | (2,221) | 30,576 | (10,851) | 59,260 |
| Net income attributable to Henry Schein, Inc. | $ 114,532 | $ 141,212 | $ 224,315 | $ 281,430 |
| **Earnings per share from continuing operations attributable to Henry Schein, Inc.:** | | | | |
| Basic | $ 0.79 | $ 0.72 | $ 1.58 | $ 1.45 |
| Diluted | $ 0.78 | $ 0.72 | $ 1.56 | $ 1.44 |
| **Earnings (loss) per share from discontinued operations attributable to Henry Schein, Inc.:** | | | | |
| Basic | $ (0.01) | $ 0.20 | $ (0.07) | $ 0.39 |
| Diluted | $ (0.01) | $ 0.20 | $ (0.07) | $ 0.38 |
| **Earnings per share attributable to Henry Schein, Inc.:** | | | | |
| Basic | $ 0.77 | $ 0.92 | $ 1.50 | $ 1.84 |
| Diluted | $ 0.77 | $ 0.92 | $ 1.49 | $ 1.83 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 148,148 | 153,353 | 149,310 | 153,210 |
| Diluted | 149,423 | 154,189 | 150,560 | 154,163 |

See accompanying notes.

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| Net income | $ 119,196 | $ 147,509 | $ 233,840 | $ 296,140 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation gain (loss) | 10,107 | (129,796) | 16,709 | (95,572) |
| Unrealized gain (loss) from foreign currency hedging activities | 958 | 1,955 | (323) | 1,053 |
| Unrealized investment gain (loss) | 3 | (1) | 6 | (1) |
| Pension adjustment gain (loss) | (285) | 963 | 432 | 940 |
| Other comprehensive income (loss), net of tax | 10,783 | (126,879) | 16,824 | (93,580) |
| Comprehensive income | 129,979 | 20,630 | 250,664 | 202,560 |
| Comprehensive income attributable to noncontrolling interests: | | | | |
| Net income | (4,664) | (6,297) | (9,525) | (14,710) |
| Foreign currency translation (gain) loss | (849) | 13,375 | (1,405) | 12,255 |
| Comprehensive income attributable to noncontrolling interests | (5,513) | 7,078 | (10,930) | (2,455) |
| Comprehensive income attributable to Henry Schein, Inc. | $ 124,466 | $ 27,708 | $ 239,734 | $ 200,105 |

See accompanying notes.

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

| | Common Stock $.01 Par Value | | Additional Paid-in | Retained | Accumulated Other Comprehensive | Noncontrolling | Total Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | Income/(Loss) | Interests | Equity |
| Balance, March 30, 2019 | 148,996,092 | $ 1,490 | $ 86,128 | $ 2,859,182 | $ (149,878) | $ 617,751 | $ 3,414,673 |
| Cumulative impact of adopting new accounting standards | - | - | - | (274) | - | - | (274) |
| Net income (excluding $3,135 attributable to Redeemable noncontrolling interests from continuing operations) | - | - | - | 114,532 | - | 1,529 | 116,061 |
| Foreign currency translation gain (excluding gain of $1,027 attributable to Redeemable noncontrolling interests) | - | - | - | - | 9,258 | (178) | 9,080 |
| Unrealized gain from foreign currency hedging activities, net of tax of $293 | - | - | - | - | 958 | - | 958 |
| Unrealized investment gain, net of tax of $0 | - | - | - | - | 3 | - | 3 |
| Pension adjustment loss, including tax benefit of $95 | - | - | - | - | (285) | - | (285) |
| Dividends paid | - | - | - | - | - | (146) | (146) |
| Other adjustments | - | - | (2) | - | - | - | (2) |
| Change in fair value of redeemable securities | - | - | 6,692 | - | - | - | 6,692 |
| Initial noncontrolling interests and related adjustments related business acquisitions | - | - | - | - | - | (19) | (19) |
| Repurchase and retirement of common stock | (1,182,210) | (12) | (3,717) | (73,053) | - | - | (76,782) |
| Stock-based compensation expense | 11,658 | - | 12,662 | - | - | - | 12,662 |
| Shares withheld for payroll taxes | (1,694) | - | (123) | - | - | - | (123) |
| Settlement of stock-based compensation awards | - | - | 32 | - | - | - | 32 |
| Separation of Animal Health business | - | - | (36,316) | - | - | - | (36,316) |
| Balance, June 29, 2019 | 147,823,846 | $ 1,478 | $ 65,356 | $ 2,900,387 | $ (139,944) | $ 618,937 | $ 3,446,214 |

| | Common Stock $.01 Par Value | | Additional Paid-in | Retained | Accumulated Other Comprehensive | Noncontrolling | Total Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | Income/(Loss) | Interests | Equity |
| Balance, March 31, 2018 | 154,025,003 | $ 1,540 | $ - | $ 2,998,328 | $ (97,888) | $ 9,936 | $ 2,911,916 |
| Net income (excluding $6,047 attributable to Redeemable noncontrolling interests) | - | - | - | 141,212 | - | 250 | 141,462 |
| Foreign currency translation loss (excluding loss of $10,638 attributable to Redeemable noncontrolling interests) | - | - | - | - | (116,421) | (943) | (117,364) |
| Unrealized gain from foreign currency hedging activities, including tax of $614 | - | - | - | - | 1,955 | - | 1,955 |
| Unrealized investment loss, including tax benefit of $0 | - | - | - | - | (1) | - | (1) |
| Pension adjustment gain, including tax of $370 | - | - | - | - | 963 | - | 963 |
| Dividends paid | - | - | - | - | - | (163) | (163) |
| Other adjustments | - | - | (30) | - | - | (39) | (69) |
| Purchase of noncontrolling interests | - | - | - | - | - | (215) | (215) |
| Change in fair value of redeemable securities | - | - | (34,346) | - | - | - | (34,346) |
| Initial noncontrolling interests and related adjustments related business acquisitions | - | - | - | - | - | 545 | 545 |
| Repurchase and retirement of common stock | (769,280) | (8) | (10,240) | (43,107) | - | - | (53,355) |
| Stock issued upon exercise of stock options | - | - | - | - | - | - | - |
| Stock-based compensation expense | (10,885) | - | 14,591 | - | - | - | 14,591 |
| Shares withheld for payroll taxes | (16,540) | - | (1,295) | - | - | - | (1,295) |
| Settlement of stock-based compensation awards | 3,371 | - | (40) | - | - | - | (40) |
| Deferred tax benefit arising from acquisition of noncontrolling interest in partnership | - | - | 58,325 | - | - | - | 58,325 |
| Transfer of charges in excess of capital | - | - | (26,965) | 26,965 | - | - | - |
| Balance, June 30, 2018 | 153,231,669 | $ 1,532 | $ - | $ 3,123,398 | $ (211,392) | $ 9,371 | $ 2,922,909 |

See accompanying notes.

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

| | Common Stock $.01 Par Value | | Additional Paid-in | Retained | Accumulated Other Comprehensive | Noncontrolling | Total Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | Income/(Loss) | Interests | Equity |
| Balance, December 29, 2018 | 151,401,668 | $ 1,514 | $ - | $ 3,208,589 | $ (248,771) | $ 580,456 | $ 3,541,788 |
| Cumulative impact of adopting new accounting standards | - | - | - | (274) | - | - | (274) |
| Net income (excluding $6,513 attributable to Redeemable noncontrolling interests from continuing operations and ($366) from discontinued operations) | - | - | - | 224,315 | - | 3,378 | 227,693 |
| Foreign currency translation gain (loss) (excluding gain of $836 attributable to Redeemable noncontrolling interests and $592 gain from discontinued operations) | - | - | - | - | 15,304 | (23) | 15,281 |
| Unrealized loss from foreign currency hedging activities, net of tax benefit of $ 29 | - | - | - | - | (323) | - | (323) |
| Unrealized investment gain, net of tax of $1 | - | - | - | - | 6 | - | 6 |
| Pension adjustment gain, net of tax of $129 | - | - | - | - | 432 | - | 432 |
| Dividends paid | - | - | - | - | - | (215) | (215) |
| Other adjustments | - | - | (4) | - | - | - | (4) |
| Purchase of noncontrolling interests | | | | | | | |
| Change in fair value of redeemable securities | - | - | 4,200 | - | - | - | 4,200 |
| Initial noncontrolling interests and adjustments related to business acquisitions | - | - | - | - | - | 35,341 | 35,341 |
| Adjustment for Animal Health Spin-off | 87,629 | 1 | - | - | - | - | 1 |
| Repurchase and retirement of common stock | (3,705,347) | (37) | (36,203) | (190,542) | - | - | (226,782) |
| Stock issued upon exercise of stock options | 2,526 | - | 34 | - | - | - | 34 |
| Stock-based compensation expense | 212,535 | 2 | 20,095 | - | - | - | 20,097 |
| Shares withheld for payroll taxes | (175,165) | (2) | (10,566) | - | - | - | (10,568) |
| Settlement of stock-based compensation awards | - | - | 388 | - | - | - | 388 |
| Share Sale related to Animal Health business | - | - | 361,090 | - | - | - | 361,090 |
| Separation of Animal Health business | - | - | (72,221) | (543,158) | 93,408 | - | (521,971) |
| Transfer of charges in excess of capital | - | - | (201,457) | 201,457 | - | - | - |
| Balance, June 29, 2019 | 147,823,846 | $ 1,478 | $ 65,356 | $ 2,900,387 | $ (139,944) | $ 618,937 | $ 3,446,214 |

| | Common Stock $.01 Par Value | | Additional Paid-in | Retained | Accumulated Other Comprehensive | Noncontrolling | Total Stockholders' |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | Income/(Loss) | Interests | Equity |
| Balance, December 30, 2017 | 153,690,146 | $ 1,537 | $ - | $ 2,940,029 | $ (130,067) | $ 12,911 | $ 2,824,410 |
| Cumulative impact of adopting new accounting standards | - | - | - | 2,594 | - | - | 2,594 |
| Net income (excluding $14,371 attributable to Redeemable noncontrolling interests) | - | - | - | 281,430 | - | 339 | 281,769 |
| Foreign currency translation loss (excluding loss of $11,535 attributable to Redeemable noncontrolling interests) | - | - | - | - | (83,317) | (720) | (84,037) |
| Unrealized gain from foreign currency hedging activities, net of tax of $432 | - | - | - | - | 1,053 | - | 1,053 |
| Unrealized investment loss, net of tax of $0 | - | - | - | - | (1) | - | (1) |
| Pension adjustment gain, including tax of $370 | - | - | - | - | 940 | - | 940 |
| Dividends paid | - | - | - | - | - | (324) | (324) |
| Other adjustments | - | - | (23) | - | - | 740 | 717 |
| Purchase of noncontrolling interests | - | - | - | - | - | (215) | (215) |
| Change in fair value of redeemable securities | - | - | (116,707) | - | - | - | (116,707) |
| Initial noncontrolling interests and adjustments related to business acquisitions | - | - | - | - | - | (3,360) | (3,360) |
| Repurchase and retirement of common stock | (769,280) | (8) | (10,240) | (43,107) | - | - | (53,355) |
| Stock issued upon exercise of stock options | 151,516 | 2 | 3,020 | - | - | - | 3,022 |
| Stock-based compensation expense | 419,445 | 4 | 23,341 | - | - | - | 23,345 |
| Shares withheld for payroll taxes | (263,529) | (3) | (17,686) | - | - | - | (17,689) |
| Settlement of stock-based compensation awards | 3,371 | - | (222) | - | - | - | (222) |
| Deferred tax benefit arising from acquisition of noncontrolling interest in partnership | - | - | 60,969 | - | - | - | 60,969 |
| Transfer of charges in excess of capital | - | - | 57,548 | (57,548) | - | - | - |
| Balance, June 30, 2018 | 153,231,669 | $ 1,532 | $ - | $ 3,123,398 | $ (211,392) | $ 9,371 | $ 2,922,909 |

See accompanying notes.

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

| | Six Months Ended | |
|---|---|---|
| | June 29, 2019 | June 30, 2018 |
| **Cash flows from operating activities:** | | |
| Net income | $ 233,840 | $ 296,140 |
| Income (loss) from discontinued operations | (11,217) | 66,832 |
| Income from continuing operations | 245,057 | 229,308 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 89,355 | 71,147 |
| Stock-based compensation expense | 19,772 | 21,054 |
| Provision for losses on trade and other accounts receivable | 3,976 | 5,328 |
| Provision for deferred income taxes | 2,284 | (224) |
| Equity in earnings of affiliates | (8,186) | (8,130) |
| Distributions from equity affiliates | 61,357 | 9,344 |
| Changes in unrecognized tax benefits | 4,435 | 757 |
| Other | (1,045) | (2,078) |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | (17,452) | (38,802) |
| Inventories | 86,803 | (68,010) |
| Other current assets | (62,098) | (4,448) |
| Accounts payable and accrued expenses | (125,472) | (103,378) |
| Net cash provided by operating activities from continuing operations | 298,786 | 111,868 |
| Net cash provided by (used in) operating activities from discontinued operations | (169,294) | 105,018 |
| Net cash provided by operating activities | 129,492 | 216,886 |
| | | |
| **Cash flows from investing activities:** | | |
| Purchases of fixed assets | (30,708) | (30,229) |
| Payments for equity investments and business acquisitions, net of cash acquired | (622,441) | (1,344) |
| Proceeds from sale of equity investment | 10,500 | - |
| Proceeds/(payments) for loan to affiliate | 15,868 | (18,200) |
| Other | (8,762) | (7,463) |
| Net cash used in investing activities from continuing operations | (635,543) | (57,236) |
| Net cash used in investing activities from discontinued operations | (2,064) | (17,404) |
| Net cash used in investing activities | (637,607) | (74,640) |
| | | |
| **Cash flows from financing activities:** | | |
| Proceeds from (repayments of) bank borrowings | (709,012) | 438,217 |
| Proceeds from issuance of debt | 741 | 100,000 |
| Principal payments for long-term debt | (9,038) | (24,082) |
| Debt issuance costs | (391) | (177) |
| Proceeds from issuance of stock upon exercise of stock options | 34 | 3,022 |
| Payments for repurchases of common stock | (226,782) | (53,355) |
| Payments for taxes related to shares withheld for employee taxes | (10,527) | (17,665) |
| Distribution received related to Animal Health Spin-off | 1,120,000 | - |
| Proceeds related to Animal Health Share Sale | 361,090 | - |
| Proceeds from (distributions to) noncontrolling stockholders | 49,398 | (4,678) |
| Acquisitions of noncontrolling interests in subsidiaries | (2,270) | (286,156) |
| Payments to Henry Schein Animal Health Business | (212,957) | (290,744) |
| Net cash provided by (used in) financing activities from continuing operations | 360,286 | (135,618) |
| Net cash provided by (used in) financing activities from discontinued operations | 150,274 | (86,650) |
| Net cash provided by (used in) financing activities | 510,560 | (222,268) |
| | | |
| Effect of exchange rate changes on cash and cash equivalents-continuing operations | 4,510 | 13,305 |
| Effect of exchange rate changes on cash and cash equivalents-discontinued operations | (2,240) | 3,380 |
| Net change in cash and cash equivalents from continuing operations | 28,039 | (67,681) |
| Net change in cash and cash equivalents from discontinued operations | (23,324) | 4,344 |
| Cash and cash equivalents, beginning of period | 56,885 | 158,002 |
| Cash and cash equivalents, end of period | $ 84,924 | $ 90,321 |

See accompanying notes.

# HENRY SCHEIN, INC.

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

## Note 1 – Basis of Presentation

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

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

We consolidate a Variable Interest Entity ("VIE") where we hold a variable interest and are the primary beneficiary. The VIE is a trade accounts receivable securitization. We are the primary beneficiary because we have the power to direct activities that most significantly affect the economic performance and have the obligation to absorb the majority of the losses or benefits. The results of operations and financial position of this VIE are included in our consolidated financial statements.

For the consolidated VIE, the trade accounts receivable transferred to the VIE are pledged as collateral to the related debt. The creditors have recourse to us for losses on these trade accounts receivable. At June 29, 2019 and December 29, 2018, trade accounts receivable that can only be used to settle obligations of this VIE were $435 million and $422 million, respectively, and the liabilities of the VIE where the creditors have recourse to us were $350 million and $350 million, respectively.

The consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the consolidated results of operations and financial position for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 29, 2018.

On February 7, 2019 (the "Distribution Date"), we completed the separation (the "Separation") and subsequent merger of our animal health business (the "Henry Schein Animal Health Business") with Direct Vet Marketing, Inc. (d/b/a Vets First Choice, "Vets First Choice") (the "Merger"). All financial information within this Form 10-Q presents the Henry Schein Animal Health Business as a discontinued operation.

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The results of operations for the six months ended June 29, 2019 are not necessarily indicative of the results to be expected for any other interim period or for the year ending December 28, 2019.

## Note 2 – Discontinued Operations

*Animal Health Spin-off*

On the Distribution Date, we completed the Separation and subsequent Merger of the Henry Schein Animal Health Business with Vets First Choice. This was accomplished by a series of transactions among us, Vets First Choice, Covetrus, Inc. (f/k/a HS Spinco, Inc. "Covetrus"), a wholly owned subsidiary of ours prior to the Distribution Date, and HS Merger Sub, Inc., a wholly owned subsidiary of Covetrus ("Merger Sub"). In connection with the Separation, we contributed, assigned and transferred to Covetrus certain applicable assets, liabilities and capital stock or other ownership interests relating to the Henry Schein Animal Health Business. On the Distribution Date, we received a tax-free distribution of $1,120 million from Covetrus pursuant to certain debt financing incurred by Covetrus. On the Distribution Date and prior to the Animal Health Spin-off, Covetrus issued shares of Covetrus common stock to certain institutional accredited investors (the "Share Sale Investors") for $361.1 million (the "Share Sale"). The proceeds of the Share Sale were paid to Covetrus and distributed to us. Subsequent to the Share Sale, we distributed, on a pro rata basis, all of the shares of the common stock of Covetrus held by us to our stockholders of record as of the close of business on January 17, 2019 (the "Animal Health Spin-off"). After the Share Sale and Animal Health Spin-off, Merger Sub consummated the Merger whereby it merged with and into Vets First Choice, with Vets First Choice surviving the Merger as a wholly owned subsidiary of Covetrus. Immediately following the consummation of the Merger, on a fully diluted basis, (i) approximately 63% of the shares of Covetrus common stock were (a) owned by our stockholders and the Share Sale Investors, and (b) held by certain employees of the Henry Schein Animal Health Business (in the form of certain equity awards), and (ii) approximately 37% of the shares of Covetrus common stock were (a) owned by stockholders of Vets First Choice immediately prior to the Merger, and (b) held by certain employees of Vets First Choice (in the form of certain equity awards). After the Separation and the Merger, we no longer beneficially owned any shares of Covetrus common stock and, following the Distribution Date, will not consolidate the financial results of Covetrus for the purpose of our financial reporting. Following the Separation and the Merger, Covetrus was an independent, publicly traded company on the Nasdaq Global Select Market.

In connection with the completion of the Animal Health Spin-off, we entered into a transition services agreement with Covetrus under which we have agreed to provide certain transition services for up to twenty-four months in areas such as information technology, finance and accounting, human resources, supply chain, and real estate and facility services.

As a result of the Separation, the financial position and results of operations of the Henry Schein Animal Health Business are presented as discontinued operations and have been excluded from continuing operations and segment results for all periods presented. The accompanying Notes to the Consolidated Financial Statements have been revised to reflect the effect of the Separation and all prior year balances have been revised accordingly to reflect continuing operations only. The historical statements of Comprehensive Income (Loss) and Shareholders' Equity have not been revised to reflect the Separation and instead reflect the Separation as an adjustment to the balances at June 29, 2019.

# HENRY SCHEIN, INC.

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

Summarized financial information for our discontinued operations is as follows:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| Net sales | $ - | $ 1,010,645 | $ 319,522 | $ 1,957,633 |
| Gross profit | - | 182,745 | 59,425 | 359,207 |
| Operating income (loss) | (2,056) | 44,242 | (7,525) | 88,143 |
| Income taxes | (83) | 13,041 | 4,681 | 24,663 |
| Income (loss) from discontinued operations | (2,221) | 32,918 | (11,217) | 66,832 |
| Net (income) loss attributable to noncontrolling interests | - | (2,342) | 366 | (7,572) |
| Net income (loss) from discontinued operations attributable to Henry Schein, Inc. | (2,221) | 30,576 | (10,851) | 59,260 |

The financial information above represents activity of the discontinued operations during the quarter through the Distribution Date.

The loss from discontinued operations for the three and six months ended June 29, 2019 was primarily attributable to the inclusion of approximately $2.2 million and $23.1 million, respectively, of transaction costs directly related to the Animal Health Spin-off.

# HENRY SCHEIN, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**(in thousands, except per share data)**

**(unaudited)**

The following are the amounts of assets and liabilities that were transferred to Covetrus as of February 7, 2019 and December 29, 2018.

| | February 7, 2019 (unaudited) | December 29, 2018 (unaudited) |
|---|---|---|
| Cash and cash equivalents | $ 6,815 | $ 23,324 |
| Accounts receivable, net | 432,812 | 434,935 |
| Inventories, net | 536,637 | 555,230 |
| Prepaid expenses and other | 120,546 | 69,525 |
| Total current assets of discontinued operations | 1,096,810 | 1,083,014 |
| Property and equipment, net | 69,790 | 68,177 |
| Operating lease right-of-use asset, net | 57,012 | - |
| Goodwill | 742,931 | 739,266 |
| Other intangibles, net | 205,793 | 208,213 |
| Investments and other | 120,518 | 118,003 |
| Total long-term assets of discontinued operations | 1,196,044 | 1,133,659 |
| Total assets of discontinued operations | $ 2,292,854 | $ 2,216,673 |
| | | |
| Accounts payable | $ 316,162 | $ 441,453 |
| Current maturities of long-term debt | 657 | 675 |
| Operating lease liabilities | 18,951 | - |
| Accrued expenses: | | |
| Payroll and related | 36,847 | 36,888 |
| Taxes | 24,060 | 17,552 |
| Other | 80,400 | 81,039 |
| Total current liabilities of discontinued operations | 477,077 | 577,607 |
| Long-term debt | 1,176,105 | 23,529 |
| Deferred income taxes | 17,019 | 4,352 |
| Operating lease liabilities | 38,668 | - |
| Other liabilities | 29,209 | 34,572 |
| Total long-term liabilities of discontinued operations | 1,261,001 | 62,453 |
| Total liabilities of discontinued operations | $ 1,738,078 | $ 640,060 |
| Redeemable noncontrolling interests | $ 28,270 | $ 92,432 |

## Note 3 – Critical Accounting Policies and Accounting Pronouncements Adopted

### Critical Accounting Policies

Except for the accounting policy for leases appearing below, implemented as a result of adopting Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), there have been no material changes in our critical accounting policies during the six months ended June 29, 2019, as compared to the critical accounting policies described in Item 7 to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 29, 2018.

*Leases*

We determine if an arrangement contains a lease at inception. An arrangement contains a lease if it implicitly or explicitly identifies an asset to be used and conveys the right to control the use of the identified asset in exchange for consideration. As a lessee, we include operating leases in Operating lease right-of-use ("ROU") assets, Accrued expenses-Operating lease liabilities, and Non-current operating lease liabilities in our consolidated balance sheet. Finance leases are included in Property and equipment, Current maturities of long-term debt, and Long-term debt in our consolidated balance sheet.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized upon commencement of the lease based on the present value of the lease payments over the lease term. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on the information available at commencement date to determine the present value of lease payments. When readily determinable, we use the implicit rate. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Leases with a lease term of 12 months or less are not capitalized.

We have lease agreements with lease and non-lease components, which are generally accounted for as a single lease component, except non-lease components for leases of vehicles which are accounted for separately. When a vehicle lease contains both lease and non-lease components, we allocate the transaction price based on the relative standalone selling price.

### Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02 "Leases (Topic 842)" related to leases requiring the recognition of ROU assets and lease liabilities on the balance sheet. Most significant among the changes in the standard is the recognition of ROU assets and lease liabilities by lessors for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

We adopted the standard on December 30, 2018 using a modified retrospective approach utilizing a transition relief expedient method whereby we continue to apply existing lease guidance during the comparative periods and apply the new lease requirements through a cumulative-effect adjustment in the period of adoption, rather than in the earliest period presented without adjusting historical financial statements. We elected the package of practical expedients permitted under the transition guidance within the new standard, which, among other things, allowed us to carry forward the historical lease classification. Information related to leases as of June 29, 2019 is presented under Topic 842, while prior period amounts are not adjusted and continue to be reported under legacy guidance in Topic 840.

The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while our accounting for finance leases remained substantially unchanged.

Adoption of the new standard resulted in the recording of additional net operating lease assets of $259.9 million and operating lease liabilities of $267.3 million, and a decrease of $1.1 million and $8.5 million in prepaid rent and deferred rent liabilities, respectively. The standard did not materially impact our consolidated net income and had no impact on cash flows.

In February 2018, the FASB issued ASU No. 2018-02, "Treatment of Stranded Tax Effects in Accumulated Other Comprehensive Income Resulting From the Tax Cuts and Jobs Act of 2017," which allows the reclassification from accumulated comprehensive income to retained earnings the income tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the “Tax Act”). This ASU is effective for interim and annual reporting periods beginning after December 15, 2018. The adoption of this ASU did not have a material impact on our consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, “Derivatives and Hedging” (Topic 815), which simplified the requirements for hedge accounting, more closely aligns hedge accounting risk with risk management activities and increases transparency of the scope and results of hedging activities. This ASU amends the presentation and disclosure requirements and changes how we can assess the effectiveness of our hedging relationships. This ASU will make more financial and nonfinancial hedging strategies eligible for hedge accounting. This ASU is effective for interim and annual reporting periods beginning after December 15, 2018. The adoption of this ASU did not have a material impact on our consolidated financial statements.

# HENRY SCHEIN, INC.

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

## Note 4 – Revenue from Contracts with Customers

Revenue is recognized in accordance with policies disclosed in Item 7 of our Annual Report on form 10-K for the year ended December 29, 2018.

*Disaggregation of Revenue*

The following table disaggregates our revenue by segment and geography:

| | Three Months Ended June 29, 2019 | | | Six Months Ended June 29, 2019 | | |
|---|---|---|---|---|---|---|
| | North America | International | Global | North America | International | Global |
| **Revenues:** | | | | | | |
| Health care distribution | | | | | | |
| Dental | $ 975,372 | $ 625,979 | $ 1,601,351 | $ 1,898,966 | $ 1,248,853 | $ 3,147,819 |
| Medical | 678,358 | 19,200 | 697,558 | 1,340,653 | 40,565 | 1,381,218 |
| Total health care distribution | 1,653,730 | 645,179 | 2,298,909 | 3,239,619 | 1,289,418 | 4,529,037 |
| Technology and value-added services | 108,504 | 16,546 | 125,050 | 207,421 | 33,139 | 240,560 |
| Total excluding Corporate TSA revenues [1] | 1,762,234 | 661,725 | 2,423,959 | 3,447,040 | 1,322,557 | 4,769,597 |
| Corporate TSA revenues [1] | 1,760 | 22,108 | 23,868 | 3,021 | 35,477 | 38,498 |
| Total revenues | $ 1,763,994 | $ 683,833 | $ 2,447,827 | $ 3,450,061 | $ 1,358,034 | $ 4,808,095 |

| | Three Months Ended June 30, 2018 | | | Six Months Ended June 30, 2018 | | |
|---|---|---|---|---|---|---|
| | North America | International | Global | North America | International | Global |
| **Revenues:** | | | | | | |
| Health care distribution | | | | | | |
| Dental | $ 975,144 | $ 637,507 | $ 1,612,651 | $ 1,879,185 | $ 1,281,024 | $ 3,160,209 |
| Medical | 593,793 | 20,232 | 614,025 | 1,213,186 | 41,239 | 1,254,425 |
| Total health care distribution | 1,568,937 | 657,739 | 2,226,676 | 3,092,371 | 1,322,263 | 4,414,634 |
| Technology and value-added services | 72,565 | 16,791 | 89,356 | 141,806 | 33,042 | 174,848 |
| Total excluding Corporate TSA revenues [1] | 1,641,502 | 674,530 | 2,316,032 | 3,234,177 | 1,355,305 | 4,589,482 |
| Corporate TSA revenues [1] | - | - | - | - | - | - |
| Total revenues | $ 1,641,502 | $ 674,530 | $ 2,316,032 | $ 3,234,177 | $ 1,355,305 | $ 4,589,482 |

(1) Corporate TSA revenues represents sales of certain animal health products to Covetrus under the transition services agreement entered into in connection with the Animal Health Spin-off, which we expect to continue through 2020.

At December 29, 2018, the current portion of contract liabilities of $65.3 million was reported in Accrued expenses: Other, and $5.0 million related to non-current contract liabilities was reported in Other liabilities. During the six months ended June 29, 2019, we recognized in revenue $44.8 million of the amounts previously deferred at December 29, 2018. At June 29, 2019, the current and non-current portion of contract liabilities were $59.1 million and $5.1 million, respectively.

# HENRY SCHEIN, INC.

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

## Note 5 – Segment Data

We conduct our business through two reportable segments: (i) health care distribution and (ii) technology and value-added services. These segments offer different products and services to the same customer base.

The health care distribution reportable segment aggregates our global dental and medical operating segments. This segment distributes consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins. Our global dental group serves office-based dental practitioners, dental laboratories, schools and other institutions. Our global medical group serves office-based medical practitioners, ambulatory surgery centers, other alternate-care settings and other institutions. Our global dental and medical groups serve practitioners in 32 countries worldwide.

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

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| **Net Sales:** | | | | |
| Health care distribution (1): | | | | |
| Dental | $ 1,601,351 | $ 1,612,651 | $ 3,147,819 | $ 3,160,209 |
| Medical | 697,558 | 614,025 | 1,381,218 | 1,254,425 |
| Total health care distribution | 2,298,909 | 2,226,676 | 4,529,037 | 4,414,634 |
| Technology and value-added services (2) | 125,050 | 89,356 | 240,560 | 174,848 |
| Total excluding Corporate TSA revenue | 2,423,959 | 2,316,032 | 4,769,597 | 4,589,482 |
| Corporate TSA revenues (3) | 23,868 | - | 38,498 | - |
| Total | $ 2,447,827 | $ 2,316,032 | $ 4,808,095 | $ 4,589,482 |

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

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

(3) Corporate TSA revenues represents sales of certain animal health products to Covetrus under the transition services agreement entered into in connection with the Animal Health Spin-off, which we expect to continue through 2020.

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| **Operating Income:** | | | | |
| Health care distribution | $ 134,917 | $ 130,526 | $ 279,529 | $ 267,672 |
| Technology and value-added services | 27,371 | 26,582 | 55,200 | 51,676 |
| Total | $ 162,288 | $ 157,108 | $ 334,729 | $ 319,348 |

# HENRY SCHEIN, INC.

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

## Note 6 – Debt

*Bank Credit Lines*

Bank credit lines consisted of the following:

| | June 29, 2019 | December 29, 2018 |
|---|---|---|
| Revolving credit agreement | $ 200,000 | $ 175,000 |
| Other short-term bank credit lines | 42,787 | 376,458 |
| Committed loan associated with Animal Health Spin-off | - | 400,000 |
| Total | $ 242,787 | $ 951,458 |

*Revolving Credit Agreement*

On April 18, 2017, we entered into a $750 million revolving credit agreement (the "Credit Agreement"). This facility, which matures in April 2022, replaced our $500 million revolving credit facility, which was scheduled to mature in September 2019. The interest rate is based on the USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. We expect that the LIBOR rate will be discontinued at some point during 2021. We expect to work with our lenders to identify a suitable replacement rate and amend our debt agreements to reflect this new reference rate accordingly. We do not believe that the discontinuation of LIBOR as a reference rate in our debt agreements will have a material adverse effect on our financial position or materially affect our interest expense. Additionally, the Credit Agreement provides, among other things, that we are required to maintain maximum leverage ratios, and contains customary representations, warranties and affirmative covenants. The Credit Agreement also contains customary negative covenants, subject to negotiated exceptions on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of June 29, 2019 and December 29, 2018, the borrowings on this revolving credit facility were $200.0 million and $175.0 million, respectively. As of June 29, 2019 and December 29, 2018, there were $9.6 million and $11.2 million of letters of credit, respectively, provided to third parties under the credit facility.

*Other Short-Term Credit Lines*

As of June 29, 2019 and December 29, 2018, we had various other short-term bank credit lines available, of which $42.8 million and $376.5 million, respectively, were outstanding. At June 29, 2019 and December 29, 2018, borrowings under all of our credit lines had a weighted average interest rate of 3.22% and 3.30%, respectively.

*Committed Loan Associated with Animal Health Spin-off*

On May 21, 2018, we obtained a $400 million committed loan which matured on the earlier of (i) March 31, 2019 and (ii) the consummation of the Animal Health Spin-off. The proceeds of this loan were used, among other things, to fund our purchase of all of the equity interests in Butler Animal Health Holding Company, LLC ("BAHHC") directly or indirectly owned by Darby Group Companies, Inc. ("Darby") and certain other sellers pursuant to the terms of that certain Amendment to Put Rights Agreements, dated as of April 20, 2018, by and among us, Darby, BAHHC and the individual sellers party thereto for an aggregate purchase price of $365 million. As of December 29, 2018, the balance outstanding on this loan was $400 million and is included within the "Bank credit lines" caption within our consolidated balance sheet. At December 29, 2018, the interest rate on this loan was 3.38%. Concurrent with the completion of the Animal Health Spin-off on February 7, 2019, we re-paid the balance of this loan.

(in thousands, except per share data)

*Long-term debt*

Long-term debt consisted of the following:

| | June 29, 2019 | December 29, 2018 |
|---|---|---|
| Private placement facilities | $ 621,160 | $ 628,189 |
| U.S. trade accounts receivable securitization | 350,000 | 350,000 |
| Various collateralized and uncollateralized loans payable with interest in varying installments through 2024 at interest rates ranging from 2.56% to 10.5% at June 29, 2019 and ranging from 2.61% to 4.17% at December 29, 2018 | 6,992 | 6,491 |
| Finance lease obligations payable through 2029 with interest rates ranging from 1.64% to 19.13% at June 29, 2019 and ranging from 1.45% to 6.00% at December 29, 2018 | 4,131 | 3,944 |
| Total | 982,283 | 988,624 |
| Less current maturities | (9,136) | (8,280) |
| Total long-term debt | $ 973,147 | $ 980,344 |

*Private Placement Facilities*

On September 15, 2017, we increased our available private placement facilities with three insurance companies to a total facility amount of $1 billion, and extended the expiration date to September 15, 2020. These facilities are available on an uncommitted basis at fixed rate economic terms to be agreed upon at the time of issuance, from time to time through September 15, 2020. The facilities allow us to issue senior promissory notes to the lenders at a fixed rate based on an agreed upon spread over applicable treasury notes at the time of issuance. The term of each possible issuance will be selected by us and can range from five to 15 years (with an average life no longer than 12 years). The proceeds of any issuances under the facilities will be used for general corporate purposes, including working capital and capital expenditures, to refinance existing indebtedness and/or to fund potential acquisitions. The agreements provide, among other things, that we maintain certain maximum leverage ratios, and contain restrictions relating to subsidiary indebtedness, liens, affiliate transactions, disposal of assets and certain changes in ownership. These facilities contain make-whole provisions in the event that we pay off the facilities prior to the applicable due dates.

The components of our private placement facility borrowings as of June 29, 2019 are presented in the following table (in thousands):

| Date of Borrowing | Amount of Borrowing Outstanding | Borrowing Rate | Due Date |
|---|---|---|---|
| September 2, 2010 | $ 100,000 | 3.79% | September 2, 2020 |
| January 20, 2012 | 50,000 | 3.45 | January 20, 2024 |
| January 20, 2012 (1) | 21,429 | 3.09 | January 20, 2022 |
| December 24, 2012 | 50,000 | 3.00 | December 24, 2024 |
| June 2, 2014 | 100,000 | 3.19 | June 2, 2021 |
| June 16, 2017 | 100,000 | 3.42 | June 16, 2027 |
| September 15, 2017 | 100,000 | 3.52 | September 15, 2029 |
| January 2, 2018 | 100,000 | 3.32 | January 2, 2028 |
| Less: Deferred debt issuance costs | (269) | | |
| | $ 621,160 | | |

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

*U.S. Trade Accounts Receivable Securitization*

We have a facility agreement with a bank, as agent, based on the securitization of our U.S. trade accounts receivable that is structured as an asset-backed securitization program with pricing committed for up to three years. Our current facility, which has a purchase limit of $350 million, and was previously scheduled to expire on April 29, 2020 has been extended to April 29, 2022. The borrowings outstanding under this securitization facility were $350 million as of both June 29, 2019 and December 29, 2018, respectively. At June 29, 2019, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of2.49 % plus 0.75%, for a combined rate of 3.24%. At December 29, 2018, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 2.66% plus 0.75%, for a combined rate of 3.41%.

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

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

# HENRY SCHEIN, INC.

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

## Note 7 – Leases

*Leases*
We have operating and finance leases for corporate offices, office space, distribution and other facilities, vehicles and certain equipment. Our leases have remaining terms of less than one year to 11 years, some of which may include options to extend the leases for up to 10 years. The components of lease expense were as follows (in thousands):

| | Three Months Ended June 29, 2019 | Six Months Ended June 29, 2019 |
|---|---|---|
| Operating lease cost [1] | $ 23,798 | $ 46,433 |
| Finance lease cost: | | |
| Amortization of right-of-use assets | $ 260 | $ 508 |
| Interest on lease liabilities | 34 | 57 |
| Total finance lease cost | $ 294 | $ 565 |

[1] Includes variable lease expenses.

**Supplemental balance sheet information related to leases is as follows: (in thousands, except lease term and discount rate)**

| | June 29, 2019 |
|---|---|
| **Operating Leases** | |
| Operating lease right-of-use assets, net | $ 236,113 |
| | |
| Current operating lease liabilities | $ 68,288 |
| Non-current operating lease liabilities | 178,240 |
| Total operating lease liabilities | $ 246,528 |
| | |
| **Finance Leases** | |
| Property and equipment, at cost | $ 10,683 |
| Accumulated depreciation | (5,952) |
| Property and equipment, net of accumulated depreciation | $ 4,731 |
| | |
| Current maturities of long-term debt | $ 1,006 |
| Long-term debt | 3,125 |
| Total finance lease liabilities | $ 4,131 |
| | |
| **Weighted Average Remaining Lease Term in Years** | |
| Operating leases | 5.4 |
| Finance leases | 6.6 |
| | |
| **Weighted Average Discount Rate** | |
| Operating leases | 3.5% |
| Finance leases | 2.3% |

# HENRY SCHEIN, INC.

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

**Supplemental cash flow information related to leases is as follows (in thousands):**

| | June 29, 2019 |
|---|---|
| Cash paid for amounts included in the measurement of lease liabilities: | |
| Operating cash flows for operating leases | $ 40,210 |
| Operating cash flows for finance leases | 44 |
| Financing cash flows for finance leases | 592 |
| Right-of-use assets obtained in exchange for lease obligations: | |
| Operating leases [1] | $ 271,268 |
| Finance leases | 413 |

1 Includes leases that commenced during the six months ended June 29, 2019 as well as balances related to leases in existence as of the date of the adoption of Topic 842.

**Maturities of lease liabilities as of June 29, 2019 are as follows:**

| | Operating Leases | Finance Leases |
|---|---|---|
| 2019 (excluding the six months ended June 29, 2019) | $ 39,936 | $ 675 |
| 2020 | 65,110 | 1,014 |
| 2021 | 50,845 | 717 |
| 2022 | 34,495 | 361 |
| 2023 | 23,222 | 290 |
| Thereafter | 58,060 | 1,423 |
| Total future lease payments | 271,668 | 4,480 |
| Less imputed interest | (25,140) | (349) |
| Total | $ 246,528 | $ 4,131 |

As of June 29, 2019 we have additional operating leases with total lease payments of $14.9 million for buildings and vehicles that have not yet commenced. These operating leases will commence during 2019 with lease terms of two to 10.

As previously disclosed in our December 29, 2018 Form 10-K and under the previous lease accounting standard, future minimum lease payments under non-cancelable operating leases and capital leases as of December 29, 2018 were as follows (in thousands):

| | Operating Leases | Capital Leases |
|---|---|---|
| 2019 | $ 62,535 | $ 976 |
| 2020 | 47,686 | 801 |
| 2021 | 34,633 | 501 |
| 2022 | 25,626 | 305 |
| 2023 | 19,560 | 283 |
| Thereafter | 62,918 | 1,430 |
| Total minimum lease payments | $ 252,958 | 4,296 |
| Less imputed interest (Capital leases only) | | (352) |
| Total present value of minimum lease payments | | $ 3,944 |

(in thousands, except per share data)

**Note 8 – Redeemable Noncontrolling Interests**

Some minority stockholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value. ASC Topic 480-10 is applicable for noncontrolling interests where we are or may be required to purchase all or a portion of the outstanding interest in a consolidated subsidiary from the noncontrolling interest holder under the terms of a put option contained in contractual agreements. The components of the change in the redeemable noncontrolling interests for the six months ended June 29, 2019 and the year ended December 29, 2018 are presented in the following table:

| | June 29, 2019 | December 29, 2018 |
|---|---|---|
| Balance, beginning of period | $ 219,724 | $ 465,585 |
| Decrease in redeemable noncontrolling interests due to redemptions | (2,270) | (287,767) |
| Increase in redeemable noncontrolling interests due to business acquisitions | 72,238 | 4,655 |
| Net income attributable to redeemable noncontrolling interests | 6,513 | 15,327 |
| Dividends declared | (5,127) | (8,206) |
| Effect of foreign currency translation gain attributable to redeemable noncontrolling interests | 836 | (11,330) |
| Change in fair value of redeemable securities | (4,200) | 41,460 |
| Balance, end of period | $ 287,714 | $ 219,724 |

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

# HENRY SCHEIN, INC.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**(in thousands, except per share data)**
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## Note 9 – Comprehensive Income

Comprehensive income includes certain gains and losses that, under U.S. GAAP, are excluded from net income as such amounts are recorded directly as an adjustment to stockholders' equity.

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

| | June 29, 2019 | December 29, 2018 |
|---|---|---|
| Attributable to Redeemable noncontrolling interests: | | |
| Foreign currency translation adjustment | $ (17,167) | $ (18,595) |
| | | |
| Attributable to noncontrolling interests: | | |
| Foreign currency translation adjustment | $ (449) | $ (426) |
| | | |
| Attributable to Henry Schein, Inc.: | | |
| Foreign currency translation loss | $ (125,646) | $ (234,799) |
| Unrealized loss from foreign currency hedging activities | (479) | (156) |
| Unrealized investment loss | - | (6) |
| Pension adjustment loss | (13,819) | (13,810) |
| Accumulated other comprehensive loss | $ (139,944) | $ (248,771) |
| | | |
| Total Accumulated other comprehensive loss | $ (157,560) | $ (267,792) |

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| Net income | $ 119,196 | $ 147,509 | $ 233,840 | $ 296,140 |
| | | | | |
| Foreign currency translation gain (loss) | 10,107 | (129,796) | 16,709 | (95,572) |
| Tax effect | - | - | - | - |
| Foreign currency translation gain (loss) | 10,107 | (129,796) | 16,709 | (95,572) |
| | | | | |
| Unrealized gain (loss) from foreign currency hedging activities | 1,251 | 2,569 | (352) | 1,485 |
| Tax effect | (293) | (614) | 29 | (432) |
| Unrealized gain (loss) from foreign currency hedging activities | 958 | 1,955 | (323) | 1,053 |
| | | | | |
| Unrealized investment gain (loss) | 3 | (1) | 7 | (1) |
| Tax effect | - | - | (1) | - |
| Unrealized investment gain (loss) | 3 | (1) | 6 | (1) |
| | | | | |
| Pension adjustment gain (loss) | (380) | 1,333 | 561 | 1,310 |
| Tax effect | 95 | (370) | (129) | (370) |
| Pension adjustment gain (loss) | (285) | 963 | 432 | 940 |
| Comprehensive income | $ 129,979 | $ 20,630 | $ 250,664 | $ 202,560 |

(in thousands, except per share data)

During the three months ended June 29, 2019 and June 30, 2018, we recognized, as a component of our comprehensive income, a foreign currency translation gain (loss) of $10.1 million and $(129.8) million, respectively, due to changes in foreign exchange rates from the beginning of the period to the end of the period. During the six months ended June 29, 2019 and June 30, 2018, we recognized, as a component of our comprehensive income, a foreign currency translation gain (loss) of $16.7 million and $(95.6) million, respectively, due to changes in foreign exchange rates from the beginning of the period to the end of the period. Our financial statements are denominated in the U.S. Dollar currency. Fluctuations in the value of foreign currencies as compared to the U.S. Dollar may have a significant impact on our comprehensive income (loss). The foreign currency translation gain (loss) during the three and six months ended June 29, 2019 and June 30, 2018 was primarily impacted by changes in foreign currency exchange rates of the Euro, Brazilian Real, British Pound and Australian Dollar.

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| Comprehensive income attributable to | | | | |
| Henry Schein, Inc. | $ 124,466 | $ 27,708 | $ 239,734 | $ 200,105 |
| Comprehensive income (loss) attributable to | | | | |
| noncontrolling interests | 1,352 | (693) | 3,356 | (381) |
| Comprehensive income (loss) attributable to | | | | |
| Redeemable noncontrolling interests | 4,161 | (6,385) | 7,574 | 2,836 |
| Comprehensive income | $ 129,979 | $ 20,630 | $ 250,664 | $ 202,560 |

**Note 10 – Fair Value Measurements**

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

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

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

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

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

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

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

*Investments and notes receivable*

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

*Debt*

The fair value of our debt, including bank credit lines, as of June 29, 2019 and December 29, 2018 was estimated at $1,225.1 million and $1,940.1 million, respectively. Factors that we considered when estimating the fair value of our debt include market conditions, such as interest rates and credit spreads.

*Derivative contracts*

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

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

*Redeemable noncontrolling interests*

Some minority stockholders 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 primary factor affecting the future value of redeemable noncontrolling interests is expected earnings and, if such earnings are not achieved, the value of the redeemable noncontrolling interests might be impacted. The noncontrolling interests subject to put options are adjusted to their estimated redemption amounts each reporting period with a corresponding adjustment to Additional paid-in capital. Future reductions in the carrying amounts are subject to a “floor” amount that is equal to the fair value of the redeemable noncontrolling interests at the time they were originally recorded. The recorded value of the redeemable noncontrolling interests cannot go below the floor level. These adjustments do not impact the calculation of earnings per share. The values for Redeemable noncontrolling interests are classified within Level 3 of the fair value hierarchy. The details of the changes in Redeemable noncontrolling interests are presented in Note 8.

# HENRY SCHEIN, INC.

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

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 June 29, 2019 and December 29, 2018:

| | June 29, 2019 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Assets: | | | | |
| Derivative contracts | $ - | $ 2,567 | $ - | $ 2,567 |
| Total assets | $ - | $ 2,567 | $ - | $ 2,567 |
| Liabilities: | | | | |
| Derivative contracts | $ - | $ 1,840 | $ - | $ 1,840 |
| Total liabilities | $ - | $ 1,840 | $ - | $ 1,840 |
| Redeemable noncontrolling interests | $ - | $ - | $ 287,714 | $ 287,714 |

| | December 29, 2018 | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Assets: | | | | |
| Derivative contracts | $ - | $ 12,533 | $ - | $ 12,533 |
| Total assets | $ - | $ 12,533 | $ - | $ 12,533 |
| Liabilities: | | | | |
| Derivative contracts | $ - | $ 1,708 | $ - | $ 1,708 |
| Total liabilities | $ - | $ 1,708 | $ - | $ 1,708 |
| Redeemable noncontrolling interests | $ - | $ - | $ 219,724 | $ 219,724 |

**Note 11 – Business Acquisitions**

*Acquisitions*

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

During the six months ended June 29, 2019 we completed the following acquisitions:

On March 4, 2019, we announced that we acquired North American Rescue ("NAR"), a leading provider of survivability and casualty-care medical products to the defense and public-safety markets. NAR has annual sales of approximately $184 million. As of June 29, 2019, we have recorded $158.8 million of goodwill related to this acquisition.

On March 18, 2019, we announced that our Henry Schein One subsidiary acquired Lighthouse 360, a provider of easy-to-use dental practice management and patient communication software. Lighthouse 360 has annual sales of approximately $50 million. As of June 29, 2019, we have recorded $143.4 million of goodwill related to this acquisition.

We completed certain other acquisitions during the six months ended June 29, 2019 which were immaterial to our financial statements individually and in the aggregate.

Some prior owners of acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain financial targets are met. We have accrued liabilities for the estimated fair value of additional purchase price consideration at the time of the acquisition. Any adjustments to these accrual amounts are recorded in our consolidated statements of income. For the six months ended June 29, 2019 and June 30, 2018, 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**
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## Note 12 – Plans of Restructuring

On July 9, 2018, we committed to an initiative to rationalize our operations and provide expense efficiencies. These actions have allowed us to execute on our plan to reduce our cost structure and fund new initiatives that are expected to drive future growth under our 2018 to 2020 strategic plan. This initiative has resulted in the elimination of approximately 4% of our workforce and the closing of certain facilities.

During the three and six months ended June 29, 2019, we recorded restructuring costs of $11.9 million and $16.6 million, respectively. The total 2018 costs associated with the actions to complete this restructuring were $54.4 million from continuing operations, consisting primarily of severance costs. As of June 29, 2019, the restructuring activities under this initiative are complete and we do not expect to incur any additional restructuring charges for the remainder of 2019. The costs associated with this restructuring are included in a separate line item, “Restructuring costs” within our consolidated statements of income.

The following table shows the amounts expensed and paid for restructuring costs that were incurred during the six months ended June 29, 2019 and during our 2018 fiscal year and the remaining accrued balance of restructuring costs as of June 29, 2019, which is included in Accrued expenses: Other within our consolidated balance sheet:

| | Severance Costs | Facility Closing Costs | Other | Total |
|---|---|---|---|---|
| Balance, December 30, 2017 | $ 3,087 | $ 1,315 | $ 24 | $ 4,426 |
| Provision | 50,197 | 3,153 | 1,017 | 54,367 |
| Payments and other adjustments | (23,320) | (2,865) | (883) | (27,068) |
| Balance, December 29, 2018 | $ 29,964 | $ 1,603 | $ 158 | $ 31,725 |
| Provision | 15,517 | 947 | 102 | 16,566 |
| Payments | (17,297) | (1,053) | (78) | (18,428) |
| Balance, June 29, 2019 | $ 28,184 | $ 1,497 | $ 182 | $ 29,863 |

The following table shows, by reportable segment, the amounts expensed and paid for restructuring costs that were incurred during the six months ended June 29, 2019 and during our 2018 fiscal year and the remaining accrued balance of restructuring costs as of June 29, 2019:

| | Health Care Distribution | Technology and Value-Added Services | Total |
|---|---|---|---|
| Balance, December 30, 2017 | $ 4,426 | $ - | $ 4,426 |
| Provision | 50,824 | 3,543 | 54,367 |
| Payments and other adjustments | (24,959) | (2,109) | (27,068) |
| Balance, December 29, 2018 | $ 30,291 | $ 1,434 | $ 31,725 |
| Provision | 15,887 | 679 | 16,566 |
| Payments | (17,009) | (1,419) | (18,428) |
| Balance, June 29, 2019 | $ 29,169 | $ 694 | $ 29,863 |

## Note 13 – Earnings Per Share

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

# HENRY SCHEIN, INC.

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

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

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| Basic | 148,148 | 153,353 | 149,310 | 153,210 |
| Effect of dilutive securities: | | | | |
| Stock options, restricted stock and restricted stock units | 1,275 | 836 | 1,250 | 953 |
| Diluted | 149,423 | 154,189 | 150,560 | 154,163 |

**Note 14 – Income Taxes**

For the six months ended June 29, 2019, our effective tax rate was 24.1% compared to 24.0% for the prior year period. The difference between our effective tax rates and the federal statutory tax rate primarily relates to state and foreign income taxes and interest expense.

On December 22, 2017, the U.S. government passed the Tax Act. The Tax Act is comprehensive tax legislation that implemented complex changes to the U.S. tax code including, but not limited to, the reduction of the corporate tax rate from 35% to 21%, modification of accelerated depreciation, the repeal of the domestic manufacturing deduction and changes to the limitations of the deductibility of interest. Additionally, the Tax Act moved from a global tax regime to a modified territorial regime, which requires U.S. companies to pay a mandatory one-time transition tax on historical offshore earnings that have not been repatriated to the U.S. The transition tax is payable over eight years. The Tax Act also included provisions to tax global intangible low-taxed income ("GILTI"), a beneficial tax rate foreign Derived Intangible Income ("FDII"), a base erosion and anti-abuse tax ("BEAT") that imposes tax on certain foreign related-party payments, and IRC Section 163(j) interest limitation (Interest Limitation). We became subject to the GILTI, FDII, BEAT and Interest Limitation provisions effective January 1, 2018.

The FASB Staff Q&A, Topic 740 No. 5, Accounting for Global Intangible Low-Taxed Income, states that an entity can make an accounting policy election to either recognize deferred taxes for temporary differences expected to reverse as GILTI in future years or provide for the tax expense related to GILTI in the year the tax is incurred. We elected to recognize the tax on GILTI as a period expense in the period the tax is incurred. For the BEAT, FDII and Interest Limitation computations, we have not recorded an estimate in our effective tax rate for the six months ended June 29, 2019 because we have concluded that these provisions of the Tax Act will not apply to us in 2019.

The total amount of unrecognized tax benefits, which are included in "Other liabilities" within our consolidated balance sheets as of June 29, 2019 was approximately $108.7 million, of which $87.4 million would affect the effective tax rate if recognized. It is expected that the amount of unrecognized tax benefits will change in the next 12 months; however, we do not expect the change to have a material impact on our consolidated financial statements.

The total amounts of interest and penalties, which are classified as a component of the provision for income taxes and included in "Other liabilities", were approximately $17.4 million and $0, respectively, as of June 29, 2019.

The tax years subject to examination by major tax jurisdictions include the years 2012 and forward by the U.S. Internal Revenue Service ("IRS"), as well as the years 2008 and forward for certain states and certain foreign jurisdictions. During the quarter ended December 31, 2016 we filed a Mutual Agreement Procedure request with the IRS for assistance from the U.S. Competent Authority for an open Transfer Pricing issue which resulted in a partial settlement during the quarter ended December 30, 2017. We received a 30 Day Letter from the IRS during the quarter ended April 1, 2017 for the remaining open audit issues for the years 2012 and 2013. We filed a Protest

with the Appellate Division regarding these issues during the second quarter of 2017. We had an initial Appeals Conference during the third quarter of 2018, of which we are awaiting a final settlement. During the quarter ended December 29, 2018, we submitted the first draft of our proposed Advanced Pricing Agreement covering tax years 2014-2024 to the IRS in which Henry Schein, Inc. and the IRS would agree on an appropriate transfer pricing methodology. We have provided all necessary documentation to the Appellate Division and the Advance Pricing and Mutual Agreement program to date and are waiting for responses.

**Note 15 – Derivatives and Hedging Activities**

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

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

## Note 16 – Stock-Based Compensation

Our accompanying consolidated statements of income reflect pre-tax share-based compensation expense of $12.7 million ($9.6 million after-tax) and $19.8 million ($15.0 million after-tax) for the three and six months ended June 29, 2019, respectively, and $13.4 million ($10.0 million after-tax) and $21.1 million ($15.8 million after-tax) for the three and six months ended June 30, 2018, respectively.

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

Stock-based awards are provided to certain employees and non-employee directors under the terms of our 2013 Stock Incentive Plan, as amended, and our 2015 Non-Employee Director Stock Incentive Plan (together, the “Plans”). The Plans are administered by the Compensation Committee of the Board of Directors. Prior to March 2009, awards under the Plans principally included a combination of at-the-money stock options and restricted stock/units. Since March 2009, equity-based awards have been granted solely in the form of restricted stock/units, with the exception of providing stock options to employees pursuant to certain pre-existing contractual obligations.

Grants of restricted stock/units are stock-based awards granted to recipients with specified vesting provisions. In the case of restricted stock, common stock is delivered on the date of grant, subject to vesting conditions. In the case of restricted stock units, common stock is generally delivered on or following satisfaction of vesting conditions. We issue restricted stock/units that vest solely based on the recipient’s continued service over time (primarily four-year cliff vesting, except for grants made under the 2015 Non-Employee Director Stock Incentive Plan, which are primarily 12-month cliff vesting) and restricted stock/units that vest based on our achieving specified performance measurements and the recipient’s continued service over time (primarily three-year cliff vesting).

With respect to time-based restricted stock/units, we estimate the fair value on the date of grant based on our closing stock price. With respect to performance-based restricted stock/units, 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 specified period, as determined by the Compensation Committee of the Board of Directors. Although there is no guarantee that performance targets will be achieved, we estimate the fair value of performance-based restricted stock/units based on our closing stock price at time of grant.

The Plans provide for adjustments to the performance-based restricted stock/units targets for significant events, including, without limitation, acquisitions, divestitures, new business ventures, certain capital transactions (including share repurchases), restructuring costs, if any, certain litigation settlements or payments, if any, changes in accounting principles or in applicable laws or regulations and foreign exchange fluctuations. 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.

As a result of the Separation, the number of our unvested equity-based awards from previous grants to our remaining employees under our Long-term Incentive Program was increased in accordance with the provisions in the Plans. This was based on a factor of approximately 1.2633, corresponding with a decrease in our price per share.

# HENRY SCHEIN, INC.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Total unrecognized compensation cost related to unvested awards as of June 29, 2019 was $100.7 million, which is expected to be recognized over a weighted-average period of approximately 2.4 years.

The following table summarizes stock option activity under the Plans during the six months ended June 29, 2019:

| | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Life in Years | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at beginning of period | 3 | $ 13.63 | | |
| Granted | - | - | | |
| Exercised | (3) | 13.63 | | |
| Forfeited | - | - | | |
| Outstanding at end of period | - | $ - | - | $ - |
| | | | | |
| Options exercisable at end of period | - | $ - | - | $ - |

The following tables summarize the activity of our unvested restricted stock/units for the six months ended June 29, 2019:

| | Time-Based Restricted Stock/Units | | |
|---|---|---|---|
| | Shares/Units | Weighted Average Grant Date Fair Value Per Share | Intrinsic Value Per Share |
| Outstanding at beginning of period | 1,513 | $ 57.94 | |
| Granted | 396 | 59.31 | |
| Vested | (327) | 55.46 | |
| Forfeited | (199) | 60.38 | |
| Outstanding at end of period | 1,383 | $ 58.57 | $ 69.90 |

| | Performance-Based Restricted Stock/Units | | |
|---|---|---|---|
| | Shares/Units | Weighted Average Grant Date Fair Value Per Share | Intrinsic Value Per Share |
| Outstanding at beginning of period | 1,163 | $ 40.26 | |
| Granted | 550 | 59.99 | |
| Vested | (183) | 66.57 | |
| Forfeited | (151) | 61.43 | |
| Outstanding at end of period | 1,379 | $ 61.52 | $ 69.90 |

# HENRY SCHEIN, INC.

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## Note 17 – Supplemental Cash Flow Information

Cash paid for interest and income taxes was:

| | Six Months Ended | |
|---|---|---|
| | June 29, 2019 | June 30, 2018 |
| Interest | $ 32,053 | $ 31,445 |
| Income taxes | 94,429 | 135,222 |

During the six months ended June 29, 2019 and June 30, 2018, we had a $0.4 million non-cash net unrealized loss related to foreign currency hedging activities and a $1.5 million non-cash net unrealized gain related to foreign currency hedging activities, respectively.

## Note 18 – Legal Proceedings

Beginning in January 2016, purported class action complaints were filed against Patterson Companies, Inc. (“Patterson”), Benco Dental Supply Co. (“Benco”) and Henry Schein, Inc. Although there were factual and legal variations among these complaints, each of these complaints alleges, among other things, that defendants conspired to fix prices, allocate customers and foreclose competitors by boycotting manufacturers, state dental associations and others that deal with defendants’ competitors. On February 9, 2016, the U.S. District Court for the Eastern District of New York ordered all of these actions, and all other actions filed thereafter asserting substantially similar claims against defendants, consolidated for pre-trial purposes. On February 26, 2016, a consolidated class action complaint was filed by Arnell Prato, D.D.S., P.L.L.C., d/b/a Down to Earth Dental, Evolution Dental Sciences, LLC, Howard M. May, DDS, P.C., Casey Nelson, D.D.S., Jim Peck, D.D.S., Bernard W. Kurek, D.M.D., Larchmont Dental Associates, P.C., and Keith Schwartz, D.M.D., P.A. (collectively, “putative class representatives”) in the U.S. District Court for the Eastern District of New York, entitled In re Dental Supplies Antitrust Litigation, Civil Action No. 1:16-CV-00696-BMC-GRB. In the consolidated class action complaint, putative class representatives allege a nationwide agreement among Henry Schein, Benco, Patterson and non-party Burkhart Dental Supply Company, Inc. (“Burkhart”) not to compete on price. The consolidated class action complaint asserts a single count under Section 1 of the Sherman Act, and seeks equitable relief, compensatory and treble damages, jointly and severally, and reasonable costs and expenses, including attorneys’ fees and expert fees. On September 28, 2018, the parties executed a settlement agreement that proposes, subject to court approval, a full and final settlement of the lawsuit on a classwide basis. Subject to certain exceptions, the settlement class consists of all persons or entities that purchased dental products directly from Henry Schein, Patterson, Benco, Burkhart, or any combination thereof, during the period August 31, 2008 through and including March 31, 2016. As a result, in our third quarter of fiscal 2018, we recorded a charge of $38.5 million, which was paid into a settlement fund in January 2019. On June 25, 2019, the district court granted final approval to the settlement, and entered final judgment dismissing the case. On July 16, 2019, Dr. William Roe, an unnamed class member that had objected to the settlement, filed a notice of appeal appealing the district court’s Final Judgment and Order Granting Motion for Final Approval of Class Settlement. The appeal is currently pending.

On August 31, 2012, Archer and White Sales, Inc. (“Archer”) filed a complaint against Henry Schein, Inc. as well as Danaher Corporation and its subsidiaries Instrumentarium Dental, Inc., Dental Equipment, LLC, Kavo Dental Technologies, LLC and Dental Imaging Technologies Corporation (collectively, the “Danaher Defendants”) in the U.S. District Court for the Eastern District of Texas, Civil Action No. 2:12-CV-00572-JRG, styled as an antitrust action under Section 1 of the Sherman Act, and the Texas Free Enterprise Antitrust Act. Archer alleges a conspiracy between Henry Schein, an unnamed company and the Danaher Defendants to terminate or limit Archer’s distribution rights. On August 1, 2017, Archer filed an amended complaint, adding Patterson and Benco as defendants, and

alleging that Henry Schein, Patterson, Benco and Burkhart conspired to fix prices and refused to compete with each other for sales of dental equipment to dental professionals and agreed to enlist their commonsuppliers, the Danaher Defendants, to join a price-fixing conspiracy and boycott by reducing the distribution territory of, and eventually terminating, their price-cutting competing distributor Archer. Archer seeks damages in an amount to be proved at trial, to be trebled with interest and costs, including attorneys' fees, jointly and severally, as well as injunctive relief. On October 30, 2017, Archer filed a second amended complaint, to add additional allegations that it believes support its claims. The named parties and causes of action are the same as the August 1, 2017 amended complaint.

On October 1, 2012, we filed a motion for an order: (i) compelling Archer to arbitrate its claims against us; (2) staying all proceedings pending arbitration; and (3) joining the Danaher Defendants' motion to arbitrate and stay. On May 28, 2013, the Magistrate Judge granted the motions to arbitrate and stayed proceedings pending arbitration. On June 10, 2013, Archer moved for reconsideration before the District Court judge. On December 7, 2016, the District Court Judge granted Archer's motion for reconsideration and lifted the stay. Defendants appealed the District Court's order. On December 21, 2017, the U.S. Court of Appeals for the Fifth Circuit affirmed the District Court's order denying the motions to compel arbitration. On June 25, 2018, the Supreme Court of the United States granted defendants' petition for writ of certiorari. On October 29, 2018, the Supreme Court heard oral arguments. On January 8, 2019, the Supreme Court issued its published decision vacating the judgment of the Fifth Circuit and remanding the case to the Fifth Circuit for further proceedings consistent with the Supreme Court's opinion. The Fifth Circuit heard oral argument on May 1, 2019 on whether the case should be arbitrated. The Fifth Circuit has not yet issued an opinion. The trial court proceeding is stayed pending the Fifth Circuit's decision. We intend to defend ourselves vigorously against this action.

On August 17, 2017, IQ Dental Supply, Inc. ("IQ Dental") filed a complaint in the U.S. District Court for the Eastern District of New York, entitled IQ Dental Supply, Inc. v. Henry Schein, Inc., Patterson Companies, Inc. and Benco Dental Supply Company, Case No. 2:17-cv-4834. Plaintiff alleges that it is a distributor of dental supplies and equipment, and sells dental products through an online dental distribution platform operated by SourceOne Dental ("SourceOne"). SourceOne had previously brought an antitrust lawsuit against Henry Schein, Patterson and Benco, which Henry Schein settled in the second quarter of 2017 and which is described in our prior filings with the SEC.

IQ Dental alleges, among other things, that defendants conspired to suppress competition from IQ Dental and SourceOne for the marketing, distribution and sale of dental supplies and equipment in the United States, and that defendants unlawfully agreed with one another to boycott dentists, manufacturers and state dental associations that deal with, or considered dealing with, plaintiff and SourceOne. Plaintiff claims that this alleged conduct constitutes unreasonable restraint of trade in violation of Section 1 of the Sherman Act, New York's Donnelly Act and the New Jersey Antitrust Act, and also makes pendant state law claims for tortious interference with prospective business relations, civil conspiracy and aiding and abetting. Plaintiff seeks injunctive relief, compensatory, treble and punitive damages, jointly and severally, and reasonable costs and expenses, including attorneys' fees and expert fees. On December 21, 2017, the District Court granted the defendants' motion to dismiss. On January 19, 2018, IQ Dental appealed the District Court's order. On May 10, 2019, the U.S. Court of Appeals for the Second Circuit affirmed in part and reversed in part the District Court's dismissal of the Complaint, holding that IQ Dental lacks antitrust standing to challenge the alleged boycott of SourceOne and state dental associations, but that it has standing to challenge injury related to the alleged direct boycott of its business. On June 29, 2019, the Second Circuit denied IQ Dental's petition for rehearing or rehearing en banc. Proceedings in the District Court are ongoing. We intend to defend ourselves vigorously against this action.

On February 12, 2018, the United States Federal Trade Commission ("FTC") filed a complaint against Benco Dental Supply Co., Henry Schein, Inc. and Patterson Companies, Inc. The FTC alleges, among other things, that defendants violated U.S. antitrust laws by conspiring, and entering into an agreement, to refuse to provide discounts to or otherwise serve buying groups representing dental practitioners. The FTC alleges that defendants conspired in violation of Section 5 of the FTC Act. The complaint seeks equitable relief only and does not seek monetary damages. We deny the allegation that we conspired to refuse to provide discounts to or otherwise serve dental buying groups and intend to defend ourselves vigorously against this action. A hearing before an administrative law

judge began on October 16, 2018 and the hearing record was closed on February 21, 2019. The matter is ongoing and a decision has not yet been issued. We expect the decision to be made public no later than middle to late September 2019. We believe this matter will not have a material adverse effect on our consolidated financial position, liquidity or results of operations.

On March 7, 2018, Joseph Salkowitz, individually and on behalf of all others similarly situated, filed a putative class action complaint for violation of the federal securities laws against Henry Schein, Inc., Stanley M. Bergman and Steven Paladino in the U.S. District Court for the Eastern District of New York, Case No. 1:18-cv-01428. The complaint sought to certify a class consisting of all persons and entities who, subject to certain exclusions, purchased Henry Schein securities from March 7, 2013 through February 12, 2018 (the "Class Period"). The complaint alleged, among other things, that the defendants had made materially false and misleading statements about Henry Schein's business, operations and prospects during the Class Period, including matters relating to the issues in the antitrust class action and the FTC action described above, thereby causing the plaintiff and members of the purported class to pay artificially inflated prices for Henry Schein securities. The complaint sought unspecified monetary damages and a jury trial. Pursuant to the provisions of the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), the court appointed lead plaintiff and lead counsel on June 22, 2018 and recaptioned the putative class action as In re Henry Schein, Inc. Securities Litigation, under the same case number. Lead plaintiff filed a consolidated class action complaint on September 14, 2018. The consolidated class action complaint asserts similar claims against the same defendants (plus Timothy Sullivan) on behalf of the same putative class of purchasers during the Class Period. It alleges that Henry Schein's stock price was inflated during that period because Henry Schein had misleadingly portrayed its dental-distribution business "as successfully producing excellent profits while operating in a highly competitive environment" even though, "in reality, [Henry Schein] had engaged for years in collusive and anticompetitive practices in order to maintain Schein's margins, profits, and market share." The complaint alleges that the stock price started to fall from August 8, 2017, when the company announced below-expected financial performance that allegedly "revealed that Schein's poor results were a product of abandoning prior attempts to inflate sales volume and margins through anticompetitive collusion," through February 13, 2018, after the FTC filed a complaint against Benco, Henry Schein and Patterson alleging that they violated U.S. antitrust laws. The complaint alleges violations of Section 10(b) of the Exchange Act and Rule 10b-5 and Section 20(a) of the Exchange Act. We intend to defend ourselves vigorously against this action. Henry Schein has also received a request under 8 Del. C. § 220 to inspect corporate books and records relating to the issues raised in the securities class action and the antitrust matters discussed above.

On May 3, 2018, a purported class action complaint, Marion Diagnostic Center, LLC, et al. v. Becton, Dickinson, and Co., et al., Case No. 3:18-cv-010509, was filed in the U.S. District Court for the Southern District of Illinois against Becton, Dickinson, and Co. ("Becton"); Premier, Inc. ("Premier"), Vizient, Inc. ("Vizient"), Cardinal Health, Inc. ("Cardinal"), Owens & Minor Inc. ("O&M"), Henry Schein, Inc., and Unnamed Becton Distributor Co-Conspirators. The complaint alleges that the defendants entered into a vertical conspiracy to force health care providers into long-term exclusionary contracts that restrain trade in the nationwide markets for conventional and safety syringes and safety IV catheters and inflate the prices of certain Becton products to above-competitive levels. The named plaintiffs seek to represent three separate classes consisting of all health care providers that purchased (i) Becton's conventional syringes, (ii) Becton's safety syringes, or (iii) Becton's safety catheters directly from Becton, Premier, Vizient, Cardinal, O&M or Henry Schein on or after May 3, 2014. The complaint asserts a single count under Section 1 of the Sherman Act, and seeks equitable relief, treble damages, reasonable attorneys' fees and costs and expenses, and pre-judgment and post-judgment interest. On June 15, 2018, an amended complaint was filed asserting the same allegations against the same parties and adding McKesson Medical-Surgical, Inc. as a defendant. On November 30, 2018, the District Court granted defendants' motion to dismiss and entered a final judgment, dismissing plaintiffs' complaint with prejudice. On December 27, 2018, plaintiffs appealed the District Court's decision to the Seventh Circuit Court of Appeals. We intend to defend ourselves vigorously against this action.

On May 29, 2018, an amended complaint was filed in the MultiDistrict Litigation ("MDL") proceeding In Re National Prescription Opiate Litigation (MDL No. 2804; Case No. 17-md-2804) in an action entitled

The County ofSummit, Ohio et al. v. Purdue Pharma, L.P., et al., Civil Action No. 1:18-op-45090-DAP ("County of Summit Action"), in the U.S. District Court for the Northern District of Ohio, adding Henry Schein, Inc., Henry Schein Medical Systems, Inc. and others as defendants. Plaintiffs allege that manufacturers of prescription opioid drugs engaged in a false advertising campaign to expand the market for such drugs and their own market share and that the entities in the supply chain (including Henry Schein, Inc. and Henry Schein Medical Systems, Inc.) reaped financial rewards by refusing or otherwise failing to monitor appropriately and restrict the improper distribution of those drugs. Plaintiffs assert the following claims for relief against Henry Schein, Inc. and Henry Schein Medical Systems, Inc.: statutory public nuisance; common law absolute public nuisance; negligence; injury through criminal acts (R.C. 2307.60); unjust enrichment; and civil conspiracy. This case has been designated "Track 1" and is currently set for trial on October 21, 2019. We intend to defend ourselves vigorously against this action.

In addition to the County of Summit Action, Henry Schein and/or one or more of its affiliated companies have currently been named as a defendant in multiple lawsuits (currently less than one-hundred (100)), which allege claims similar to those alleged in the County of Summit Action. None of these other cases have been set for trial. These actions consist of some that have been consolidated within the MDL and are currently abated for discovery purposes, and others which remain pending in state courts and are proceeding independently and outside of the MDL. Sales of opioids in North America (excluding the Henry Schein Animal Health Business) in 2018 were less than 1% of Henry Schein's North American sales (excluding the Henry Schein Animal Health Business). We intend to defend ourselves vigorously against these actions.

On October 9, 2018, a purported class action complaint entitled Kramer v. Henry Schein, Inc., Patterson Co., Inc., Benco Dental Supply Co., and Unnamed Co-Conspirators, was filed in the U.S. District Court for the Northern District of California. The complaint alleges that members of the proposed class, comprised of purchasers of dental services from dental practices in California, suffered antitrust injury due to an unlawful boycott, price-fixing or otherwise anticompetitive conspiracy among Henry Schein, Patterson and Benco. The complaint alleges that the alleged conspiracy overcharged California dental practices, orthodontic practices and dental laboratories on their purchase of dental supplies, which in turn passed on some or all of such overcharges to members of the California class purchasing dental services. Subject to certain exclusions, the complaint defines the class as "all persons residing in California purchasing and/or reimbursing for dental services from California dental practices on or after August 31, 2012." The complaint alleges violations of California antitrust laws, including the Cartwright Act (Cal. Bus. and Prof. Code § 16720) and the Unfair Competition Act (Cal. Bus. and Prof. Code § 17200), and seeks a permanent injunction, actual damages to be determined at trial, trebled, reasonable attorneys' fees and costs, and pre- and post-judgment interest. On December 7, 2018, an amended complaint was filed asserting the same claims against the same parties. On June 28, 2019, the court granted Defendants' motions to dismiss with leave to amend. The parties have stipulated to dismissal of the action with prejudice, pursuant to a settlement in which Henry Schein has agreed to pay the plaintiff a de minimis amount.

On January 29, 2019, a purported class action complaint was filed by R. Lawrence Hatchett, M.D. against Henry Schein, Inc., Patterson Co., Inc., Benco Dental Supply Co., and unnamed co-conspirators in the U.S. District Court for the Southern District of Illinois. The complaint alleges that members of the proposed class suffered antitrust injury due to an unlawful boycott, price-fixing or otherwise anticompetitive conspiracy among Henry Schein, Patterson and Benco. The complaint alleges that the alleged conspiracy overcharged Illinois dental practices, orthodontic practices and dental laboratories on their purchase of dental supplies, which in turn passed on some or all of such overcharges to members of the class. Subject to certain exclusions, the complaint defines the class as "all persons residing in Illinois purchasing and/or reimbursing for dental care provided by independent Illinois dental practices purchasing dental supplies from the defendants, or purchasing from buying groups purchasing these supplies from the defendants, on or after January 29, 2015." The complaint alleges violations of the Illinois Antitrust Act, 740 Ill. Comp. Stat. §§ 10/3(2), 10/7(2), and seeks a permanent injunction, actual damages to be determined at trial, trebled, reasonable attorneys' fees and costs, and pre- and post-judgment interest. We intend to defend ourselves vigorously against this action.

From time to time, we may become a party to other legal proceedings, including, without limitation, product liability claims, employment matters, commercial disputes, governmental inquiries and investigations (which may in some cases involve our entering into settlement arrangements or consent decrees), and other matters arising out of the ordinary course of our business. While the results of any legal proceeding cannot be predicted with certainty, in our opinion none of these other pending matters are currently anticipated to have a material adverse effect on our consolidated financial position, liquidity or results of operations.

As of June 29, 2019, we had accrued our best estimate of potential losses relating to claims that were probable to result in 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 factors, including probable recoveries from third parties.

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

### Cautionary Note Regarding Forward-Looking Statements

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

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

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

### Where You Can Find Important Information

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

### Recent Developments

On February 7, 2019 (the "Distribution Date"), we completed the separation (the "Separation") and subsequent merger of our animal health business (the "Henry Schein Animal Health Business") with Direct Vet Marketing, Inc. (d/b/a Vets First Choice, "Vets First Choice") (the "Merger"). This was accomplished by a series of transactions among us, Vets First Choice, Covetrus, Inc. (f/k/a HS Spinco, Inc. "Covetrus"), a wholly owned subsidiary of ours prior to the Distribution Date, and HS Merger Sub, Inc., a wholly owned subsidiary of Covetrus ("Merger Sub"). In connection with the Separation, we contributed, assigned and transferred to Covetrus certain applicable assets, liabilities and capital stock or other ownership interests relating to the Henry Schein Animal Health Business. On the Distribution Date, we received a tax-free distribution of $1,120 million from Covetrus pursuant to certain debt financing incurred by Covetrus. On the Distribution Date and prior to the Animal Health Spin-off,

Covetrus issued shares of Covetrus common stock to certain institutional accredited investors (the “Share Sale Investors”) for $361.1 million (the “Share Sale”). The proceeds of the Share Sale were paid to Covetrus and distributed to us. Subsequent to the Share Sale, we distributed, on a pro rata basis, all of the shares of the common stock of Covetrus held by us to our stockholders of record as of the close of business on January 17, 2019 (the “Animal Health Spin-off”). After the Share Sale and Animal Health Spin-off, Merger Sub consummated the Merger whereby it merged with and into Vets First Choice, with Vets First Choice surviving the Merger as a wholly owned subsidiary of Covetrus. Immediately following the consummation of the Merger, on a fully diluted basis, (i) approximately 63% of the shares of Covetrus common stock were (a) owned by our stockholders and the Share Sale Investors, and (b) held by certain employees of the Henry Schein Animal Health Business (in the form of certain equity awards), and (ii) approximately 37% of the shares of Covetrus common stock were (a) owned by stockholders of Vets First Choice immediately prior to the Merger, and (b) held by certain employees of Vets First Choice (in the form of certain equity awards). After the Separation and the Merger, we no longer beneficially owned any shares of Covetrus common stock and, following the Distribution Date, will not consolidate the financial results of Covetrus for the purpose of our financial reporting. Following the Separation and the Merger, Covetrus was an independent, publicly traded company on the Nasdaq Global Select Market.

**Executive-Level Overview**

We believe we are the world's largest provider of health care products and services primarily to office-based dental and medical practitioners. We serve more than 1 million customers worldwide including dental practitioners and laboratories and physician practices, as well as government, institutional health care clinics and other alternate care clinics. We believe that we have a strong brand identity due to our more than 87 years of experience distributing health care products.

We are headquartered in Melville, New York, employ approximately 19,000 people (of which more than 8,800 are based outside the United States) and have operations or affiliates in 32 countries, including the United States, Australia, Austria, Belgium, Brazil, Canada, Chile, China, the Czech Republic, France, Germany, Hong Kong SAR, Ireland, Israel, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, the Netherlands, New Zealand, Poland, Portugal, Singapore, Slovakia, South Africa, Spain, Sweden, Switzerland, Thailand, United Arab Emirates and the United Kingdom.

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

We conduct our business through two reportable segments: (i) health care distribution and (ii) technology and value-added services. These segments offer different products and services to the same customer base.

The health care distribution reportable segment aggregates our global dental and medical operating segments. This segment distributes consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products and vitamins. Our global dental group serves office-based dental practitioners, dental laboratories, schools and other institutions. Our global medical group serves office-based medical practitioners, ambulatory surgery centers, other alternate-care settings and other institutions.

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

*Industry Overview*

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

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

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

*Industry Consolidation*

The health care products distribution industry, as it relates to office-based health care practitioners, is fragmented and diverse. The industry ranges from sole practitioners working out of relatively small offices to group practices or service organizations ranging in size from a few practitioners to a large number of practitioners who have combined or otherwise associated their practices.

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

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

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

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

As industry consolidation continues, we believe that we are positioned to capitalize on this trend, as we believe we have the ability to support increased sales through our existing infrastructure, although there can be no assurances that we will be able to successfully accomplish this. We also have invested in expanding our sales/marketing infrastructure to include a focus on building relationships with decision makers who do not reside in the office-based practitioner setting.

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

*Aging Population and Other Market Influences*

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

According to the U.S. Census Bureau's International Data Base, in 2018 there were more than six million Americans aged 85 years or older, the segment of the population most in need of long-term care and elder-care services. By the year 2050, that number is projected to nearly triple to approximately 19 million. The population aged 65 to 84 years is projected to increase over 44% during the same time period.

As a result of these market dynamics, annual expenditures for health care services continue to increase in the United States. We believe that demand for our products and services will grow, while continuing to be impacted by current and future operating, economic and industry conditions. The Centers for Medicare and Medicaid Services, or CMS, published "National Health Expenditure Projections 2017-2026" indicating that total national health care spending reached approximately $3.7 trillion in 2018, or 18.2% of the nation's gross domestic product, the benchmark measure for annual production of goods and services in the United States. Health care spending is projected to reach approximately $5.7 trillion in 2026, approximately 19.7% of the nation's gross domestic product.

*Government*

Certain of our businesses involve the distribution of pharmaceuticals and medical devices, and in this regard we are subject to extensive local, state, federal and foreign governmental laws and regulations applicable to the distribution and sale of pharmaceuticals and medical devices. Additionally, government and private insurance programs fund a large portion of the total cost of medical care, and there has been an emphasis on efforts to control medical costs, including laws and regulations lowering reimbursement rates for pharmaceuticals, medical devices, and/or medical treatments or services. Also, many of these laws and regulations are subject to change and may impact our financial performance. In addition, our businesses are generally subject to numerous other laws and regulations that could impact our financial performance, including securities, antitrust, anti-bribery and anti-kickback, customer interaction transparency, data privacy, data security and other laws and regulations. Failure to comply with law or regulations could have a material adverse effect on our business.

*Health Care Reform*

The United States Patient Protection and Affordable Care Act as amended by the Health Care and Education Reconciliation Act, each enacted in March 2010 (the "Health Care Reform Law"), increased federal oversight of private health insurance plans and included a number of provisions designed to reduce Medicare expenditures and the cost of health care generally, to reduce fraud and abuse, and to provide access to increased health coverage.

The Health Care Reform Law requirements include a 2.3% excise tax on domestic sales of many medical devices by manufacturers and importers that began in 2013 and a fee on branded prescription drugs and biologics that was implemented in 2011, both of which may affect sales. However, with respect to the medical device excise tax, a two-year moratorium was imposed under the Consolidated Appropriations Act, 2016, suspending the imposition of the tax on device sales during the period beginning January 1, 2016 and ending on December 31, 2017, and on January 22, 2018 an additional two-year moratorium was imposed under Public Law No. 115-120, suspending the imposition of the tax on device sales during the period beginning January 1, 2018 and ending on December 31,

2019. The Health Care Reform Law has also materially expanded the number of individuals in the United States with health insurance. The Health Care Reform Law has faced ongoing legal challenges, including litigation seeking to invalidate some of or all of the law or the manner in which it has been implemented. In addition, the President is seeking to repeal and replace the Health Care Reform Law and has taken a number of administrative actions to materially weaken it, which efforts are being challenged in various judicial proceedings. On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act (the "Tax Act"), which contains a broad range of tax reform provisions that impact the individual and corporate tax rates, international tax provisions, income tax add-back provisions and deductions, and which also repealed the individual mandate of the Health Care Reform Law. Further, in December 2018, a Texas federal court struck down the entire Health Care Reform Law, a ruling which is being appealed, and, if upheld, could have a significant impact on the U.S. health care industry. The uncertain status of the Health Care Reform Law affects our ability to plan.

A Health Care Reform Law provision, generally referred to as the Physician Payment Sunshine Act or Open Payments Program, imposes annual reporting and disclosure requirements for drug and device manufacturers and distributors with regard to payments or other transfers of value made to certain covered recipients (including physicians, dentists and teaching hospitals), and for such manufacturers and distributors and for group purchasing organizations, with regard to certain ownership interests held by physicians in the reporting entity. CMS publishes information from these reports on a publicly available website, including amounts transferred and physician, dentist and teaching hospital identities. Effective January 1, 2022, transfers of value to physician assistants, nurse practitioners or clinical nurse specialists, certified registered nurse anesthetists, and certified nurse midwives must also be reported.

Under the Physician Payment Sunshine Act, we are required to collect and report detailed information regarding certain financial relationships we have with covered recipients such as physicians, dentists and teaching hospitals. We believe that we are substantially compliant with applicable Physician Payment Sunshine Act requirements. The Physician Payment Sunshine Act pre-empts similar state reporting laws, although we or our subsidiaries may be required to report under certain state transparency laws that address circumstances not covered by the Physician Payment Sunshine Act, and some of these state laws, as well as the federal law, can be ambiguous. We are also subject to foreign regulations requiring transparency of certain interactions between suppliers and their customers. While we believe we have substantially compliant programs and controls in place to comply with these requirements, our compliance with these rules imposes additional costs on us.

Another notable Medicare health care reform initiative, the Medicare Access and CHIP Reauthorization Act of 2015 ("MACRA"), enacted on April 16, 2015, established a new payment framework, called the Quality Payment Program, which modifies certain Medicare payments to "eligible clinicians," including physicians, dentists and other practitioners. Under MACRA, certain eligible clinicians are required to participate in Medicare through the Merit-Based Incentive Payment System ("MIPS") or Advanced Alternative Payment Models ("APMs"). MIPS generally consolidated three programs; the physician quality reporting system, the value-based payment modifier and the Medicare electronic health record ("EHR") program, into a single program in which Medicare reimbursement to eligible clinicians includes both positive and negative payment adjustments that take into account quality, promoting interoperability, cost and improvement activities. Advanced APMs generally involve higher levels of financial and technology risk. The first MIPS performance year was 2017, and the data collected in the first performance year determines payment adjustments that began January 1, 2019. MACRA represents a fundamental change in physician reimbursement that is expected to provide substantial financial incentives for physicians to participate in risk contracts, and to increase physician information technology and reporting obligations. The implications of the implementation of MACRA are uncertain and will depend on future regulatory activity and physician activity in the marketplace. MACRA may encourage physicians to move from smaller practices to larger physician groups or hospital employment, leading to a consolidation of a portion of our customer base. Although we believe that we are positioned to capitalize on this consolidation trend, there can be no assurances that we will be able to successfully accomplish this.

*Health Care Fraud*

Certain of our businesses are subject to federal and state (and similar foreign) health care fraud and abuse, referral and reimbursement laws and regulations with respect to their operations. Some of these laws, referred to as "false

claims laws," prohibit the submission or causing the submission of false or fraudulent claims for reimbursement to federal, state and other health care payers and programs. Other laws, referred to as "anti-kickback laws," prohibit soliciting, offering, receiving or paying remuneration in order to induce the referral of a patient or ordering, purchasing, leasing or arranging for, or recommending ordering, purchasing or leasing of, items or services that are paid for by federal, state and other health care payers and programs.

The fraud and abuse laws and regulations have been subject to varying interpretations, as well as heightened enforcement activity over the past few years, and significant enforcement activity has been the result of "relators," who serve as whistleblowers by filing complaints in the name of the United States (and if applicable, particular states) under federal and state false claims laws and who may receive up to 30% of total government recoveries. Penalties under fraud and abuse laws may be severe. For example, under the federal False Claims Act, violations may result in treble damages, plus civil penalties of up to $22,927 per claim, as well as exclusion from federal health care programs and criminal penalties. Most states have adopted similar state false claims laws, and these state laws have their own penalties which may be in addition to federal False Claims Act penalties. With respect to "anti-kickback laws," violations of the federal Anti-Kickback Law may result in civil penalties of up to $100,000 for each violation, plus up to three times the total amount of remuneration offered, paid, solicited or received, as well as exclusion from federal health care programs and criminal penalties. Notably, effective October 24, 2018, a new federal anti-kickback law (the "Eliminating Kickbacks in Recovery Act of 2018") enacted in connection with broader addiction services legislation, may impose criminal penalties for kickbacks involving clinical laboratory services, regardless of whether the services at issue involved addiction services, and regardless of whether the services were reimbursed by a federal health care program or by a commercial insurer. Furthermore, the Health Care Reform Law significantly strengthened the federal False Claims Act and the federal Anti-Kickback Law provisions, clarifying that a federal Anti-Kickback Law violation can be a basis for federal False Claims Act liability.

With respect to measures of this type, the United States government (among others) has expressed concerns about financial relationships between suppliers on the one hand and physicians and dentists on the other. As a result, we regularly review and revise our marketing practices as necessary to facilitate compliance.

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

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

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

*Operating, Security and Licensure Standards*

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 United States federal laws applicable to us are the Controlled

Substances Act, the Federal Food, Drug, and Cosmetic Act, as amended ("FDC Act"), and Section 361 of the Public Health Service Act. We are also subject to comparable foreign regulations.

The FDC Act and similar foreign laws generally regulate 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 introduction, transmission or spread of communicable diseases, serves as the legal basis for the United States Food and Drug Administration's ("FDA") regulation of human cells, tissues and cellular and tissue-based products, also known as "HCT/P products."

The Federal Drug Quality and Security Act of 2013 brought about significant changes with respect to pharmaceutical supply chain requirements. Title II of this measure, known as the Drug Supply Chain Security Act ("DSCSA"), is being phased in over a period of ten years, and is intended to build a national electronic, interoperable system to identify and trace certain prescription drugs as they are distributed in the United States. The law's track and trace requirements applicable to manufacturers, wholesalers, repackagers and dispensers (e.g., pharmacies) of prescription drugs took effect in January 2015, and continues to be implemented. The DSCSA product tracing requirements replace the former FDA drug pedigree requirements and pre-empt certain state requirements that are inconsistent with, more stringent than, or in addition to, the DSCSA requirements.

The DSCSA also establishes certain requirements for the licensing and operation of prescription drug wholesalers and third party logistics providers ("3PLs"), and includes the eventual creation of national wholesaler and 3PL licenses in cases where states do not license such entities. The DSCSA requires that wholesalers and 3PLs distribute drugs in accordance with certain standards regarding the recordkeeping, storage and handling of prescription drugs. According to FDA guidance, states are pre-empted from imposing any licensing requirements that are inconsistent with, less stringent than, directly related to, or covered by the standards established by federal law in this area. Current state licensing requirements concerning wholesalers will remain in effect until the FDA issues new regulations as directed by the DSCSA.

We believe that we are substantially compliant with applicable DSCSA requirements.

The Food and Drug Administration Amendments Act of 2007 and the Food and Drug Administration Safety and Innovation Act of 2012 amended the FDC Act to require the FDA to promulgate regulations to implement a unique device identification ("UDI") system. The UDI rule phased in the implementation of the UDI regulations over seven years, generally beginning with the highest-risk devices (i.e., Class III medical devices) and ending with the lowest-risk devices. Most compliance dates were reached as of September 24, 2018, with a final set of requirements for low-risk devices being reached on September 24, 2022, which will complete the phase in. The UDI regulations require "labelers" to include unique device identifiers ("UDIs"), with a content and format prescribed by the FDA and issued under a system operated by an FDA-accredited issuing agency, on the labels and packages of medical devices, and to directly mark certain devices with UDIs. The UDI regulations also require labelers to submit certain information concerning UDI-labeled devices to the FDA, much of which information is publicly available on an FDA database, the Global Unique Device Identification Database. The UDI regulations and subsequent FDA guidance regarding the UDI requirements provide for certain exceptions, alternatives and time extensions. For example, the UDI regulations include a general exception for Class I devices exempt from the Quality System Regulation (other than record-keeping requirements and complaint files). Regulated labelers include entities such as device manufacturers, repackagers, reprocessors and relabelers that cause a device's label to be applied or modified, with the intent that the device will be commercially distributed without any subsequent replacement or modification of the label, and include certain of our businesses.

We believe that we are substantially compliant with applicable UDI requirements.

Under the Controlled Substances Act, as a distributor of controlled substances, we are required to obtain and renew annually registrations for our facilities from the United States Drug Enforcement Administration ("DEA") permitting us to handle controlled substances. We are also subject to other statutory and regulatory requirements

relating to the storage, sale, marketing, handling and distribution of such drugs, in accordance with the Controlled Substances Act and its implementing regulations, and these requirements have been subject to heightened enforcement activity in recent times. We are subject to inspection by the DEA.

Certain of our businesses are also required to register for permits and/or licenses with, and comply with operating and security standards of, the DEA, the FDA, 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 comparable 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. We are also subject to foreign government regulation of such products. The DEA, the FDA and state regulatory authorities have broad inspection and 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. Foreign regulations subject us to similar foreign enforcement powers. Furthermore, compliance with legal requirements has required and may in the future require us to institute voluntary recalls of products we sell, which could result in financial losses and potential reputational harm. Our customers are also subject to significant federal, state, local and foreign governmental regulation.

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.

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

*Antitrust*

The U.S. federal government, most U.S. states and many foreign countries have antitrust laws that prohibit certain types of conduct deemed to be anti-competitive. Violations of antitrust laws can result in various sanctions, including criminal and civil penalties. Private plaintiffs also could bring civil lawsuits against us in the United States for alleged antitrust law violations, including claims for treble damages.

*Regulated Software; Electronic Health Records*

The FDA has become increasingly active in addressing the regulation of computer software intended for use in health care settings. The 21st Century Cures Act (the “Cures Act”), signed into law on December 13, 2016, amended the device definition to exclude certain software, including clinical decision support software that meet certain criteria. In December 2017, the FDA issued draft guidance documents describing its proposed interpretation of the statutory language regarding which types of clinical decision support tools and other software are exempt from regulation as medical devices. Certain of our businesses involve the development and sale of software and related products to support physician and dental practice management, and it is possible that the FDA or foreign government authorities could determine that one or more of our products is a medical device, which could subject us or one or more of our businesses to substantial additional requirements with respect to these products.

In addition, the European Parliament and the Council of the European Union have adopted a new pan-European General Data Protection Regulation (“GDPR”), effective from May 25, 2018, which increases privacy rights for individuals in Europe, extended the scope of responsibilities for data controllers and data processors and imposes increased requirements and potential penalties on companies offering goods or services to individuals who are located in Europe (“Data Subjects”) or monitoring the behavior of such individuals (including by companies based outside of Europe). Noncompliance can result in penalties of up to the greater of EUR 20 million, or 4% of global company revenues. Individual member states may impose additional requirements and penalties as they relate to

certain things such as employee personal data. Among other things, the GDPR requires, with respect to data concerning Data Subjects, company accountability, consents from Data Subjects or other acceptable legal basis needed to process the personal data, prompt breach notifications within 72 hours, fairness and transparency in how the personal data is stored, used or otherwise processed, and data integrity and security, and provides rights to Data Subjects relating to modification, erasure and transporting of the personal data. The California Consumer Privacy Act ("CCPA"), signed into law on June 28, 2018, becomes effective January 1, 2020, and will require companies to institute additional protections on the collection, use and disclosure of certain "personal information" of California consumers. In addition to providing for enforcement by the California Attorney General, the CCPA also provides for a private right of action. Entities in violation of the CCPA may be liable for civil penalties. While we believe we have substantially compliant programs and controls in place to comply with the GDPR and CCPA requirements, our compliance with the new regulation is likely to impose additional costs on us, and we cannot predict whether the interpretations of the requirements, or changes in our practices in response to new requirements or interpretations of the requirements, could have a material adverse effect on our business.

We also sell products and services that health care providers, such as physicians and dentists, use to store and manage patient medical or dental records. These customers, and we, are subject to laws, regulations and industry standards, such as the federal Health Insurance Portability and Accountability Act of 1996, as amended, and implement regulations ("HIPAA") and the Payment Card Industry Data Security Standards, which require the protection of the privacy and security of those records, and our products may also be used as part of these customers' comprehensive data security programs, including in connection with their efforts to comply with applicable privacy and security laws. Perceived or actual security vulnerabilities in our products or services, or the perceived or actual failure by us or our customers who use our products or services to comply with applicable legal or contractual data privacy and security requirements, may not only cause us significant reputational harm, but may also lead to claims against us by our customers and/or governmental agencies and involve substantial fines, penalties and other liabilities and expenses and costs for remediation.

Various federal initiatives involve the adoption and use by health care providers of certain electronic health care records systems and processes. The initiatives include, among others, programs that incentivize physicians and dentists, through Medicare's MIPS, to use certified EHR technology in accordance with certain evolving requirements, including regarding quality, promoting interoperability, cost and improvement activities. Qualification for the MIPS incentive payments requires the use of EHRs that are certified as having certain capabilities designated in standards adopted by CMS and by the Office of the National Coordinator for Health Information Technology of the Department of Health and Human Services. These standards have been subject to change.

Certain of our businesses involve the manufacture and sale of certified EHR systems and other products linked to MIPS and other incentive programs. In order to maintain certification of our EHR products, we must satisfy these changing governmental standards. If any of our EHR systems do not meet these standards, yet have been relied upon by health care providers to receive federal incentive payments, as noted above, we are exposed to risk, such as under federal health care fraud and abuse laws, including the False Claims Act. For example, on May 31, 2017, the U.S. Department of Justice announced a $155 million settlement and 5-year corporate integrity agreement involving a vendor of certified EHR systems, based on allegations that the vendor, by misrepresenting capabilities to the certifying body, caused its health care provider customers to submit false Medicare and Medicaid claims for meaningful use incentive payments in violation of the False Claims Act. While we believe we are substantially in compliance with such certifications and with applicable fraud and abuse laws and regulations, and we have adequate compliance programs and controls in place to ensure substantial compliance, we cannot predict whether changes in applicable law, or interpretation of laws, or changes in our practices in response to changes in applicable law or interpretation of laws, could have a material adverse effect on our business. Moreover, in order to satisfy our customers, our products may need to incorporate increasingly complex reporting functionality. Although we believe we are positioned to accomplish this, the effort may involve increased costs, and our failure to implement product modifications, or otherwise satisfy applicable standards, could have a material adverse effect on our business.

Other health information standards, such as regulations under HIPAA, establish standards regarding electronic health data transmissions and transaction code set rules for specific electronic transactions, such as transactions

involving claims submissions to third party payers. Certain of our businesses provide electronic practice management products that must meet these requirements. Failure to abide by electronic health data transmission standards could expose us to breach of contract claims, substantial fines, penalties, and other liabilities and expenses, costs for remediation and harm to our reputation.

Additionally, as electronic medical devices are increasingly connected to each other and to other technology, the ability of these connected systems safely and effectively to exchange and use exchanged information becomes increasingly important. For example, on September 6, 2017, the FDA issued final guidance to assist industry in identifying specific considerations related to the ability of electronic medical devices to safely and effectively exchange and use exchanged information. As a medical device manufacturer, we must manage risks including those associated with an electronic interface that is incorporated into a medical device.

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

**E-Commerce**

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

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

**Results of Operations**

The following table summarizes the significant components of our operating results for the three and six months ended June 29, 2019 and June 30, 2018 and cash flows for the six months ended June 29, 2019 and June 30, 2018 (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 29, 2019 | June 30, 2018 | June 29, 2019 | June 30, 2018 |
| **Operating results:** | | | | |
| Net sales | $ 2,447,827 | $ 2,316,032 | $ 4,808,095 | $ 4,589,482 |
| Cost of sales | 1,680,396 | 1,597,704 | 3,288,974 | 3,152,025 |
| Gross profit | 767,431 | 718,328 | 1,519,121 | 1,437,457 |
| Operating expenses: | | | | |
| Selling, general and administrative | 593,218 | 552,723 | 1,167,826 | 1,106,937 |
| Restructuring costs | 11,925 | 8,497 | 16,566 | 11,172 |
| Operating income | $ 162,288 | $ 157,108 | $ 334,729 | $ 319,348 |
| | | | | |
| Other expense, net | $ (10,547) | $ (13,948) | $ (22,496) | $ (28,149) |
| Net income from continuing operations | 121,417 | 114,591 | 245,057 | 229,308 |
| Income (loss) from discontinued operations | (2,221) | 30,576 | (10,851) | 59,260 |
| Net income attributable to Henry Schein, Inc. | 114,532 | 141,212 | 224,315 | 281,430 |
| | | | | |
| **Cash flows:** | | | | |
| Net cash provided by operating activities from continuing operations | | | $ 298,786 | $ 111,868 |
| Net cash used in investing activities from continuing operations | | | (635,543) | (57,236) |
| Net cash provided by (used in) financing activities from continuing operations | | | 360,286 | (135,618) |

**Plans of Restructuring**

On July 9, 2018, we committed to an initiative to rationalize our operations and provide expense efficiencies. These actions have allowed us to execute on our plan to reduce our cost structure and fund new initiatives that are expected to drive future growth under our 2018 to 2020 strategic plan. This initiative has resulted in the elimination of approximately 4% of our workforce and the closing of certain facilities.

During the three and six months ended June 29, 2019, we recorded restructuring costs of $11.9 million and $16.6 million, respectively. The total 2018 costs associated with the actions to complete this restructuring were $54.4 million from continuing operations, consisting primarily of severance costs. As of June 29, 2019, the restructuring activities under this initiative are complete and we do not expect to incur any additional restructuring charges for the remainder of 2019.

### Three Months Ended June 29, 2019 Compared to Three Months Ended June 30, 2018

***Net Sales***

Net sales for the three months ended June 29, 2019 and June 30, 2018 were as follows (in thousands):

| | June 29, 2019 | % of Total | June 30, 2018 | % of Total | Increase / (Decrease) $ | Increase / (Decrease) % |
|---|---|---|---|---|---|---|
| Health care distribution (1): | | | | | | |
| Dental | $ 1,601,351 | 65.4% | $ 1,612,651 | 69.6% | $ (11,300) | (0.7)% |
| Medical | 697,558 | 28.5 | 614,025 | 26.5 | 83,533 | 13.6 |
| Total health care distribution | 2,298,909 | 93.9 | 2,226,676 | 96.1 | 72,233 | 3.2 |
| Technology and value-added services (2) | 125,050 | 5.1 | 89,356 | 3.9 | 35,694 | 39.9 |
| Total excluding Corporate TSA revenue | 2,423,959 | 99.0 | 2,316,032 | 100.0 | 107,927 | 4.7 |
| Corporate TSA revenue(3) | 23,868 | 1.0 | - | - | 23,868 | - |
| Total | $ 2,447,827 | 100.0% | $ 2,316,032 | 100.0% | $ 131,795 | 5.7 |

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

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

(3) Corporate TSA revenues represents sales of certain animal health products to Covetrus under the transition services agreement entered into in connection with the Animal Health Spin-off, which we expect to continue through 2020.

The 5.7% increase in net sales for the three months ended June 29, 2019 includes an increase of 7.8% local currency growth (3.5% increase in internally generated revenue and 4.3% growth from acquisitions) partially offset by a decrease of 2.1% related to foreign currency exchange. Excluding sales of Animal Health products under the transition services agreement with Covetrus, our net sales increased 4.7%, including local currency growth of 6.7% (2.4% increase in internally generated revenue and 4.3% growth from acquisitions) partially offset by a decrease of 2.0% related to foreign currency exchange.

The 0.7% decrease in dental net sales for the three months ended June 29, 2019 includes an increase of 2.1% local currency growth (0.7% increase in internally generated revenue and 1.4% growth from acquisitions) offset by a decrease of 2.8% related to foreign currency exchange. The 2.1% increase in local currency sales was due to dental consumable merchandise sales growth of 3.6% (1.7% increase in internally generated revenue and 1.9% growth from acquisitions), partially offset by a decrease in dental equipment sales and service revenues of 2.6%, all of which is attributable to a decrease in internally generated revenue. This decrease is primarily due to (a) a decline in high-tech equipment sales in North America, including a 6.4% decrease in CAD/CAM equipment sales, and (b) lower equipment sales related to a change in our business model in Brazil.

The 13.6% increase in medical net sales for the three months ended June 29, 2019 includes an increase of 13.8% local currency growth (7.6% increase in internally generated revenue and 6.2% growth from acquisitions) partially offset by a decrease of 0.2% related to foreign currency exchange.

The 39.9% increase in technology and value-added services net sales for the three months ended June 29, 2019 includes an increase of 41.2% local currency growth (1.1% decrease in internally generated revenue offset by 42.3% growth from acquisitions) partially offset by a decrease of 1.3% related to foreign currency exchange. The decrease in internally generated revenue in technology and value-added services is affected by (a) year-over-year changes to certain sales transactions where we acted as an agent in 2019 versus acting as a principal in the prior year and (b) an ongoing transition of our technology platform to a cloud-based delivery model. When excluding the effects of these changes, internally generated revenue grew by 1.0%. Our growth in technology and value-added services revenue was also negatively impacted by lower financing services revenue related to lower dental equipment sales.

***Gross Profit***

Gross profit and gross margin percentages by segment and in total for the three months ended June 29, 2019 and June 30, 2018 were as follows (in thousands):

| | June 29, 2019 | Gross Margin % | June 30, 2018 | Gross Margin % | Increase $ | Increase % |
|---|---|---|---|---|---|---|
| Health care distribution | $ 676,305 | 29.4% | $ 659,344 | 29.6% | $ 16,961 | 2.6% |
| Technology and value-added services | 90,432 | 72.3 | 58,984 | 66.0 | 31,448 | 53.3 |
| Total excluding Corporate TSA revenues | 766,737 | 31.6 | 718,328 | 31.0 | 48,409 | 6.7 |
| Corporate TSA revenues | 694 | 2.9 | - | - | 694 | - |
| Total | $ 767,431 | 31.4 | $ 718,328 | 31.0 | $ 49,103 | 6.8 |

As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies. Additionally, we realize substantially higher gross margin percentages in our technology segment than in our health care distribution segment. These higher gross margins result from being both the developer and seller of software products and services, as well as certain financial services. The software industry typically realizes higher gross margins to recover investments in research and development.

In connection with the completion of the Animal Health Spin-off (see Note 2 for additional details), we entered into a transition services agreement with Covetrus, pursuant to which Covetrus purchases certain animal health products from us. The agreement provides that these products will be sold to Covetrus at a mark-up that ranges from 3% to 6% of our product cost. We expect these sales to continue through 2020.

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

Health care distribution gross profit increased $17.0 million, or 2.6%, for the three months ended June 29, 2019 compared to the prior year period. The overall increase in our health care distribution gross profit is attributable to acquisitions of $20.8 million, partially offset by a $1.6 million reduction in gross profit from internally generated revenue and $2.2 million decline in gross profit due to the decrease in the gross margin rates. Health care distribution gross profit margin decreased to 29.4% for the three months ended June 29, 2019 from 29.6% for the comparable prior year period.

Technology and value-added services gross profit increased $31.4 million, or 53.3%, for the three months ended June 29, 2019 compared to the prior year period. Acquisitions accounted for $33.2 million of our gross profit increase within our technology and value-added services segment for the three months ended June 29, 2019 compared to the prior year period, partially offset by a $1.8 million reduction in gross profit from internally generated revenue. Technology and value-added services gross profit margin increased to 72.3% for the three months ended June 29, 2019 from 66.0% for the comparable prior year period, primarily due to additional product offerings at higher gross profit margins in our Henry Schein One subsidiary which was formed on July 1, 2018.

***Selling, General and Administrative***

Selling, general and administrative expenses by segment and in total for the three months ended June 29, 2019 and June 30, 2018 were as follows (in thousands):

| | June 29, 2019 | % of Respective Net Sales | June 30, 2018 | % of Respective Net Sales | Increase $ | Increase % |
|---|---|---|---|---|---|---|
| Health care distribution | $ 542,083 | 23.6% | $ 528,818 | 23.7% | $ 13,265 | 2.5% |
| Technology and value-added services | 63,060 | 50.4 | 32,402 | 36.3 | 30,658 | 94.6 |
| Total | $ 605,143 | 24.7 | $ 561,220 | 24.2 | $ 43,923 | 7.8 |

Selling, general and administrative expenses increased $43.9 million, or 7.8%, for the three months ended June 29, 2019 from the comparable prior year period. The $13.3 million increase in selling, general and administrative expenses within our health care distribution segment for the three months ended June 29, 2019 as compared to the prior year period was attributable to $18.4 million of additional costs from acquired companies, a $3.0 million increase in restructuring costs and a reduction of $8.1 million of operating costs. The $30.7 million increase in selling, general and administrative expenses within our technology and value-added services segment for the three months ended June 29, 2019 as compared to the prior year period was attributable to $30.9 million of additional costs from acquired companies, a $0.4 million increase in restructuring costs and a reduction of $0.6 million of operating costs. As a percentage of net sales, selling, general and administrative expenses increased to 24.7% from 24.2% for the comparable prior year period.

As a component of total selling, general and administrative expenses, selling expenses increased $20.2 million, or 5.6% to $378.3 million, for the three months ended June 29, 2019 from the comparable prior year period. As a percentage of net sales, selling expenses remained consistent at 15.5%

As a component of total selling, general and administrative expenses, general and administrative expenses increased $23.7 million, or 11.7% to $226.8 million, for the three months ended June 29, 2019 from the comparable prior year period. As a percentage of net sales, general and administrative expenses increased to 9.3% from 8.8% for the comparable prior year period.

***Other Expense, Net***

Other expense, net, for the three months ended June 29, 2019 and June 30, 2018 was as follows (in thousands):

| | June 29, 2019 | June 30, 2018 | Variance $ | Variance % |
|---|---|---|---|---|
| Interest income | $ 3,654 | $ 3,724 | $ (70) | (1.9)% |
| Interest expense | (12,785) | (17,235) | 4,450 | 25.8 |
| Other, net | (1,416) | (437) | (979) | (224.0) |
| Other expense, net | $ (10,547) | $ (13,948) | $ 3,401 | 24.4 |

Interest expense decreased $4.5 million primarily due to decreased borrowings under our bank credit lines.

***Income Taxes***

For the three months ended June 29, 2019, and the comparable prior year period, our effective tax rate was 23.7%. The difference between our effective tax rates and the federal statutory tax rate primarily relates to state and foreign income taxes and interest expense.

**Six Months Ended June 29, 2019 Compared to Six Months Ended June 30, 2018**

***Net Sales***

Net sales for the six months ended June 29, 2019 and June 30, 2018 were as follows (in thousands):

| | June 29, 2019 | % of Total | June 30, 2018 | % of Total | Increase / (Decrease) $ | Increase / (Decrease) % |
|---|---|---|---|---|---|---|
| Health care distribution (1): | | | | | | |
| Dental | $ 3,147,819 | 65.5% | $ 3,160,209 | 68.9% | $ (12,390) | (0.4)% |
| Medical | 1,381,218 | 28.7 | 1,254,425 | 27.3 | 126,793 | 10.1 |
| Total health care distribution | 4,529,037 | 94.2 | 4,414,634 | 96.2 | 114,403 | 2.6 |
| Technology and value-added services (2) | 240,560 | 5.0 | 174,848 | 3.8 | 65,712 | 37.6 |
| Total excluding Corporate TSA revenue | 4,769,597 | 99.2 | 4,589,482 | 100.0 | 180,115 | 3.9 |
| Corporate TSA revenue(3) | 38,498 | 0.8 | - | - | 38,498 | - |
| Total | $ 4,808,095 | 100.0% | $ 4,589,482 | 100.0% | $ 218,613 | 4.8 |

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

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

(3) Corporate TSA revenues represents sales of certain animal health products to Covetrus under the transition services agreement entered into in connection with the Animal Health Spin-off, which we expect to continue through 2020.

The 4.8% increase in net sales for the six months ended June 29, 2019 includes an increase of 7.2% local currency growth (3.9% increase in internally generated revenue and 3.3% growth from acquisitions) partially offset by a decrease of 2.4% related to foreign currency exchange. Excluding sales of Animal Health products under the transition services agreement with Covetrus, our net sales increased 3.9%, including local currency growth of 6.3% (3.1% increase in internally generated revenue and 3.2% growth from acquisitions) partially offset by a decrease of 2.4% related to foreign currency exchange.

The 0.4% decrease in dental net sales for the six months ended June 29, 2019 includes an increase of 3.0% local currency growth (1.9% increase in internally generated revenue and 1.1% growth from acquisitions) offset by a decrease of 3.4% related to foreign currency exchange. The 3.0% increase in local currency sales was due to dental consumable merchandise sales growth of 4.0% (2.7% increase in internally generated revenue and 1.3% growth from acquisitions), partially offset by a decrease in dental equipment sales and service revenues of 0.8%, all of which is attributable to a decrease in internally generated revenue. This decrease is primarily due lower equipment sales related to a change in our business model in Brazil.

The 10.1% increase in medical net sales for the six months ended June 29, 2019 includes an increase of 10.3% local currency growth (6.3% increase in internally generated revenue and 4.0% growth from acquisitions) partially offset by a decrease of 0.2% related to foreign currency exchange.

The 37.6% increase in technology and value-added services net sales for the six months ended June 29, 2019 includes an increase of 39.0% local currency growth (0.4% internally generated revenue and 38.6% growth from acquisitions) partially offset by a decrease of 1.4% related to foreign currency exchange. The local currency growth in technology and value-added services revenue is affected by year-over-year changes to certain sales transactions where we acted as an agent in 2019 versus acting as a principal in the prior year, and (b) an ongoing transition of our technology platform to a cloud based delivery model. When excluding the effects of these changes, internally generated revenue grew by 2.1%. Our growth in technology and value-added services revenue was also negatively impacted by lower financing services revenue related to lower dental equipment sales.

***Gross Profit***

Gross profit and gross margin percentages by segment and in total for the six months ended June 29, 2019 and June 30, 2018 were as follows (in thousands):

| | June 29, 2019 | Gross Margin % | June 30, 2018 | Gross Margin % | Increase $ | Increase % |
|---|---|---|---|---|---|---|
| Health care distribution | $ 1,344,260 | 29.7% | $ 1,321,797 | 29.9% | $ 22,463 | 1.7 % |
| Technology and value-added services | 173,712 | 72.2 | 115,660 | 66.1 | 58,052 | 50.2 |
| Total excluding Corporate TSA revenues | 1,517,972 | 31.8 | 1,437,457 | 31.3 | 80,515 | 5.6 |
| Corporate TSA revenues | 1,149 | 3.0 | - | - | 1,149 | - |
| Total | $ 1,519,121 | 31.6 | $ 1,437,457 | 31.3 | $ 81,664 | 5.7 |

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 and value-added services segment than in our health care distribution segment. These higher gross margins result from being both the developer and seller of software products and services, as well as certain financial services. The software industry typically realizes higher gross margins to recover investments in research and development.

In connection with the completion of the Animal Health Spin-off (see Note 2 for additional details), we entered into a transition services agreement with Covetrus, pursuant to which Covetrus purchases certain animal health products from us. The agreement provides that these products will be sold to Covetrus at a mark-up that ranges from 3% to 6% of our product cost. We expect these sales to continue through 2020.

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

Health care distribution gross profit increased $22.5 million, or 1.7%, for the six months ended June 29, 2019 compared to the prior year period. The overall increase in our health care distribution gross profit is attributable to $1.5 million additional gross profit from growth in internally generated revenue and $28.9 million is attributable to acquisitions. These increases were partially offset by an $8.0 million decline in gross profit due to the decrease in the gross margin rates. Health care distribution gross profit margin decreased to 29.7% for the six months ended June 29, 2019 from 29.9% for the comparable prior year period.

Technology and value-added services gross profit increased $58.1 million, or 50.2%, for the six months ended June 29, 2019 compared to the prior year period. Acquisitions accounted for $60.0 million of our gross profit increase within our technology and value-added services segment for the six months ended June 29, 2019 compared to the prior year, partially offset by a $1.1 million reduction in gross profit from internally generated revenue and a $0.8 million decrease in internally generated gross margin rates. Technology and value-added services gross profit margin increased to 72.2% for the six months ended June 29, 2019 from 66.1% for the comparable prior year period, primarily due to additional product offerings at higher gross profit margins in our Henry Schein One subsidiary which was formed on July 1, 2018.

***Selling, General and Administrative***

Selling, general and administrative expenses by segment and in total for the six months ended June 29, 2019 and June 30, 2018 were as follows (in thousands):

| | June 29, 2019 | % of Respective Net Sales | June 30, 2018 | % of Respective Net Sales | Increase $ | Increase % |
|---|---|---|---|---|---|---|
| Health care distribution | $ 1,065,880 | 23.5% | $ 1,054,124 | 23.9% | $ 11,756 | 1.1% |
| Technology and value-added services | 118,512 | 49.3 | 63,985 | 36.6 | 54,527 | 85.2 |
| Total | $ 1,184,392 | 24.6 | $ 1,118,109 | 24.4 | $ 66,283 | 5.9 |

Selling, general and administrative expenses increased $66.3 million, or 5.9%, for the six months ended June 29, 2019 from the comparable prior year period. The $11.8 million increase in selling, general and administrative expenses within our health care distribution segment for the six months ended June 29, 2019 as compared to the prior year period was attributable to $27.8 million of additional costs from acquired companies, a $4.9 million increase in restructuring costs and a reduction of $20.9 million of operating costs. The $54.5 million increase in selling, general and administrative expenses within our technology and value-added services segment for the six months ended June 29, 2019 as compared to the prior year period was attributable to $55.6 million of additional costs from acquired companies, a $0.5 million increase in restructuring costs and a reduction of $1.6 million of operating costs. As a percentage of net sales, selling, general and administrative expenses increased to 24.6% from 24.4% for the comparable prior year period.

As a component of total selling, general and administrative expenses, selling expenses increased $29.2 million, or 4.1% to $747.0 million, for the six months ended June 29, 2019 from the comparable prior year period. As a percentage of net sales, selling expenses decreased to 15.5% from 15.6% for the comparable prior year period.

As a component of total selling, general and administrative expenses, general and administrative expenses increased $37.1 million, or 9.3% to $437.4 million, for the six months ended June 29, 2019 from the comparable prior year period. As a percentage of net sales, general and administrative expenses increased to 9.1% from 8.7% for the comparable prior year period.

***Other Expense, Net***

Other expense, net, for the six months ended June 29, 2019 and June 30, 2018 was as follows (in thousands):

| | June 29, 2019 | June 30, 2018 | Variance $ | Variance % |
|---|---|---|---|---|
| Interest income | $ 8,425 | $ 7,177 | $ 1,248 | 17.4% |
| Interest expense | (29,086) | (34,139) | 5,053 | 14.8 |
| Other, net | (1,835) | (1,187) | (648) | (54.6) |
| Other expense, net | $ (22,496) | $ (28,149) | $ 5,653 | 20.1 |

Interest income increased by $1.2 million primarily due to increased investment and late fee income. Interest expense decreased $5.1 million primarily due to decreased borrowings under our bank credit lines.

***Income Taxes***

For the six months ended June 29, 2019, our effective tax rate was 24.1% compared to 24.0% for the prior year period. The difference between our effective tax rates and the federal statutory tax rate primarily relates to state and foreign income taxes and interest expense.

## Liquidity and Capital Resources

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

On February 7, 2019, we completed the Animal Health Spin-off. On the Distribution Date we received a tax free distribution of $1,120 million from Covetrus, which has been used to pay down our debt, thereby generating additional debt capacity that can be used for general corporate purposes, including share repurchases and mergers and acquisitions.

Net cash from continuing operations provided by operating activities was $298.8 million for the six months ended June 29, 2019, compared to net cash from continuing operations provided by operating activities of $111.9 million for the comparable prior year period. The net change of $186.9 million was primarily attributable to decreases in working capital requirements and increased distributions from equity affiliates.

Net cash from continuing operations used in investing activities was $635.5 million for the six months ended June 29, 2019, compared to $57.2 million for the comparable prior year period. The net change of $578.3 million was primarily attributable to increased payments for equity investments and business acquisitions.

Net cash from continuing operations provided by financing activities was $360.3 million for the six months ended June 29, 2019, compared to net cash used in financing activities of $135.6 million for the comparable prior year period. The net change of $495.9 million was primarily due to a distribution received related to the Animal Health Spin-off, proceeds from the Animal Health Share Sale, a reduction in acquisitions of noncontrolling interests in subsidiaries, payments to the Henry Schein Animal Health Business partially offset by increased repayments of debt related to the Animal Health Spin-off and increased repurchases of our common stock.

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

| | June 29, 2019 | December 29, 2018 |
|---|---|---|
| Cash and cash equivalents | $ 84,924 | $ 56,885 |
| Working capital (1) | 1,283,437 | 956,393 |
| | | |
| Debt: | | |
| Bank credit lines | $ 242,787 | $ 951,458 |
| Current maturities of long-term debt | 9,136 | 8,280 |
| Long-term debt | 973,147 | 980,344 |
| Total debt | $ 1,225,070 | $ 1,940,082 |
| | | |
| Leases: | | |
| Current operating lease liabilities | $ 68,288 | $ - |
| Non-current operating lease liabilities | 178,240 | - |

(1) Includes $435 million and $422 million of accounts receivable which serve as security for U.S. trade accounts receivable securitization at June 29, 2019 and December 29, 2018, respectively.

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

*Accounts receivable days sales outstanding and inventory turns*

Our accounts receivable days sales outstanding from operations increased to 45.1 days as of June 29, 2019 from 43.7 days as of June 30, 2018. During the six months ended June 29, 2019, we wrote off approximately $2.6 million of fully reserved accounts receivable against our trade receivable reserve. Our inventory turns from operations increased to 4.8 as of June 29, 2019 from 4.4 as of June 30, 2018. Our working capital accounts may be impacted by current and future economic conditions.

*Bank Credit Lines*

Bank credit lines consisted of the following:

| | June 29, 2019 | December 29, 2018 |
|---|---|---|
| Revolving credit agreement | $ 200,000 | $ 175,000 |
| Other short-term bank credit lines | 42,787 | 376,458 |
| Committed loan associated with Animal Health Spin-off | - | 400,000 |
| Total | $ 242,787 | $ 951,458 |

*Revolving Credit Agreement*

On April 18, 2017, we entered into a $750 million revolving credit agreement (the “Credit Agreement”). This facility, which matures in April 2022, replaced our $500 million revolving credit facility, which was scheduled to mature in September 2019. The interest rate is based on the USD LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. We expect that the LIBOR rate will be discontinued at some point during 2021. We expect to work with our lenders to identify a suitable replacement rate and amend our debt agreements to reflect this new reference rate accordingly. We do not believe that the discontinuation of LIBOR as a reference rate in our debt agreements will have a material adverse effect on our financial position or materially affect our interest expense. Additionally, the Credit Agreement provides, among other things, that we are required to maintain maximum leverage ratios, and contains customary representations, warranties and affirmative covenants. The Credit Agreement also contains customary negative covenants, subject to negotiated exceptions on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive

agreements. As of June 29, 2019 and December 29, 2018, the borrowings on this revolving credit facility were $200.0 million and $175.0 million, respectively. As of June 29, 2019 and December 29, 2018, there were $9.6 million and $11.2 million of letters of credit, respectively, provided to third parties under the credit facility.

*Other Short-Term Credit Lines*

As of June 29, 2019 and December 29, 2018, we had various other short-term bank credit lines available, of which $42.8 million and $376.5 million, respectively, were outstanding. At June 29, 2019 and December 29, 2018, borrowings under all of our credit lines had a weighted average interest rate of 3.22% and 3.30%, respectively.

*Committed Loan Associated with Animal Health Spin-off*

On May 21, 2018, we obtained a $400 million committed loan which matured on the earlier of (i) March 31, 2019 and (ii) the consummation of the Animal Health Spin-off. The proceeds of this loan were used, among other things, to fund our purchase of all of the equity interests in Butler Animal Health Holding Company, LLC (“BAHHC”) directly or indirectly owned by Darby Group Companies, Inc. (“Darby”) and certain other sellers pursuant to the terms of that certain Amendment to Put Rights Agreements, dated as of April 20, 2018, by and among us, Darby, BAHHC and the individual sellers party thereto for an aggregate purchase price of $365 million. As of December 29, 2018, the balance outstanding on this loan was $400 million and is included within the “Bank credit lines” caption within our consolidated balance sheet. At December 29, 2018, the interest rate on this loan was 3.38%. Concurrent with the completion of the Animal Health Spin-off on February 7, 2019, we re-paid the balance of this loan.

*Long-term debt*

Long-term debt consisted of the following:

| | June 29, 2019 | December 29, 2018 |
|---|---|---|
| Private placement facilities | $ 621,160 | $ 628,189 |
| U.S. trade accounts receivable securitization | 350,000 | 350,000 |
| Various collateralized and uncollateralized loans payable with interest | | |
| in varying installments through 2024 at interest rates | | |
| ranging from 2.56% to 10.5% at June 29, 2019 and | | |
| ranging from 2.61% to 4.17% at December 29, 2018 | 6,992 | 6,491 |
| Finance lease obligations payable through 2029 with interest rates | | |
| ranging from 1.64% to 19.13% at June 29, 2019 and | | |
| ranging from 1.45% to 6.00% at December 29, 2018 | 4,131 | 3,944 |
| Total | 982,283 | 988,624 |
| Less current maturities | (9,136) | (8,280) |
| Total long-term debt | $ 973,147 | $ 980,344 |

*Private Placement Facilities*

On September 15, 2017, we increased our available private placement facilities with three insurance companies to a total facility amount of $1 billion, and extended the expiration date to September 15, 2020. These facilities are available on an uncommitted basis at fixed rate economic terms to be agreed upon at the time of issuance, from time to time through September 15, 2020. The facilities allow us to issue senior promissory notes to the lenders at a fixed rate based on an agreed upon spread over applicable treasury notes at the time of issuance. The term of each possible issuance will be selected by us and can range from five to 15 years (with an average life no longer than 12 years). The proceeds of any issuances under the facilities will be used for general corporate purposes, including working capital and capital expenditures, to refinance existing indebtedness and/or to fund potential acquisitions. The agreements provide, among other things, that we maintain certain maximum leverage ratios, and contain restrictions relating to subsidiary indebtedness, liens, affiliate transactions, disposal of assets and certain changes in ownership. These facilities contain make-whole provisions in the event that we pay off the facilities prior to the applicable due dates.

The components of our private placement facility borrowings as of June 29, 2019 are presented in the following table (in thousands):

| Date of Borrowing | Amount of Borrowing Outstanding | Borrowing Rate | Due Date |
|---|---|---|---|
| September 2, 2010 | $ 100,000 | 3.79% | September 2, 2020 |
| January 20, 2012 | 50,000 | 3.45 | January 20, 2024 |
| January 20, 2012 (1) | 21,429 | 3.09 | January 20, 2022 |
| December 24, 2012 | 50,000 | 3.00 | December 24, 2024 |
| June 2, 2014 | 100,000 | 3.19 | June 2, 2021 |
| June 16, 2017 | 100,000 | 3.42 | June 16, 2027 |
| September 15, 2017 | 100,000 | 3.52 | September 15, 2029 |
| January 2, 2018 | 100,000 | 3.32 | January 2, 2028 |
| Less: Deferred debt issuance costs | (269) | | |
| | $ 621,160 | | |

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

*U.S. Trade Accounts Receivable Securitization*

We have a facility agreement with a bank, as agent, based on the securitization of our U.S. trade accounts receivable that is structured as an asset-backed securitization program with pricing committed for up to three years. Our current facility, which has a purchase limit of $350 million, and was previously scheduled to expire on April 29, 2020 has been extended to April 29, 2022. The borrowings outstanding under this securitization facility were $350 million as of both June 29, 2019 and December 29, 2018, respectively. At June 29, 2019, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 2.49% plus 0.75%, for a combined rate of 3.24%. At December 29, 2018, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 2.66% plus 0.75%, for a combined rate of 3.41%.

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

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

*Leases*

We have operating and finance leases for corporate offices, office space, distribution and other facilities, vehicles and certain equipment. Our leases have remaining terms of less than 1 year to 11 years, some of which may include options to extend the leases for up to 10 years. As of June 29, 2019, our current and non-current operating lease liabilities were $68.3 million and $178.2 million, respectively.

*Stock Repurchases*

From June 21, 2004 through June 29, 2019, we repurchased $3.1 billion, or 61,894,724 shares, under our common stock repurchase programs, with $173.2 million available as of June 29, 2019 for future common stock share repurchases.

*Redeemable Noncontrolling Interests*

Some minority stockholders in certain of our subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value. Accounting Standards Codification 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 six months ended June 29, 2019 and the year ended December 29, 2018 are presented in the following table:

| | June 29, 2019 | December 29, 2018 |
|---|---|---|
| Balance, beginning of period | $ 219,724 | $ 465,585 |
| Decrease in redeemable noncontrolling interests due to redemptions | (2,270) | (287,767) |
| Increase in redeemable noncontrolling interests due to business acquisitions | 72,238 | 4,655 |
| Net income attributable to redeemable noncontrolling interests | 6,513 | 15,327 |
| Dividends declared | (5,127) | (8,206) |
| Effect of foreign currency translation gain attributable to redeemable noncontrolling interests | 836 | (11,330) |
| Change in fair value of redeemable securities | (4,200) | 41,460 |
| Balance, end of period | $ 287,714 | $ 219,724 |

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. Any adjustments to these accrual amounts are recorded in our consolidated statement of income. For the six months ended June 29, 2019 and June 30, 2018, there were no material adjustments recorded in our consolidated statement of income relating to changes in estimated contingent purchase price liabilities.

*Noncontrolling Interests*

Noncontrolling interests represent our less than 50% ownership interest in an acquired subsidiary. Our net income is reduced by the portion of the subsidiaries net income that is attributable to noncontrolling interests.

### Critical Accounting Policies and Estimates

There have been no material changes in our critical accounting policies and estimates from those disclosed in Item 7 of our Annual Report on Form 10-K for the year ended December 29, 2018, except accounting policies adopted as of December 30, 2018 which are discussed in Note 3 of the Notes to Consolidated Financial Statements included in Item 1.

## Recently Issued Accounting Standards

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019, with early adoption permitted for interim and annual reporting periods beginning after December 15, 2018. This ASU is required to be adopted using the modified retrospective basis, with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance of this ASU is effective. Based upon the level and makeup of our financial asset portfolio, past loan loss activity and current known activity regarding our outstanding loans, we do not expect that this ASU will have a material impact on our consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles-Goodwill and Other” (Topic 350) (“ASU 2017-04”). ASU 2017-04 eliminates step two from the goodwill impairment test, thereby eliminating the requirement to calculate the implied fair value of a reporting unit. ASU 2017-04 will require us to perform our annual goodwill impairment test by comparing the fair value of our reporting units to the carrying value of those units. If the carrying value exceeds the fair value, we will be required to recognize an impairment charge; however, the impairment charge should not exceed the amount of goodwill allocated to such reporting unit. ASU 2017-04 is required to be implemented on a prospective basis for fiscal years beginning after December 15, 2019. We do not expect that the requirements of ASU 2017-04 will have a material impact on our consolidated financial statements.

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

There have been no material changes in our exposure to market risk from that disclosed in Item 7A of our Annual Report on Form 10-K for the year ended December 29, 2018.

## ITEM 4. CONTROLS AND PROCEDURES

*Evaluation of Disclosure Controls and Procedures*

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based on this evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of June 29, 2019 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 acquisitions, continued 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 June 29, 2019, we completed the acquisition of a dental business in North America having approximate aggregate annual revenues of $12 million. In addition, post-acquisition integration related activities continued for our global dental, technology and medical businesses acquired during prior quarters, representing aggregate annual revenues of approximately $552 million. These acquisitions, the majority of which utilize separate information and financial accounting systems, have been included in our consolidated financial statements since their respective dates of acquisition.

Also, during the quarter ended June 29, 2019, post-implementation activities continued for a new equipment system implemented during prior quarters for our U.S. dental business to centers representing approximate aggregate annual revenues of $783 million and a new ERP system for our South African dental business representing aggregate annual revenues of $11 million, as well as the implementation of a new time and attendance system supporting approximate aggregate annual hourly payroll expenses of $227 million.

Finally, during the quarter ended June 29, 2019 we continued to enhance our processes and procedures covering contracts to bill and collect fees related to transitional services provided to Covetrus, the animal health business we spun-off during the prior quarter. We estimate these fees will range between $18 million to $20 million during 2019.

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

*Limitations of the Effectiveness of Internal Control*

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

## PART II. OTHER INFORMATION

## ITEM 1. LEGAL PROCEEDINGS

Beginning in January 2016, purported class action complaints were filed against Patterson Companies, Inc. ("Patterson"), Benco Dental Supply Co. ("Benco") and Henry Schein, Inc. Although there were factual and legal variations among these complaints, each of these complaints alleges, among other things, that defendants conspired to fix prices, allocate customers and foreclose competitors by boycotting manufacturers, state dental associations and others that deal with defendants' competitors. On February 9, 2016, the U.S. District Court for the Eastern District of New York ordered all of these actions, and all other actions filed thereafter asserting substantially similar claims against defendants, consolidated for pre-trial purposes. On February 26, 2016, a consolidated class action complaint was filed by Arnell Prato, D.D.S., P.L.L.C., d/b/a Down to Earth Dental, Evolution Dental Sciences, LLC, Howard M. May, DDS, P.C., Casey Nelson, D.D.S., Jim Peck, D.D.S., Bernard W. Kurek, D.M.D., Larchmont Dental Associates, P.C., and Keith Schwartz, D.M.D., P.A. (collectively, "putative class representatives") in the U.S. District Court for the Eastern District of New York, entitled In re Dental Supplies Antitrust Litigation, Civil Action No. 1:16-CV-00696-BMC-GRB. In the consolidated class action complaint, putative class representatives allege a nationwide agreement among Henry Schein, Benco, Patterson and non-party Burkhart Dental Supply Company, Inc. ("Burkhart") not to compete on price. The consolidated class action complaint asserts a single count under Section 1 of the Sherman Act, and seeks equitable relief, compensatory and treble damages, jointly and severally, and reasonable costs and expenses, including attorneys' fees and expert fees. On September 28, 2018, the parties executed a settlement agreement that proposes, subject to court approval, a full and final settlement of the lawsuit on a classwide basis. Subject to certain exceptions, the settlement class consists of all persons or entities that purchased dental products directly from Henry Schein, Patterson, Benco, Burkhart, or any combination thereof, during the period August 31, 2008 through and including March 31, 2016. As a result, in our third quarter of fiscal 2018, we recorded a charge of $38.5 million, which was paid into a settlement fund in January 2019. On June 25, 2019, the district court granted final approval to the settlement, and entered final judgment dismissing the case. On July 16, 2019, Dr. William Roe, an unnamed class member that had objected to the settlement, filed a notice of appeal appealing the district court's Final Judgment and Order Granting Motion for Final Approval of Class Settlement. The appeal is currently pending.

On August 31, 2012, Archer and White Sales, Inc. ("Archer") filed a complaint against Henry Schein, Inc. as well as Danaher Corporation and its subsidiaries Instrumentarium Dental, Inc., Dental Equipment, LLC, Kavo Dental Technologies, LLC and Dental Imaging Technologies Corporation (collectively, the "Danaher Defendants") in the U.S. District Court for the Eastern District of Texas, Civil Action No. 2:12-CV-00572-JRG, styled as an antitrust action under Section 1 of the Sherman Act, and the Texas Free Enterprise Antitrust Act. Archer alleges a conspiracy between Henry Schein, an unnamed company and the Danaher Defendants to terminate or limit Archer's distribution rights. On August 1, 2017, Archer filed an amended complaint, adding Patterson and Benco as defendants, and alleging that Henry Schein, Patterson, Benco and Burkhart conspired to fix prices and refused to compete with each other for sales of dental equipment to dental professionals and agreed to enlist their common suppliers, the Danaher Defendants, to join a price-fixing conspiracy and boycott by reducing the distribution territory of, and eventually terminating, their price-cutting competing distributor Archer. Archer seeks damages in an amount to be proved at trial, to be trebled with interest and costs, including attorneys' fees, jointly and severally, as well as injunctive relief. On October 30, 2017, Archer filed a second amended complaint, to add additional allegations that it believes support its claims. The named parties and causes of action are the same as the August 1, 2017 amended complaint.

On October 1, 2012, we filed a motion for an order: (i) compelling Archer to arbitrate its claims against us; (2) staying all proceedings pending arbitration; and (3) joining the Danaher Defendants' motion to arbitrate and stay. On May 28, 2013, the Magistrate Judge granted the motions to arbitrate and stayed proceedings pending arbitration. On June 10, 2013, Archer moved for reconsideration before the District Court judge. On December 7, 2016, the District Court Judge granted Archer's motion for reconsideration and lifted the stay. Defendants appealed the District Court's order. On December 21, 2017, the U.S. Court of Appeals for the Fifth Circuit affirmed the District Court's order denying the motions to compel arbitration. On June 25, 2018, the Supreme Court of the United States granted defendants' petition for writ of certiorari. On October 29, 2018, the Supreme

Court heard oral arguments. On January 8, 2019, the Supreme Court issued its published decision vacating the judgment of the Fifth Circuit and remanding the case to the Fifth Circuit for further proceedings consistent with the Supreme Court's opinion. The Fifth Circuit heard oral argument on May 1, 2019 on whether the case should be arbitrated. The Fifth Circuit has not yet issued an opinion. The trial court proceeding is stayed pending the Fifth Circuit's decision. We intend to defend ourselves vigorously against this action.

On August 17, 2017, IQ Dental Supply, Inc. ("IQ Dental") filed a complaint in the U.S. District Court for the Eastern District of New York, entitled IQ Dental Supply, Inc. v. Henry Schein, Inc., Patterson Companies, Inc. and Benco Dental Supply Company, Case No. 2:17-cv-4834. Plaintiff alleges that it is a distributor of dental supplies and equipment, and sells dental products through an online dental distribution platform operated by SourceOne Dental ("SourceOne"). SourceOne had previously brought an antitrust lawsuit against Henry Schein, Patterson and Benco, which Henry Schein settled in the second quarter of 2017 and which is described in our prior filings with the SEC.

IQ Dental alleges, among other things, that defendants conspired to suppress competition from IQ Dental and SourceOne for the marketing, distribution and sale of dental supplies and equipment in the United States, and that defendants unlawfully agreed with one another to boycott dentists, manufacturers and state dental associations that deal with, or considered dealing with, plaintiff and SourceOne. Plaintiff claims that this alleged conduct constitutes unreasonable restraint of trade in violation of Section 1 of the Sherman Act, New York's Donnelly Act and the New Jersey Antitrust Act, and also makes pendant state law claims for tortious interference with prospective business relations, civil conspiracy and aiding and abetting. Plaintiff seeks injunctive relief, compensatory, treble and punitive damages, jointly and severally, and reasonable costs and expenses, including attorneys' fees and expert fees. On December 21, 2017, the District Court granted the defendants' motion to dismiss. On January 19, 2018, IQ Dental appealed the District Court's order. On May 10, 2019, the U.S. Court of Appeals for the Second Circuit affirmed in part and reversed in part the District Court's dismissal of the Complaint, holding that IQ Dental lacks antitrust standing to challenge the alleged boycott of SourceOne and state dental associations, but that it has standing to challenge injury related to the alleged direct boycott of its business. On June 29, 2019, the Second Circuit denied IQ Dental's petition for rehearing or rehearing en banc. Proceedings in the District Court are ongoing. We intend to defend ourselves vigorously against this action.

On February 12, 2018, the United States Federal Trade Commission ("FTC") filed a complaint against Benco Dental Supply Co., Henry Schein, Inc. and Patterson Companies, Inc. The FTC alleges, among other things, that defendants violated U.S. antitrust laws by conspiring, and entering into an agreement, to refuse to provide discounts to or otherwise serve buying groups representing dental practitioners. The FTC alleges that defendants conspired in violation of Section 5 of the FTC Act. The complaint seeks equitable relief only and does not seek monetary damages. We deny the allegation that we conspired to refuse to provide discounts to or otherwise serve dental buying groups and intend to defend ourselves vigorously against this action. A hearing before an administrative law judge began on October 16, 2018 and the hearing record was closed on February 21, 2019. The matter is ongoing and a decision has not yet been issued. We expect the decision to be made public no later than middle to late September 2019. We believe this matter will not have a material adverse effect on our consolidated financial position, liquidity or results of operations.

On March 7, 2018, Joseph Salkowitz, individually and on behalf of all others similarly situated, filed a putative class action complaint for violation of the federal securities laws against Henry Schein, Inc., Stanley M. Bergman and Steven Paladino in the U.S. District Court for the Eastern District of New York, Case No. 1:18-cv-01428. The complaint sought to certify a class consisting of all persons and entities who, subject to certain exclusions, purchased Henry Schein securities from March 7, 2013 through February 12, 2018 (the "Class Period"). The complaint alleged, among other things, that the defendants had made materially false and misleading statements about Henry Schein's business, operations and prospects during the Class Period, including matters relating to the issues in the antitrust class action and the FTC action described above, thereby causing the plaintiff and members of the purported class to pay artificially inflated prices for Henry Schein securities. The complaint sought unspecified monetary damages and a jury trial. Pursuant to the provisions of the Private Securities Litigation Reform Act of 1995 (the "PSLRA"), the court appointed lead plaintiff and lead counsel on June 22, 2018 and recaptioned the putative class action as In re Henry Schein, Inc. Securities Litigation, under the same case number. Lead plaintiff filed a consolidated class action complaint on September 14, 2018. The consolidated class action complaint asserts similar claims against the same defendants (plus Timothy Sullivan) on behalf of the same putative class of

purchasers during the Class Period. It alleges that Henry Schein's stock price was inflated during that period because Henry Schein had misleadingly portrayed its dental-distribution business "as successfully producing excellent profits while operating in a highly competitive environment" even though, "in reality, [Henry Schein] had engaged for years in collusive and anticompetitive practices in order to maintain Schein's margins, profits, and market share." The complaint alleges that the stock price started to fall from August 8, 2017, when the company announced below-expected financial performance that allegedly "revealed that Schein's poor results were a product of abandoning prior attempts to inflate sales volume and margins through anticompetitive collusion," through February 13, 2018, after the FTC filed a complaint against Benco, Henry Schein and Patterson alleging that they violated U.S. antitrust laws. The complaint alleges violations of Section 10(b) of the Exchange Act and Rule 10b-5 and Section 20(a) of the Exchange Act. We intend to defend ourselves vigorously against this action. Henry Schein has also received a request under 8 Del. C. § 220 to inspect corporate books and records relating to the issues raised in the securities class action and the antitrust matters discussed above.

On May 3, 2018, a purported class action complaint, Marion Diagnostic Center, LLC, et al. v. Becton, Dickinson, and Co., et al., Case No. 3:18-cv-010509, was filed in the U.S. District Court for the Southern District of Illinois against Becton, Dickinson, and Co. ("Becton"); Premier, Inc. ("Premier"), Vizient, Inc. ("Vizient"), Cardinal Health, Inc. ("Cardinal"), Owens & Minor Inc. ("O&M"), Henry Schein, Inc., and Unnamed Becton Distributor Co-Conspirators. The complaint alleges that the defendants entered into a vertical conspiracy to force health care providers into long-term exclusionary contracts that restrain trade in the nationwide markets for conventional and safety syringes and safety IV catheters and inflate the prices of certain Becton products to above-competitive levels. The named plaintiffs seek to represent three separate classes consisting of all health care providers that purchased (i) Becton's conventional syringes, (ii) Becton's safety syringes, or (iii) Becton's safety catheters directly from Becton, Premier, Vizient, Cardinal, O&M or Henry Schein on or after May 3, 2014. The complaint asserts a single count under Section 1 of the Sherman Act, and seeks equitable relief, treble damages, reasonable attorneys' fees and costs and expenses, and pre-judgment and post-judgment interest. On June 15, 2018, an amended complaint was filed asserting the same allegations against the same parties and adding McKesson Medical-Surgical, Inc. as a defendant. On November 30, 2018, the District Court granted defendants' motion to dismiss and entered a final judgment, dismissing plaintiffs' complaint with prejudice. On December 27, 2018, plaintiffs appealed the District Court's decision to the Seventh Circuit Court of Appeals. We intend to defend ourselves vigorously against this action.

On May 29, 2018, an amended complaint was filed in the MultiDistrict Litigation ("MDL") proceeding In Re National Prescription Opiate Litigation (MDL No. 2804; Case No. 17-md-2804) in an action entitled The County of Summit, Ohio et al. v. Purdue Pharma, L.P., et al., Civil Action No. 1:18-op-45090-DAP ("County of Summit Action"), in the U.S. District Court for the Northern District of Ohio, adding Henry Schein, Inc., Henry Schein Medical Systems, Inc. and others as defendants. Plaintiffs allege that manufacturers of prescription opioid drugs engaged in a false advertising campaign to expand the market for such drugs and their own market share and that the entities in the supply chain (including Henry Schein, Inc. and Henry Schein Medical Systems, Inc.) reaped financial rewards by refusing or otherwise failing to monitor appropriately and restrict the improper distribution of those drugs. Plaintiffs assert the following claims for relief against Henry Schein, Inc. and Henry Schein Medical Systems, Inc.: statutory public nuisance; common law absolute public nuisance; negligence; injury through criminal acts (R.C. 2307.60); unjust enrichment; and civil conspiracy. This case has been designated "Track 1" and is currently set for trial on October 21, 2019. We intend to defend ourselves vigorously against this action.

In addition to the County of Summit Action, Henry Schein and/or one or more of its affiliated companies have currently been named as a defendant in multiple lawsuits (currently less than one-hundred (100)), which allege claims similar to those alleged in the County of Summit Action. None of these other cases have been set for trial. These actions consist of some that have been consolidated within the MDL and are currently abated for discovery purposes, and others which remain pending in state courts and are proceeding independently and outside of the MDL. Sales of opioids in North America (excluding the Henry Schein Animal Health Business) in 2018 were less than 1% of Henry Schein's North American sales (excluding the Henry Schein Animal Health Business). We intend to defend ourselves vigorously against these actions.

On October 9, 2018, a purported class action complaint entitled Kramer v. Henry Schein, Inc., Patterson Co., Inc., Benco Dental Supply Co., and Unnamed Co-Conspirators, was filed in the U.S. District Court for the Northern District of California. The complaint alleges that members of the proposed class, comprised of purchasers of dental

services from dental practices in California, suffered antitrust injury due to an unlawful boycott, price-fixing or otherwise anticompetitive conspiracy among Henry Schein, Patterson and Benco. The complaint alleges that the alleged conspiracy overcharged California dental practices, orthodontic practices and dental laboratories on their purchase of dental supplies, which in turn passed on some or all of such overcharges to members of the California class purchasing dental services. Subject to certain exclusions, the complaint defines the class as "all persons residing in California purchasing and/or reimbursing for dental services from California dental practices on or after August 31, 2012." The complaint alleges violations of California antitrust laws, including the Cartwright Act (Cal. Bus. and Prof. Code § 16720) and the Unfair Competition Act (Cal. Bus. and Prof. Code § 17200), and seeks a permanent injunction, actual damages to be determined at trial, trebled, reasonable attorneys' fees and costs, and pre- and post-judgment interest. On December 7, 2018, an amended complaint was filed asserting the same claims against the same parties. On June 28, 2019, the court granted Defendants' motions to dismiss with leave to amend. The parties have stipulated to dismissal of the action with prejudice, pursuant to a settlement in which Henry Schein has agreed to pay the plaintiff a de minimis amount.

On January 29, 2019, a purported class action complaint was filed by R. Lawrence Hatchett, M.D. against Henry Schein, Inc., Patterson Co., Inc., Benco Dental Supply Co., and unnamed co-conspirators in the U.S. District Court for the Southern District of Illinois. The complaint alleges that members of the proposed class suffered antitrust injury due to an unlawful boycott, price-fixing or otherwise anticompetitive conspiracy among Henry Schein, Patterson and Benco. The complaint alleges that the alleged conspiracy overcharged Illinois dental practices, orthodontic practices and dental laboratories on their purchase of dental supplies, which in turn passed on some or all of such overcharges to members of the class. Subject to certain exclusions, the complaint defines the class as "all persons residing in Illinois purchasing and/or reimbursing for dental care provided by independent Illinois dental practices purchasing dental supplies from the defendants, or purchasing from buying groups purchasing these supplies from the defendants, on or after January 29, 2015." The complaint alleges violations of the Illinois Antitrust Act, 740 Ill. Comp. Stat. §§ 10/3(2), 10/7(2), and seeks a permanent injunction, actual damages to be determined at trial, trebled, reasonable attorneys' fees and costs, and pre- and post-judgment interest. We intend to defend ourselves vigorously against this action.

From time to time, we may become a party to other legal proceedings, including, without limitation, product liability claims, employment matters, commercial disputes, governmental inquiries and investigations (which may in some cases involve our entering into settlement arrangements or consent decrees), and other matters arising out of the ordinary course of our business. While the results of any legal proceeding cannot be predicted with certainty, in our opinion none of these other pending matters are currently anticipated to have a material adverse effect on our consolidated financial position, liquidity or results of operations.

As of June 29, 2019, we had accrued our best estimate of potential losses relating to claims that were probable to result in 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 factors, including probable recoveries from third parties.

## ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in Part 1, Item 1A, of our Annual Report on Form 10-K for the year ended December 29, 2018.

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

*Purchases of equity securities by the issuer*

Our share repurchase program, announced on June 21, 2004, originally allowed us to repurchase up to $100 million of shares of our common stock, which represented approximately 3.5% of the shares outstanding at the commencement of the program. As summarized in the table below, subsequent additional increases totaling $3.2 billion, authorized by our Board of Directors, to the repurchase program provide for a total of $3.3 billion of shares of our common stock to be repurchased under this program.

| Date of Authorization | Amount of Additional Repurchases Authorized |
|---|---|
| October 31, 2005 | $ 100,000,000 |
| March 28, 2007 | 100,000,000 |
| November 16, 2010 | 100,000,000 |
| August 18, 2011 | 200,000,000 |
| April 18, 2012 | 200,000,000 |
| November 12, 2012 | 300,000,000 |
| December 9, 2013 | 300,000,000 |
| December 4, 2014 | 300,000,000 |
| November 30, 2015 | 400,000,000 |
| October 18, 2016 | 400,000,000 |
| September 15, 2017 | 400,000,000 |
| December 12, 2018 | 400,000,000 |

As of June 29, 2019, we had repurchased approximately $3.1 billion of common stock (61,894,724 shares) under these initiatives, with $173.2 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 June 29, 2019.

| 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) |
|---|---|---|---|---|
| 3/31/19 through 4/26/19 | 370,562 | $ 61.76 | 370,562 | 3,522,814 |
| 04/27/19 through 06/01/19 | 565,703 | 65.88 | 565,703 | 2,945,219 |
| 06/02/19 through 06/29/19 | 245,945 | 67.52 | 245,945 | 2,478,420 |
| | 1,182,210 | | 1,182,210 | |

(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.

## ITEM 5. OTHER INFORMATION

*Plan of Restructuring*

On July 9, 2018, we committed to an initiative to rationalize our operations and provide expense efficiencies. These actions have allowed us to execute on our plan to reduce our cost structure and fund new initiatives that are expected to drive future growth under our 2018 to 2020 strategic plan. This initiative has resulted in the elimination of approximately 4% of our workforce and the closing of certain facilities.

During the three and six months ended June 29, 2019, we recorded restructuring costs of $11.9 million and $16.6 million, respectively. The total 2018 costs associated with the actions to complete this restructuring were $54.4 million from continuing operations, consisting primarily of severance costs. As of June 29, 2019, the restructuring activities under this initiative are complete and we do not expect to incur any additional restructuring charges for the remainder of 2019. The costs associated with this restructuring are included in a separate line item, “Restructuring costs” within our consolidated statements of income.

## ITEM 6. EXHIBITS

Exhibits.

| | |
|---|---|
| 10.1 | Amendment No. 5 dated as of May 13, 2019 to Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as performance guarantor, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, Ltd., New York Branch, as agent and the various purchaser groups party thereto.+ |
| 31.1 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+ |
| 31.2 | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+ |
| 32.1 | Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.+ |
| 101.INS | Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.+ |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document+ |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document+ |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document+ |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document+ |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document+ |
| 104 | The cover page of Henry Schein, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 29, 2019, formatted in Inline XBRL (included within Exhibit 101 attachments).+ |

+ Filed herewith.

**SIGNATURE**

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

Henry Schein, Inc.
(Registrant)

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

Dated: August 6, 2019

**Exhibit 10.1**

**EXECUTION COPY**

**AMENDMENT NO. 5 TO RECEIVABLES PURCHASE AGREEMENT**

This AMENDMENT NO. 5 TO RECEIVABLES PURCHASE AGREEMENT, dated as of May 13, 2019 (this "Amendment"), is entered into among HSFR, INC., a Delaware corporation, as seller (the "Seller"), THE PURCHASERS LISTED ON THE SIGNATURE PAGES HERETO (the "Purchasers"), THE PURCHASER AGENTS LISTED ON THE SIGNATURE PAGES HERETO (the "Purchaser Agents"), MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.), as agent (in such capacity, together with its successors and assigns in such capacity, the "Agent") for each Purchaser Group, and, solely with respect to Section 10, HENRY SCHEIN, INC. ("HS"), a Delaware corporation, as performance guarantor (the "Performance Guarantor").

**BACKGROUND**

The Seller, HS, as initial Servicer, Purchasers, Purchaser Agents and Agent are parties to a Receivables Purchase Agreement, dated as of April 17, 2013 (as amended by that certain Omnibus Amendment No. 1, dated as of July 22, 2013, that certain Omnibus Amendment No. 2, dated as of April 21, 2014, that certain Amendment No. 1 to Receivables Purchase Agreement, dated as of September 22, 2014, that certain Amendment No. 2 to Receivables Purchase Agreement, dated as of April 14, 2015, that certain Amendment No. 3 to Receivables Purchase Agreement, dated as of June 1, 2016, and that certain Amendment No. 4 to Receivables Purchase Agreement, dated as of July 6, 2017, and as further amended, restated, modified or supplemented through the date hereof, the "Receivables Purchase Agreement"). The parties are entering into this Amendment to amend or otherwise modify the Receivables Purchase Agreement.

**AGREEMENT**

1. Definitions. Capitalized terms are used in this Amendment as defined in Exhibit I to the Receivables Purchase Agreement.

2. Amendments to Receivables Purchase Agreement. The parties to the Receivables Purchase Agreement hereby agree that the Receivables Purchase Agreement is amended in its entirety in the form attached hereto as Annex A.

3. Representations and Warranties. The Seller hereby certifies, represents and warrants to the Agent, each Purchaser Agent and each Purchaser that on and as of the date hereof:

(a) each of its representations and warranties contained in Article V of the Receivables Purchase Agreement is true and correct, in all material respects, on and as of the date hereof; and

(b) no Termination Event or Unmatured Termination Event exists.

4. Conditions to Effectiveness. This Amendment shall become effective on the date (the "Effective Date") when each Purchaser Agent shall have received:

(a) counterparts of this Amendment duly executed by the other parties hereto;

(b) a copy of the resolutions of the Board of Directors of each Seller Party and Performance Guarantor certified by its Secretary authorizing such Person's execution, delivery and performance of this Amendment and the performance of its obligations under the Receivables Purchase Agreement (as amended by this Amendment); and

(c) counterparts of that certain Third Amended and Restated Fee Letter, dated as of the date hereof, duly executed by the parties thereto.

5. Ratification. This Amendment constitutes an amendment to the Receivables Purchase Agreement. After the execution and delivery of this Amendment, all references to the Receivables Purchase Agreement in any document shall be deemed to refer to the Receivables Purchase Agreement as amended by this Amendment, unless the context otherwise requires. Except as amended above, the Receivables Purchase Agreement is hereby ratified in all respects. Except as set forth above, the execution, delivery and effectiveness of this Amendment shall not operate as an amendment or waiver of any right, power or remedy of the parties hereto under the Receivables Purchase Agreement, nor constitute an amendment or waiver of any provision of the Receivables Purchase Agreement. This Amendment shall not constitute a course of dealing among the parties hereto at variance with the Receivables Purchase Agreement such as to require further notice by any of the Agent, the Purchaser Agents or the Purchasers to require strict compliance with the terms of the Receivables Purchase Agreement in the future, as amended by this Amendment, except as expressly set forth herein. The Seller hereby acknowledges and expressly agrees that each of the Agent, the Purchaser Agents and the Purchasers reserves the right to, and does in fact, require strict compliance with all terms and provisions of the Receivables Purchase Agreement, as amended herein.

6. Counterparts. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, and each counterpart shall be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument. Counterparts of this Amendment may be delivered by facsimile transmission or other electronic transmission, and such counterparts shall be as effective as if original counterparts had been physically delivered, and thereafter shall be binding on the parties hereto and their respective successors and assigns.

7. Governing Law. This Amendment shall be governed by, and construed in accordance with the law of the State of New York without regard to the principles of conflicts of law thereof (other than Sections 5-1401 and 5-1402 of the New York General Obligations Law).

8. Section Headings. The various headings of this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment, the Receivables Purchase Agreement or any other Transaction Document or any provision hereof or thereof.

9. Transaction Document. This Amendment shall constitute a Transaction Document under the Receivables Purchase Agreement.

10. Ratification of Performance Undertaking. After giving effect to this Amendment and the transactions contemplated hereby, all of the provisions of the Performance Undertaking shall remain in full force and effect and the Performance Guarantor hereby ratifies and affirms the Performance Undertaking and acknowledges that the Performance Undertaking has continued and shall continue in full force and effect in accordance with its terms.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed by their respective officers hereunto duly authorized as of the day and year first above written.

HSFR INC.,
as Seller

By: /s/ Michael Amodio
Name: Michael Amodio
Title: Treasurer

Solely with respect to Section 10:

HENRY SCHEIN, INC.,
as Performance Guarantor

By: /s/ Michael Amodio
Name: Michael Amodio
Title: VP Treasurer

MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.), as Purchaser Agent for Victory Receivables Corporation

By: /s/ Eric Williams
Name: Eric Williams
Title: Managing Director

VICTORY RECEIVABLES CORPORATION, as an Uncommitted Purchaser

By: /s/ Kevin J. Corrigan
Name: Kevin J. Corrigan
Title: Vice President

MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.), as Related Committed Purchaser for Victory Receivables Corporation

By: /s/ Eric Williams
Name: Eric Williams
Title: Managing Director

MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.), as Agent

By: /s/ Eric Williams
Name: Eric Williams
Title: Managing Director

**ANNEX A**

# RECEIVABLES PURCHASE AGREEMENT

**DATED AS OF APRIL 17, 2013**

**AMONG**

**HSFR, INC., AS SELLER,**

**HENRY SCHEIN, INC., AS INITIAL SERVICER,**

**THE VARIOUS PURCHASER GROUPS FROM TIME TO TIME PARTY HERETO**

**AND**

**MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.), AS AGENT**

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Exhibits and Schedules

**RECEIVABLES PURCHASE AGREEMENT**

***THIS RECEIVABLES PURCHASE AGREEMENT***, dated as of April 17, 2013 is entered into by and among:

(a) HSFR, Inc., a Delaware corporation (***"Seller"***),

(b) Henry Schein, Inc., a Delaware corporation (***"Schein"***), as initial Servicer (the Servicer together with Seller, the "***Seller Parties***" and each, a ***"Seller Party"***),

(c) the various Purchaser Groups from time to time party hereto, and

(d) MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.), as agent for each Purchaser Group (together with its successors and assigns in such capacity, the ***"Agent"***).

***Unless defined elsewhere herein, capitalized terms used in this Agreement shall have the meanings assigned to such terms in Exhibit I.***

**PRELIMINARY STATEMENTS**

1. Seller desires to transfer and assign Receivable Interests from time to time.

2. The Purchasers desire to purchase Receivable Interests from Seller from time to time.

3. MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.) has been requested and is willing to act as Agent on behalf of the Purchasers and their assigns in accordance with the terms hereof.

In consideration of the mutual agreements, provisions and covenants contained herein, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

**ARTICLE I.**

**PURCHASE ARRANGEMENTS**

Section 1.1 Purchase Facility.

(a) Upon the terms and subject to the conditions of this Agreement (including, without limitation, Article VI), from time to time prior to the Facility Termination Date, Seller may request that the Purchaser Groups purchase from Seller undivided ownership interests in the Receivables and the associated Related Security and Collections (which interest shall be held by the Agent on behalf of the applicable Purchasers). Each Uncommitted Purchaser may (in its sole discretion), and each Related Committed Purchaser severally hereby agrees to, make Incremental Purchases, on the terms and subject to the conditions hereof before the Facility Termination Date, ratably based on the applicable Purchaser Group's Ratable Share of each Incremental Purchase requested pursuant to Section 1.2 (and, in the case of each Related Committed Purchaser, its Commitment Percentage of its Purchaser Group's Ratable Share of such

Purchase); ***provided that*** no Purchase shall be made by any Purchaser if, after giving effect thereto, either (i) if such Purchaser is a Related Committed Purchaser, such Purchaser's aggregate Invested Amount would exceed its Available Commitment, (ii) the Group Invested Amount would exceed the Group Commitment for such Purchaser's Purchaser Group, (iii) the aggregate of the Receivable Interests would exceed 100% or (iv) the Aggregate Invested Amount would exceed the Purchase Limit. It is the intent of the Conduit Purchasers to fund any Purchases hereunder through the issuance of Commercial Paper. If any Purchaser funds or refinances its investment in a Receivable Interest through any means other than the issuance of Commercial Paper, in lieu of paying CP Costs on the Invested Amount pursuant to Article III hereof, Seller will pay Yield thereon at the applicable Yield Rate in accordance with Article IV hereof. Nothing herein shall be deemed to constitute a commitment of any Conduit Purchaser to issue Commercial Paper.

(b) Seller may in its sole discretion, upon at least 45 Business Days' written notice to the Agent (which shall promptly forward a copy to each Purchaser Agent), call and repurchase from the Purchasers all right, title and interest in the Receivables and terminate the purchase facility in whole, or upon at least 15 Business Days' written notice in a form set forth as Exhibit XIII (each such notice, a ***"Maximum Purchase Limit Decrease Notice"***) to the Agent (which shall promptly forward a copy to each Purchaser Agent) reduce in part the unused portion of the Maximum Purchase Limit (but not below the amount which would cause the Group Invested Amount of any Purchaser Group to exceed its Group Commitment (after giving effect to such reduction) and, unless terminated in whole, not below $200,000,000); ***provided that*** each partial reduction of the Maximum Purchase Limit shall be in an amount equal to $10,000,000 (or a larger integral multiple of $1,000,000 if in excess thereof). Such reduction shall, unless otherwise agreed to in writing by the Seller, the Agent and each Purchaser Agent, be applied ratably to reduce the Group Commitment of each Purchaser Group.

(c) Seller may from time to time request that the Purchaser Groups increase their respective existing Group Commitments and, to the extent the existing Purchaser Groups do not consent to any such requested increase, Seller may add a new Purchaser Group as a party hereto; ***provided that*** (i) each Purchaser Agent (on behalf of the related Purchaser Group) shall, in its sole discretion, make a determination whether or not to grant any request to increase its Purchaser Group's Group Commitment and (ii) the prior written consent of the Agent shall be required for any such increase or addition (such consent not to be unreasonably withheld, conditioned or delayed).

Section 1.2 Incremental Purchases. Seller shall provide the Agent and each Purchaser Agent with at least one (1) Business Day's prior written notice in a form set forth as Exhibit II hereto of each Incremental Purchase (each, a ***"Purchase Notice"***) by 12:00 noon (New York time) on the Business Day prior to the Purchase Date. Each Purchase Notice shall be subject to Section 6.2 hereof and, except as set forth below, shall be irrevocable and shall specify the requested Purchase Price (which shall not be less than $1,000,000, or a larger integral multiple of $100,000, with respect to each Purchaser Group) and the Purchase Date. Following receipt of a Purchase Notice, the applicable Purchaser Agent will determine whether the related Uncommitted Purchaser will fund the requested Incremental Purchase. If such Uncommitted Purchaser (in its sole discretion) elects not to fund an Incremental Purchase, the Incremental Purchase shall be funded ratably by its Related Committed Purchasers (in accordance with such Related Committed Purchasers' Available Commitments). On each Purchase Date, upon

satisfaction of the applicable conditions precedent set forth in Article VI, each applicable Purchaser shall deposit to the Facility Account, in immediately available funds, no later than 2:00 p.m. (New York time), an amount equal to such Purchaser's portion (based on each Purchaser Group's Ratable Share and, if applicable, such Purchaser's Available Commitment) of the requested Purchase Price.

Section 1.3 Decreases.

(a) Optional Reductions. Seller shall provide the Agent and each Purchaser Agent with prior written irrevocable notice in the form set forth as Exhibit XII hereto (a ***"Reduction Notice"***) of any proposed reduction of Aggregate Invested Amount (a) at least three (3) Business Days prior to any such proposed reduction greater than or equal to $50,000,000 and (b) at least one (1) Business Day prior to any such proposed reduction less than $50,000,000. Such Reduction Notice shall designate (i) the date (the ***"Proposed Reduction Date"***) upon which any such reduction of Aggregate Invested Amount shall occur, and (ii) the amount of Aggregate Invested Amount to be reduced (the ***"Aggregate Reduction"***) which shall be applied to all Receivable Interests (ratably, according to each Purchaser's aggregate Invested Amount).

(b) Mandatory Reductions. Seller shall also ensure that the aggregate of the Receivable Interests shall at no time exceed 100%. If the aggregate of the Receivable Interests exceeds 100%, Seller shall pay to each Purchaser Agent for the benefit of the related Purchasers on or before the next Business Day an amount to be applied to reduce the Aggregate Invested Amount (ratably, according to each Purchaser's aggregate Invested Amount), such that after giving effect to such payment the aggregate of the Receivable Interests equals or is less than 100%.

Section 1.4 Deemed Collections; Purchase Limit.

(a) If on any day:

(i) the Outstanding Balance of any Receivable is reduced or cancelled as a result of any credit issued for returned or repossessed goods, any shortages, any pricing adjustment, any volume rebate or any other allowance, adjustment or deduction by Originator or any Affiliate thereof, or as a result of any governmental or regulatory action, or

(ii) the Outstanding Balance of any Receivable is reduced or canceled as a result of a setoff or disputed item in respect of any claim by the Obligor thereof (whether such claim arises out of the same or a related or an unrelated transaction), or

(iii) the Outstanding Balance of any Receivable is reduced on account of the obligation of Originator or any Affiliate thereof to pay to the related Obligor any rebate or refund, or

(iv) the Outstanding Balance of any Receivable is less than the amount included in calculating the Net Pool Balance for purposes of any Settlement Report (for any reason other than receipt of Collections), or

(v) any of the representations or warranties of Seller with respect to any Receivable set forth in Article V were not true in all material respects when made,

then, on such day, Seller shall (I) be deemed to have received a Collection of such Receivable (A) in the case of clauses (i) through (iv) above, in the amount of such reduction or cancellation or the difference between the actual Outstanding Balance and the amount included in calculating such Net Pool Balance, as applicable; and (B) in the case of clause (v) above, in the amount of the Outstanding Balance of such Receivable and, not later than two (2) Business Days thereafter shall pay to the Collection Account the amount of any such Collection deemed to have been received or (II) prior to the occurrence of a Termination Event, setoff the amount of such reduction or cancellation against the purchase price otherwise owed to the Applicable Originator for additional Receivables.

(b) Seller shall ensure that the Aggregate Invested Amount at no time exceeds the Purchase Limit. If at any time the Aggregate Invested Amount exceeds the Purchase Limit, Seller shall pay to each Purchaser Agent for the benefit of the related Purchasers immediately an amount to be applied to reduce the Aggregate Invested Amount (ratably, according to each Purchaser's aggregate Invested Amount), such that after giving effect to such payment the Aggregate Invested Amount is less than or equal to the Purchase Limit.

Section 1.5 Payment Requirements and Computations. All amounts to be paid or deposited by any Seller Party pursuant to any provision of this Agreement shall be paid or deposited in accordance with the terms hereof no later than 2:00 p.m. (New York time) on the day when due in immediately available funds, and if not received before 2:00 p.m. (New York time) shall be deemed to be received on the next succeeding Business Day. If such amounts are payable to or for the account of any Purchaser, such amounts shall be paid to the account from time to time specified by the related Purchaser Agent to the Seller and the Servicer. All computations of CP Costs, Yield, *per annum* fees calculated as part of any CP Costs, *per annum* fees hereunder and *per annum* fees under the Fee Letters shall be made on the basis of a year of 360 days for the actual number of days elapsed (other than Yield calculated at the Prime Rate or the Federal Funds Effective Rate, which shall be made on the basis of a year of 365 or 366 days, as the case may be). If any amount hereunder shall be payable on a day which is not a Business Day, such amount shall be payable on the next succeeding Business Day.

Section 1.6 Sharing of Payments, etc. If any Purchaser (for purpose of this Section 1.6 only, a ***"Recipient"***) shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of setoff, or otherwise) on account of any interest in the Receivable Interest owned by it in excess of its ratable share thereof, such Recipient shall forthwith purchase from the Purchasers entitled to a share of such amount participations in the percentage interests owned by such Persons as shall be necessary to cause such Recipient to share the excess payment ratably with each such other Person entitled thereto; ***provided that*** if all or any portion of such excess payment is thereafter recovered from such Recipient, such purchase from each such other Person shall be rescinded and each such other Person shall repay to the Recipient the purchase price paid by such Recipient for such participation to the extent of such recovery, together with an amount equal to such other Person's ratable share (according to the proportion of (a) the amount of such other Person's required payment to (b) the total amount so recovered from the Recipient) of any interest or other amount paid or payable by the Recipient in respect of the total amount so recovered.

Section 1.7 Taxes.

(a) The Seller agrees that any and all payments by the Seller under this Agreement shall be made free and clear of and without deduction for any and all current or future taxes, stamp or other taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, other than Excluded Taxes; provided that if the Seller shall be required under applicable law to deduct any such taxes from such payments, then (i) the Seller shall make such deductions, and (ii) the Seller shall pay the full amount deducted to the relevant Official Body in accordance with applicable law, the sum payable shall be increased as necessary so that after making all required deductions the recipient of such payment receives an amount equal to the sum it would have received had no such deductions been made.

(b) The Agent, each Purchaser Agent (if other than the Agent) and each Purchaser agrees to provide, on or before the first date on which any payment is required to be made to such Person under this Agreement, (i) a properly completed and duly executed Internal Revenue Service Form W-9, (ii) a properly completed, duly executed Internal Revenue Service Form W-8ECI, or (iii) in the case of a Purchaser Agent (if other than the Agent) or a Purchaser, a properly completed, duly executed Internal Revenue Service Form W-8BEN establishing an exemption from U.S. federal withholding tax pursuant to the "interest" article of an applicable income tax treaty.

## ARTICLE II.

## PAYMENTS AND COLLECTIONS

Section 2.1 Payments of Recourse Obligations. Seller hereby promises to pay the following (collectively, the ***"Recourse Obligations"***):

(a) all amounts due and owing under Section 1.3 or 1.4 on the dates specified therein;

(b) the fees set forth in the Fee Letters on the dates specified therein;

(c) all accrued and unpaid Yield on the Receivable Interests accruing Yield at the Yield Rate on each Settlement Date applicable thereto;

(d) all accrued and unpaid CP Costs on the Receivable Interests funded with Commercial Paper on each Settlement Date; and

(e) all Broken Funding Costs and all amounts due and owing under Article X, including, Indemnified Amounts, in each case, upon demand.

Section 2.2 Collections Prior to the Facility Termination Date.

(a) If at any time any Collections (including any Deemed Collections) are received in the Collection Accounts prior to the Facility Termination Date, Seller hereby requests and each Purchaser hereby agrees to make, simultaneously with such receipt, a reinvestment (each, a ***"Reinvestment"***) with the Purchasers' Portion of the balance of each and every Collection received by the Servicer such that, after giving effect to such Reinvestment, the

Invested Amount of the Receivable Interests of each Purchaser immediately after such receipt and corresponding Reinvestment shall be equal to the amount of such Invested Amounts immediately prior to such receipt. Notwithstanding the foregoing, (i) all such Reinvestments shall be subject to Section 6.2 and (ii) the Servicer may retain in the Collection Accounts amounts for distribution on the following Settlement Date or for decreases in the Aggregate Investment Amount in accordance with Section 1.3.

(b) On each Settlement Date prior to the Facility Termination Date, the Servicer shall remit to each Purchaser Agent for the benefit of its Purchaser Group (or, if applicable, to the Agent for its own benefit) the amounts set aside during the preceding Calculation Period that have not been subject to a Reinvestment and (after deduction of its Servicing Fee) apply such amounts (if not previously paid in accordance with Section 2.1) to the Aggregate Unpaids in the order specified:

***first,*** ratably to the payment of all accrued and unpaid CP Costs, Yield and Broken Funding Costs (if any) that are then due and owing,

***second,*** ratably to the payment of all accrued and unpaid fees under the Fee Letters (if any) that are then due and owing,

***third,*** if required under Section 1.3 or 1.4, to the ratable reduction of the Aggregate Invested Amount,

***fourth,*** for the ratable payment of all other unpaid Recourse Obligations, if any, that are then due and owing, and

***fifth,*** the balance, if any, to Seller or otherwise in accordance with Seller's instructions, provided that, after giving effect to any payment pursuant to this clause fifth, (i) the aggregate of the Receivable Interests would be less than 100% and (ii) the Aggregate Invested Amount would be less than the Purchase Limit.

Section 2.3 Repayment on the Facility Termination Date; Collections.

On the Facility Termination Date and on each day thereafter, the Servicer shall set aside and hold in trust, for the Secured Parties, all Collections received on each such day. On and after the Facility Termination Date, the Servicer shall, on each Settlement Date and on each other Business Day specified by the Agent (after deduction of any accrued and unpaid Servicing Fee as of such date) apply all Collections and all other amounts in the Collection Accounts to reduce the Aggregate Unpaids as follows:

***first,*** to the reimbursement of the Agent's costs of collection and enforcement of this Agreement,

***second,*** ratably to the payment of all accrued and unpaid CP Costs, Yield and Broken Funding Costs (if any),

***third,*** ratably to the payment of all accrued and unpaid fees (if any) under the Fee Letters,

***fourth,*** to the ratable reduction of Aggregate Invested Amount,

***fifth,*** for the ratable payment of all other Aggregate Unpaids, and

***sixth,*** after the Final Payout Date, to Seller.

Section 2.4 Payment Rescission. No payment of any of the Aggregate Unpaids shall be considered paid or applied hereunder to the extent that, at any time, all or any portion of such payment or application is rescinded by application of law or judicial authority, or must otherwise be returned or refunded for any reason. Seller shall remain obligated for the amount of any payment or application so rescinded, returned or refunded, and shall promptly pay to the applicable Purchaser Agent (for application to the Person or Persons who suffered such rescission, return or refund) the full amount thereof, plus interest thereon at the Default Rate from the date of any such rescission, return or refunding.

## ARTICLE III.

## COMMERCIAL PAPER FUNDING

Section 3.1 CP Costs. Seller shall pay CP Costs with respect to the Invested Amount of all Receivable Interests funded through the issuance of Commercial Paper.

Section 3.2 Calculation of CP Costs. Prior to each Settlement Date, each Purchaser (or the applicable Purchaser Agent on its behalf) shall calculate the aggregate amount of CP Costs applicable to its Receivable Interests accrued through the relevant Calculation Period and shall notify Seller of such aggregate amount.

Section 3.3 CP Costs Payments. On each Settlement Date, Seller shall pay to the applicable Purchaser Agent (for the benefit of the related Conduit Purchaser) an aggregate amount equal to all accrued and unpaid CP Costs in respect of the portion of the Invested Amounts of all Receivable Interests funded by such Conduit Purchaser with Commercial Paper for the Calculation Period then most recently ended in accordance with Article II.

Section 3.4 Default Rate. From and after the occurrence of a Termination Event, all Receivable Interests shall accrue Yield at the Default Rate.

## ARTICLE IV.

## BANK FUNDINGS

Section 4.1 Bank Fundings. Prior to the occurrence of a Termination Event, the portion of outstanding Invested Amount of each Receivable Interest funded with Bank Fundings shall accrue Yield for each day during its Interest Period at the applicable Yield Rate in accordance with the terms and conditions hereof. If any undivided interest in a Receivable Interest initially funded with Commercial Paper is sold (or otherwise participated) to the Liquidity Providers pursuant to a Liquidity Agreement, such undivided interest in such Receivable Interest shall be deemed to have an Interest Period commencing on the date of such sale.

Section 4.2 Yield Payments. On the Settlement Date for each Receivable Interest that is funded with a Bank Funding, Seller shall pay to each applicable Purchaser Agent (for the benefit of its Purchaser Group) an aggregate amount equal to the accrued and unpaid Yield thereon for the entire Interest Period of each related Bank Funding in accordance with Article II.

Section 4.3 Suspension of the LIBO Rate. If any Purchaser or Liquidity Provider notifies the related Purchaser Agent that (i) it has determined that funding its ratable share of the Bank Fundings at or by reference to a LIBO Rate would violate any applicable law, rule, regulation, or directive of any governmental or regulatory authority, whether or not having the force of law, (ii) deposits of a type and maturity appropriate to match fund its Bank Funding at or by reference to such LIBO Rate are not available or (iii) such LIBO Rate does not accurately reflect the cost of acquiring or maintaining a Bank Funding at such LIBO Rate, then such Purchaser Agent shall give written notice thereof to the Seller as promptly as practicable thereafter and, until such Purchaser Agent notifies the Seller that the circumstances giving rise to such notice no longer exist, (a) no portion of the Invested Amount shall be funded at the LIBO Rate or at the Alternate Base Rate determined by reference to the LIBO Rate and (b) the Yield for any outstanding portions of the Invested Amount then funded at the LIBO Rate or at the Alternate Base Rate determined by reference to the LIBO Rate shall, on the last day of the then current Interest Period, be converted to the Alternate Base Rate determined by reference to clause (ii) of the definition of the Alternate Base Rate.

Section 4.4 Default Rate. From and after the occurrence of a Termination Event, all Bank Fundings shall accrue Yield at the Default Rate.

Section 4.5 LIBOR Replacement. If at any time (i) the Agent determines (which determination shall be conclusive absent manifest error) or the Required Purchaser Agents notify the Agent that adequate and reasonable means do not exist for ascertaining the LIBO Rate (including, without limitation, because the Reuters Screen LIBO Page is not available or published on a current basis) and such circumstances are unlikely to be temporary, (ii) the supervisor for the administrator of the LIBO Rate or an Official Body having jurisdiction over the Agent has made a public statement identifying a specific date after which the LIBO Rate shall no longer be used for determining interest rates for loans, or (iii) any applicable interest rate specified herein is no longer a widely recognized benchmark rate for newly originated loans in the United States syndicated loan market in the applicable currency, then the Agent and the Seller shall endeavor to establish an alternate rate of interest (the "***Replacement Rate***") to the LIBO Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable. Notwithstanding anything to the contrary in Section 13.1, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Agent shall not have received, within five (5) Business Days of the date notice of the Replacement Rate is provided to the Purchasers, a written notice from the Required Purchaser Agents stating that such Required Purchaser Agents object to such amendment. Until the Replacement Rate is determined (but, in the case of the circumstances described in clause (ii) of the first sentence of this Section 4.5, only to the extent the LIBO Rate for such Interest Period is not available or published at such time on a current basis), (a) no portion of the Invested Amount shall be funded at the LIBO Rate or at the Alternate Base Rate determined by reference to the LIBO Rate and (b) the Yield for any

outstanding portions of the Invested Amount then funded at the LIBO Rate or at the Alternate Base Rate determined by reference to the LIBO Rate shall, on the last day of the then current Interest Period, be converted to the Alternate Base Rate determined by reference to clause (ii) of the definition of the Alternate Base Rate. Notwithstanding anything else herein, any definition of Replacement Rate shall provide that in no event shall such Replacement Rate be less than zero for the purposes of this Agreement. To the extent the Replacement Rate is approved by the Agent in connection with this clause, the Replacement Rate shall be applied in a manner consistent with market practice; provided, that, in each case, to the extent such market practice is not administratively feasible for the Agent, the Replacement Rate shall be applied as otherwise reasonably determined by the Agent (it being understood that any such modification by the Agent shall not require the consent of, or consultation with, any of the Purchasers).

## ARTICLE V.

## REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties of the Seller. The Seller hereby represents and warrants to the Agent, each Purchaser Agent and each Purchaser as of the date hereof and as of the date of each Incremental Purchase and the date of each Reinvestment that:

(a) Organization and Qualification. The Seller's only jurisdiction of organization is correctly set forth in the preamble of this Agreement. The Seller is a corporation duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization. The Seller is duly qualified to do business as a foreign corporation in good standing in each jurisdiction in which the ownership of its properties or the nature of its activities (including transactions giving rise to Receivables), or both, requires it to be so qualified or, if not so qualified, the failure to so qualify would not have a material adverse effect on its financial condition or results of operations.

(b) Authority. The Seller has the legal power and authority to execute and deliver the Transaction Documents, to make the sales provided for herein and to perform its obligations under this Agreement and the other Transaction Documents.

(c) Execution and Binding Effect. Each of the Transaction Documents to which the Seller is a party has been duly and validly executed and delivered by the Seller and constitutes a legal, valid and binding obligation of the Seller enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or other similar Laws of general application relating to or affecting the enforcement of creditors' rights or by general principles of equity.

(d) Authorizations and Filings. The Seller has obtained and holds in full force all authorizations, consents, approvals, licenses, exemptions or other actions by, registrations, qualifications, designations, declarations or filings with, any Official Body which are necessary in connection with the execution and delivery by the Seller of each of the Transaction Documents to which the Seller is a party, the consummation by the Seller of the transactions herein or therein contemplated or the performance by the Seller of or the compliance by the Seller with the terms and conditions hereof or thereof, to ensure the legality, validity or enforceability hereof or thereof, or to ensure that the Agent (for the benefit of the Secured Parties) will have an ownership or security interest in and to the Receivables.

(e) Location of Chief Executive Office, etc. As of the date hereof: (i) the Seller's chief executive office is located at the address for notices set forth on the signature page hereof; (ii) the offices where the Seller keeps all of its Records are listed on Exhibit III hereto; and (iii) since its incorporation, the Seller has operated only under the name identified in Exhibit III hereto, and has not changed its name, merged or consolidated with any other corporation or been the subject of any proceeding under Title 11, United States Code (Bankruptcy).

(f) Perfection. This Agreement is effective to create a valid security interest in favor of the Agent for the benefit of the Secured Parties in the Purchased Assets to secure payment of the Aggregate Unpaids. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (on behalf of the Secured Parties) security interest in the Receivables and the other Purchased Assets (in the case of such other Purchased Assets, to the extent such security interest may be perfected by filing a financing statement), which security interest is free and clear of any Lien except as created by the Transaction Documents. Seller's only jurisdiction of organization is Delaware.

(g) Absence of Conflicts. Neither the execution and delivery by the Seller of each of the Transaction Documents to which the Seller is a party, nor the consummation by the Seller of the transactions herein or therein contemplated, nor the performance by the Seller of or the compliance by the Seller with the terms and conditions hereof or thereof will (i) violate any Law or (ii) conflict with or result in a breach of or a default under (A) the certificate of incorporation or by-laws of the Seller or (B) any material agreement or instrument, including, without limitation, any and all indentures, debentures, loans or other agreements to which the Seller is a party or by which it or any of its properties (now owned or hereafter acquired) may be subject or bound, which, in any case, could reasonably be expected to have a material adverse effect on the financial position or results of operations of the Seller or result in the creation or imposition of any Lien pursuant to the terms of any such instrument or agreement upon any property (now owned or hereafter acquired) of the Seller. The Seller has not entered into any agreement with any Obligor prohibiting, restricting or conditioning the assignment of any portion of the Receivables.

(h) No Termination Event. No event has occurred and is continuing and no condition exists which constitutes a Termination Event.

(i) Accurate and Complete Disclosure. No information (when taken as a whole) furnished by the Seller to the Agent, any Purchaser Agent or any Purchaser pursuant to or in connection with this Agreement or any transaction contemplated hereby is false or misleading in any material respect as of the date as of which such information was furnished (including by omission of material information necessary to make such information not misleading); ***provided that***, with respect to projected financial information of a general economic nature, and general industry information, the Seller represents that such information was prepared in good faith based upon assumptions believed at that time.

(j) [Intentionally Omitted].

(k) Bulk Sales Act. No transaction contemplated hereby requires compliance with any bulk sales act or similar law.

(l) Litigation. No injunction, decree or other decision has been issued or made by any Official Body that prevents and, to the knowledge of the Seller, no threat by any Person has been made to attempt to obtain any such decision that could reasonably be expected to have a material adverse effect on the conduct by the Seller of a significant portion of the Seller's business operations or any portion of its business operations affecting the Receivables, and no litigation, investigation or proceeding exists or, to the knowledge of the Seller, is threatened in writing asserting the invalidity of any of the Transaction Documents, seeking to prevent the consummation of any of the transactions contemplated by the Transaction Documents, or seeking any determination or ruling that could reasonably be expected to materially and adversely affect (A) the performance by either the Seller or the Servicer of its obligations under the Transaction Documents or (B) the validity or enforceability of the Transaction Documents or any material amount of the Receivables.

(m) Margin Regulations. The use of all funds acquired by the Seller under this Agreement will not conflict with or contravene any of Regulations T, U and X of the Board of Governors of the Federal Reserve System, as the same may from time to time be amended, supplemented or otherwise modified.

(n) Taxes. The Seller has timely filed all United States Federal income tax returns and all other material tax returns which are required to be filed by it and has paid all material taxes due pursuant to such returns and paid or contested any assessment received by the Seller related to such returns.

(o) Books and Records. The Seller has indicated on its books and records (including any computer files), that the Receivable Interest in the Receivables sold by the Seller hereunder is the property of Purchasers. The Seller maintains at, or shall cause the Servicer to maintain at, one or more of their respective offices listed in Exhibit III hereto the complete Records for the Receivables.

(p) Creditor Approval. The Seller has obtained from its creditors (i) all approvals necessary to sell and assign the Receivables and (ii) releases of any security interests in the Receivables.

(q) Financial Condition.

(i) The Seller is not insolvent or the subject of any Event of Bankruptcy and the sale of Receivables on such day will not be made in contemplation of the occurrence thereof.

(ii) Since its incorporation, there has been no material adverse change in, or a material adverse effect upon, the business, operations or financial condition of the Seller.

(r) Financial Information. If and when produced in accordance with the terms of this Agreement, the consolidated balance sheet of the Seller as at the most recent Fiscal Year end and the related statements of income of the Seller for the Fiscal Year then ended, fairly present the consolidated financial position of the Seller as at such date and the consolidated

results of the operations, all in accordance with GAAP); ***provided that***, with respect to projected financial information of a general economic nature, and general industry information, the Seller represents that such information was prepared in good faith based upon assumptions believed at that time.

(s) Investment Company. The Seller (i) is not a "covered fund" under the Volcker Rule and (ii) is not an "investment company" or a company "controlled by an investment company" within the meaning of the Investment Company Act of 1940, as amended. In determining that the Seller is not a covered fund, the Seller either does not rely solely on the exemption from the definition of "investment company" set forth in Section 3(c)(1) and/or 3(c)(7) of the Investment Company Act of 1940 or is entitled to the benefit of the exclusion for loan securitizations in the Volcker Rule under 17 C.F.R. 75.10(c)(8).

(t) Payments to Applicable Originator. With respect to each Receivable transferred to Seller under the Receivables Sale Agreement, Seller has given reasonably equivalent value to the applicable Originator in consideration therefor and such transfer was not made for or on account of an antecedent debt. No transfer by any Originator of any Receivable under the Receivables Sale Agreement is or may be voidable under any section of the Bankruptcy Reform Act of 1978 (11 U.S.C. §§ 101 et seq.), as amended.

(u) Seller's Business. The Seller has conducted no other business except as contemplated under the Transaction Documents and has no Indebtedness or Liens, except for as permitted under the Transaction Documents.

(v) Policies and Procedures; Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions; Proceeds. Policies and procedures have been implemented and maintained by or on behalf of each of the Seller Parties that are designed to achieve compliance by the Seller Parties and their respective Subsidiaries, directors, officers, employees and agents with Anti-Corruption Laws, applicable Anti-Terrorism Laws and applicable Sanctions and each of the Seller Parties and their respective Subsidiaries, and, to the knowledge of each of the Seller Parties, its respective officers, employees, directors and agents acting in any capacity in connection with or directly benefitting from the credit facility established hereby, are in compliance with Anti-Corruption Laws, applicable Anti-Terrorism Laws and applicable Sanctions, in each case in all material respects. None of (i) the Seller Parties or any of their respective Subsidiaries or, to the knowledge of the Seller Parties, as applicable, any of their respective directors, officers, employees, or agents that will act in any capacity in connection with or directly benefit from the credit facility established hereby, is a Sanctioned Person, (ii) the Seller Parties nor any of their respective Subsidiaries is organized or resident in a Sanctioned Country, and (iii) the Seller Parties has violated, been found in violation of any Anti-Corruption Laws, applicable Anti-Terrorism Laws or applicable Sanctions, in each case, in any material respect. No Purchase or use of proceeds thereof by any Seller Party or any of their respective Subsidiaries in any manner will violate Anti-Corruption Laws, applicable Anti-Terrorism Laws or applicable Sanctions.

(w) Beneficial Ownership Rule. The Seller is an entity that is organized under the laws of the United States or of any State and at least 51 percent of whose common stock or analogous equity interest is owned by a Person whose common stock or analogous equity interests are listed on the New York Stock Exchange or the American Stock Exchange or have been designated as a NASDAQ National Market Security listed on the NASDAQ stock exchange and is excluded on that basis from the definition of Legal Entity Customer as defined in the Beneficial Ownership Rule.

Section 5.2 Representations and Warranties of the Seller With Respect to Each Sale of Receivables. By selling undivided ownership interests in Receivables to the Purchasers, either by Incremental Purchase or Reinvestment, the Seller represents and warrants to the Agent, each Purchaser Agent and each Purchaser as of the date of such sale of an Incremental Purchase or Reinvestment (in addition to its other representations and warranties contained herein or made pursuant hereto) that:

(a) Purchase Notice. If such sale relates to an Incremental Purchase, all information set forth on the related Purchase Notice is true and correct in all material respects as of the date of such Incremental Purchase.

(b) Assignment. This Agreement vests in the Agent, for the benefit of the Secured Parties, all the right, title and interest of the Seller in and to the Receivable Interest in the Receivables, and the Related Security and Collections with respect thereto, and constitutes a valid sale of or grant of a security interest in the Receivable Interest, enforceable against all creditors of and purchasers from the Seller.

(c) No Liens. Each Receivable, together with the related Contract and all purchase orders and other agreements related to such Receivable, is owned by the Seller free and clear of any Lien, except as provided herein, and is not subject to any Dispute. When each of the Purchasers makes a purchase of a Receivable Interest in such Receivable, it shall have acquired and shall continue to have maintained an undivided percentage ownership interest to the extent of its percentage of the Receivable Interest in such Receivable and in the Related Security and the Collections with respect thereto free and clear of any Lien, except as provided herein. The Seller has not and will not prior to the time of the sale of any such interest to the Purchasers have sold, pledged, assigned, transferred or subjected, and will not thereafter sell, pledge, assign, transfer or subject, to a Lien any of the Receivables, the Related Security or the Collections, other than the assignment of Receivable Interests therein to the Agent, for the benefit of the Secured Parties, in accordance with the terms of this Agreement.

(d) Filings. On or prior to each Purchase and each recomputation of the Receivable Interest, all financing statements required to be recorded or filed in order to perfect the security interest in the Purchased Assets against all creditors of and purchasers from the Seller and all other Persons whatsoever will have been duly filed in each filing office necessary for such purpose and all filing fees and taxes, if any, payable in connection with such filings shall have been paid in full.

(e) [Intentionally Omitted].

(f) Collection Banks, Collection Accounts and Lock-Boxes. The names and addresses of all Collection Banks, together with the numbers of all Collection Accounts and Lock-Boxes at such Collection Banks and the addresses of all related Collection Accounts and Lock-Boxes, are specified in the Account Disclosure Letter (or such other Collection Banks, Collection Accounts and Lock Boxes that have been changed or established in accordance with Section 7.2(f)).

(g) Nature of Receivables. Each Receivable is, or will be, an eligible asset within the meaning of Rule 3a-7 promulgated under the Investment Company Act of 1940, as amended from time to time.

(h) Bona Fide Receivables. Each Receivable is an obligation of an Obligor arising out of a past or current sale or performance by the applicable Originator, in accordance with the terms of the Contract giving rise to such Receivable. The Seller has no knowledge of any fact that should have led it to expect at the time of the initial creation of an interest in any Receivable hereunder that such Receivable would not be paid in full when due except with respect to any Dilution. Each Receivable classified as an "Eligible Receivable" by the Seller in any document or report delivered hereunder satisfies the requirements of eligibility contained in the definition of Eligible Receivable.

Section 5.3 Representations and Warranties of Servicer. The Servicer represents and warrants to the Agent, each Purchaser Agent and each Purchaser on and as of the date hereof and as of the date of each Incremental Purchase and each Reinvestment after such date:

(a) Organization and Qualification. The Servicer's only jurisdiction of organization is in Delaware. The Servicer is a corporation duly organized, validly existing and in good standing under the Laws of its jurisdiction of incorporation. The Servicer is duly qualified to do business as a foreign corporation in good standing in each jurisdiction in which the ownership of its properties or the nature of its activities, or both, requires it to be so qualified or, if not so qualified, the failure to so qualify would not have a material adverse effect on its financial condition or results of operations.

(b) Authority. The Servicer has the legal power and authority to execute and deliver this Agreement and to perform its obligations hereunder and thereunder.

(c) Execution and Binding Effect. This Agreement has been duly and validly executed and delivered by the Servicer and constitutes a legal, valid and binding obligation of the Servicer enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization or other similar Laws of general application relating to or affecting the enforcement of creditors' rights or by general principles of equity. This Agreement is effective to create a valid security interest in favor of the Agent for the benefit of the Secured Parties in the Purchased Assets to secure payment of the Aggregate Unpaids. There have been duly filed all financing statements or other similar instruments or documents necessary under the UCC (or any comparable law) of all appropriate jurisdictions to perfect the Agent's (on behalf of the Secured Parties) security interest in the Receivables and the other Purchased Assets (in the case of such other Purchased Assets, to the extent such security interest may be perfected by filing a financing statement), which security interest is free and clear of any Lien except as created by the Transaction Documents. Servicers' only jurisdiction of organization is Delaware.

(d) Authorizations and Filings. The Servicer has obtained and holds in full force all authorizations, consents, approvals, licenses, exemptions or other actions by, registrations, qualifications, designations, declarations or filings with, any Official Body which are necessary in connection with the execution and delivery by the Servicer of or the compliance by the Servicer with the terms and conditions hereof, to ensure the legality, validity or enforceability hereof, or to ensure that the Agent (for the benefit of the Secured Parties) will have an ownership and security interest in and to the Receivables.

(e) Absence of Conflicts. Neither the execution and delivery by the Servicer of this Agreement, nor the consummation by the Servicer of the transactions herein contemplated, nor the performance by the Servicer of or the compliance by the Servicer with the terms and conditions hereof will (i) violate any Law or (ii) conflict with or result in a breach of or a default under (A) the certificate of incorporation or by-laws of the Servicer or (B) any material agreement or instrument, including, without limitation, any and all indentures, debentures, loans or other agreements to which the Servicer is a party or by which it or any of its properties (now owned or hereafter acquired) may be subject or bound, which, in any case, could reasonably be expected to have a material adverse effect on the financial position or results of operations of the Servicer or result in the creation or imposition of any Lien. The Servicer has not entered into any agreement with any Obligor prohibiting, restricting or conditioning the assignment of any portion of the Receivables.

(f) No Termination Event. No event has occurred and is continuing and no condition exists which constitutes a Termination Event.

(g) Accurate and Complete Disclosure. No information (when taken as a whole) furnished by a Responsible Officer of the Servicer to the Agent, any Purchaser Agent or any Purchaser pursuant to or in connection with this Agreement or any transaction contemplated hereby is false or misleading in any material respect as of the date as of which such information was furnished (including by omission of material information necessary to make such information not misleading); ***provided that***, with respect to projected financial information of a general economic nature, and general industry information, the Servicer represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at that time.

(h) [Intentionally Omitted].

(i) No Change in Ability to Perform. Since the date hereof, there has been no material adverse change in the ability of the Servicer to perform its obligations hereunder.

(j) Credit and Collection Policy. The Credit and Collection Policy has been complied with in all material respects in regard to each Receivable and related Contract and no material change to the Credit and Collection Policy has been made unless (i) the Agent has received prior written notice of such change and (ii) the Agent and the Required Purchaser Agents have consented to such change if such change could reasonably be expected to have a material adverse effect on the collectibility of the Receivables generally or of any material portion of the Receivables.

(k) Financial Condition.

(i) The consolidated balance sheet of the Servicer and its Consolidated Subsidiaries as at the most recent Fiscal Year end and the related statements of income and cash flows of the Servicer and its Consolidated Subsidiaries for the fiscal year then ended, certified by BDO USA, LLP, independent accountants, or another nationally recognized firm of independent accountants, are available as a matter of public record.

The unaudited consolidated balance sheet of the Servicer and its Consolidated Subsidiaries as at most recent fiscal quarter end and the related unaudited statements of income and cash flows of the Servicer and its Consolidated Subsidiaries for the periods then ended are available as a matter of public record. The Servicer will provide on the date of such public filing or the next succeeding Business Day a certificate to the Agent (which shall promptly forward a copy to each Purchaser Agent), that such balance sheet and statements of income and cash flows fairly present in all material respects the consolidated financial position of the Servicer and its Consolidated Subsidiaries as at such date and the consolidated results of the operations of and consolidated cash flows of the Servicer and its Consolidated Subsidiaries for the periods ended on such date, all in accordance with GAAP.

(ii) Since December 29, 2012, there has been no material adverse change in, or a material adverse effect upon, the business, operations or financial condition of the Servicer or the Servicer and its Consolidated Subsidiaries taken as a whole.

(l) Litigation. No injunction, decree or other decision has been issued or made by any Official Body that would, individually or in the aggregate, have a material adverse effect on a significant portion of its business operations or any portion of its business operations affecting the Receivables, and, to the knowledge of the Servicer, no threat by any Person has been made to attempt to obtain any such decision (i) as to which there is a reasonable likelihood of an adverse determination and (ii) that, if adversely determined, would, individually or in the aggregate, have a material adverse effect on a significant portion of its business operations or any portion of its business operations affecting the Receivables. No litigation, investigation or proceeding exists or, to the knowledge of the Servicer, is threatened in writing asserting the invalidity of this Agreement, seeking to prevent the consummation of the transactions contemplated by this Agreement, or seeking any determination or ruling that could reasonably be expected to materially and adversely affect (A) the performance of the Servicer of its obligations under this Agreement, or (B) the validity or enforceability of this Agreement or any material amount of such Receivables.

(m) Insurance. The Servicer currently maintains insurance with respect to its properties and businesses and causes its Subsidiaries to maintain insurance with respect to their properties and business against loss or damage of the kinds customarily insured against by corporations engaged in the same or similar business and similarly situated, of such types and in such amounts as are customarily carried under similar circumstances by such other corporations including, without limitation, workers' compensation insurance.

(n) ERISA. No ERISA Event has occurred or is reasonably expected to occur that, either alone or when taken together with all other such ERISA Events, could reasonably be expected to result in a material adverse effect on the business, financial condition, operations or properties of Schein and ERISA Affiliates taken as a whole. Any excess of the accumulated benefit obligations under one or more Pension Plans (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) over the fair market value of the assets of such Pension Plan or Pension Plans is in an amount that could not reasonably be expected, individually or in the aggregate, to result in a material adverse effect on the business, financial condition, operations or properties of Schein and ERISA Affiliates taken as a whole.

## ARTICLE VI.

## CONDITIONS OF PURCHASES

Section 6.1 Conditions Precedent to Initial Incremental Purchase; Closing Date. The initial Incremental Purchase of a Receivable Interest under this Agreement is subject to the conditions precedent that (a) the Agent and each Purchaser Agent shall have received on or before the date of such Purchase those documents listed on Schedule A and (b) the Agent and each Purchaser Agent shall have received all fees and expenses required to be paid on such date pursuant to the terms of this Agreement and the Fee Letter.

Section 6.2 Conditions Precedent to All Purchases and Reinvestments. Each Incremental Purchase and each Reinvestment shall be subject to the further conditions precedent that (a) in the case of each such Purchase: (i) the Servicer shall have delivered to the Agent and each Purchaser Agent on or prior to the date of such Purchase, in form and substance satisfactory to the Agent and each Purchaser Agent, all Settlement Reports as and when due under Section 8.5 and (ii) upon the Agent's or any Purchaser Agent's request, the Servicer shall have delivered to the Agent and each Purchaser Agent at least one (1) Business Day prior to such Purchase an interim settlement report in substantially the form of Exhibit XI; (b) the Agent and each Purchaser Agent shall have received such other documents as it may reasonably request and (c) on each Purchase Date, the following statements shall be true (and acceptance of the proceeds of such Incremental Purchase or Reinvestment shall be deemed a representation and warranty by Seller that such statements are then true):

(i) the representations and warranties set forth in Article V are true and correct in all material respects on and as of the date of such Incremental Purchase or Reinvestment as though made on and as of such Purchase Date;

(ii) no event has occurred and is continuing, or would result from such Incremental Purchase or Reinvestment, that will constitute a Termination Event, and no event has occurred and is continuing, or would result from such Incremental Purchase or Reinvestment, that would constitute an Unmatured Termination Event; and

(iii) after giving effect to such Incremental Purchase or Reinvestment, the Aggregate Invested Amount will not exceed the Purchase Limit and the aggregate Receivable Interests will not exceed 100%.

It is expressly understood that each Reinvestment shall, unless otherwise directed by the Agent, occur automatically on each day that the Servicer shall receive any Collections without the requirement that any further action be taken on the part of any Person. The failure of Seller to satisfy any of the foregoing conditions precedent in respect of any Reinvestment shall give rise to a right of the Agent and each Purchaser Agent, which right may be exercised at any time on demand of the Agent or any Purchaser Agent, to rescind the related purchase and direct Seller to pay to the Purchaser Agents, for the benefit of Purchasers (ratably, according to each Purchaser's aggregate Invested Amount), an amount equal to the Collections that shall have been applied to the affected Reinvestment (but not in excess of the Aggregate Unpaids).

## ARTICLE VII.

## COVENANTS

Section 7.1 Affirmative Covenants of the Seller. In addition to its other covenants contained herein or made pursuant hereto, the Seller covenants with the Agent, each Purchaser Agent and each Purchaser as follows:

(a) Notice of Termination Event. Promptly upon becoming aware of, but in any event no later than two (2) Business Days, any Termination Event or Unmatured Termination Event, the Seller shall give the Agent (which shall promptly forward a copy to each Purchaser Agent) notice thereof, together with a written statement of a Responsible Officer setting forth the details thereof and any action with respect thereto taken or contemplated to be taken by the Seller.

(b) Notice of Material Adverse Change. Promptly upon becoming aware thereof, the Seller shall give the Agent (which shall promptly forward a copy to each Purchaser Agent) notice of any material adverse change in the business, operations or financial condition of the Seller, which reasonably could be expected to materially adversely affect the collectibility of the Receivables.

(c) Preservation of Corporate Existence. The Seller shall preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification could reasonably be expected to materially adversely affect (i) the interests of the Agent, any Purchaser Agent or any Purchaser hereunder or (ii) the ability of the Seller to perform its obligations under the Transaction Documents.

(d) Compliance with Laws. The Seller shall comply in all material respects with all Laws applicable to the Seller, its business and properties, and all Receivables related to the Receivable Interests.

(e) Enforceability of Obligations. The Seller shall take such actions as are reasonable and within its power to ensure that, with respect to each Receivable, the obligation of any related Obligor to pay the unpaid balance of such Receivable in accordance with the terms of the related Contract remains legal, valid, binding and enforceable against such Obligor except as otherwise permitted by Section 8.2(d).

(f) Books and Records. (i) The Seller shall maintain and implement administrative and operating procedures (including, without limitation, the ability to recreate Records evidencing the Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, Records and other information, reasonably necessary or advisable for the collection of all Receivables (including, without limitation, Records adequate to permit the identification of all Related Security and Collections and adjustments to each existing Receivable).

(ii) The Seller will (and will cause each Originator to): (A) on or prior to the date hereof, mark its computer records indicating that the Receivables have been sold to

the Seller by the Originators and pledged to the Agent hereunder (which marking may take the form of a footnote or legend on any applicable entry screen for the Receivables data or system) and (B) upon the request of the Agent or any Purchaser Agent following the occurrence of a Termination Event, the Seller will deliver to the Agent all Contracts (including, without limitation, all multiple originals of any such Contract constituting an instrument, a certificated security or chattel paper) relating to the Receivables.

(g) Fulfillment of Obligations. The Seller shall do nothing to impair the rights, title and interest of the Agent, any Purchaser Agent or any Purchaser in and to the Receivable Interests and shall pay when due any taxes, including without limitation any sales tax, excise tax or other similar tax or charge, payable in connection with the Receivables and their creation and satisfaction.

(h) Beneficial Ownership Rule. Promptly following any change that would result in a change to the status of the Seller as an excluded "Legal Entity Customer" under the Beneficial Ownership Rule, the Seller shall execute and deliver to the Agent an updated Certification of Beneficial Owner(s) complying with the Beneficial Ownership Rule, in form and substance reasonably acceptable to the Agent.

(i) Litigation. As soon as possible, and in any event within three (3) Business Days of the Seller's knowledge thereof, the Seller shall give the Agent (which shall promptly forward a copy to each Purchaser Agent) notice of any litigation, investigation or proceeding against the Seller which may exist at any time which, in the reasonable judgment of the Seller, could reasonably be expected to have a material adverse effect on the financial condition or results of operations of the Seller, materially impair the ability of the Seller to perform its obligations under the Transaction Documents, or materially adversely affect the collectibility of the Receivables.

(j) Notice of Relocation. The Seller shall give the Agent (which shall promptly forward a copy to each Purchaser Agent) 30 days' prior written notice of any change of its Location. The Seller will at all times maintain its Location within a jurisdiction in the United States in which Article 9 of the UCC is in effect as of the date hereof or the date of any such relocation.

(k) Further Information. The Seller shall furnish or cause to be furnished to the Agent and each Purchaser Agent such other information as promptly as practicable, and in such form and detail, as the Agent or any Purchaser Agent may reasonably request.

(l) Fees, Taxes and Expenses. The Seller shall pay all filing fees, stamp taxes and other similar taxes and expenses, including the fees and expenses set forth in Section 10.3, if any, which may be incurred on account of or arise out of this Agreement and the documents and transactions entered into pursuant to this Agreement.

(m) Compliance with Receivables Sale Agreement. The Seller will enforce all material obligations and undertakings on the part of each Originator to be observed and performed under the Receivables Sale Agreement. Seller will take all actions to perfect and enforce its rights and interests (and the rights and interests of the Agent (for the benefit of the Secured Parties), as Seller's assignee) under the Receivables Sale Agreement as the Agent or any Purchaser Agent may from time to time reasonably request, including, without limitation, making claims to which it may be entitled under any indemnity, reimbursement or similar provision contained in the Receivables Sale Agreement.

(n) Audits. At any time, upon reasonable written notice to the Seller (but not more than once per calendar year unless a Termination Event or Unmatured Termination Event has occurred and is continuing), the Seller shall permit the Agent, together with each Purchaser Agent that wants to participate, or such Person as the Agent or such Purchaser Agents may designate, during business hours, to conduct audits or visit and inspect any of the properties of the Seller to examine the Records, internal controls and procedures maintained by the Seller and take copies and extracts therefrom, and to discuss the Seller's affairs with its officers and independent accountants. The Seller hereby authorizes such officers and independent accountants to discuss with the Agent and each Purchaser Agent, or such Person they may designate, the affairs of the Seller. The Seller shall reimburse the Agent and each Purchaser Agent for all reasonable and documented fees, costs and out-of-pocket expenses incurred by or on behalf of the Agent and each Purchaser Agent in connection with up to one (1) such audits and visits for each per calendar year promptly upon receipt of a written invoice therefor; ***provided that***, following the occurrence and during the continuance of a Termination Event or an Unmatured Termination Event, the Seller shall reimburse the Agent and each Purchaser Agent for all reasonable fees, costs and out-of-pocket expenses incurred by or on behalf of the Agent and each Purchaser Agent in connection with the foregoing actions promptly upon receipt of written invoice therefor regardless of the number of audits or visits in such year. Subject to the requirements of applicable laws, the Agent and each Purchaser Agent agrees to use commercially reasonable precautions to keep confidential, in accordance with its respective customary procedures for handling confidential information, any non-public information supplied to it by the Seller pursuant to any such audit or visit which is identified by the Seller as being confidential at the time the same is delivered to the Agent and each Purchaser Agent.

(o) Separate Corporate Existence. The Seller shall:

(i) Maintain in full effect its existence, rights and franchises as a corporation under the laws of the state of its incorporation and will obtain and preserve its qualification to do business in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Agreement and each Transaction Document and each other instrument or agreement necessary or appropriate to permit and effectuate the transactions contemplated hereby.

(ii) Maintain its own deposit account or accounts, separate from those of any of its Affiliates, with commercial banking institutions. The funds of the Seller will not be diverted to any other Person or for any use other than the corporate use of the Seller and the funds of the Seller shall not be commingled with those of any of its Affiliates.

(iii) To the extent that the Seller contracts or does business with vendors or service providers where the goods and services provided are partially for the benefit of any other Person, the costs incurred in so doing shall be fairly allocated to or among the Seller and such entities for whose benefit the goods and services are provided, and the Seller and each such entity shall bear its fair share of such costs. All material transactions between the Seller and any of its Affiliates shall be only on an arm's-length basis.

(iv) At all times have a Board of Directors consisting of three members, at least one member of which is an Independent Director.

(v) Conduct its affairs strictly in accordance with its certificate of incorporation and observe all necessary, appropriate and customary corporate formalities, including, but not limited to, holding all regular and special stockholders' and directors' meetings appropriate to authorize all corporate action, keeping separate and accurate minutes of such meetings, passing all resolutions or consents necessary to authorize actions taken or to be taken, and maintaining accurate and separate books, records and accounts, including, but not limited to, intercompany transaction accounts. Regular stockholders' and directors' meetings (or unanimous written consents in lieu thereof) shall be held at least annually.

(vi) Ensure that decisions with respect to its business and daily operations shall be independently made by the Seller (although the officer making any particular decision may also be an employee, officer or director of an Affiliate of the Seller) and shall not be dictated by an Affiliate of the Seller.

(vii) Act solely in its own corporate name and through its own authorized officers and agents, and no Affiliate of the Seller shall be appointed to act as its agent, except as expressly contemplated by this Agreement. The Seller shall at all times use its own stationery.

(viii) Ensure that no Affiliate of the Seller shall advance funds to the Seller, other than (i) capital contributions from Schein, made to enable the Seller to pay the purchase price of Receivables or (ii) as is otherwise provided herein or in any Transaction Document, and no Affiliate of the Seller will otherwise supply funds to, or guaranty debts of, the Seller.

(ix) Other than organizational expenses and as expressly provided herein, pay all expenses, indebtedness and other obligations incurred by it.

(x) Not enter into any guaranty, or otherwise become liable, with respect to any obligation of any of its Affiliates.

(xi) Ensure that any financial reports required of the Seller shall comply with GAAP and shall be issued separately from, but may be consolidated with, any reports prepared for any of its Affiliates.

(xii) Ensure that at all times it is adequately capitalized to engage in the transactions contemplated in its certificate of incorporation, the Transaction Documents and this Agreement.

(xiii) Take such action to ensure that: (A) the Seller is solvent, including, without limitation, that it has not been rendered insolvent by the actions contemplated by the Transaction Documents; (B) the Seller intends to and reasonably expects to survive as

a stand-alone entity, independent of financial assistance of any entity not contemplated by the Transaction Documents; (C) the Seller shall at all times have its own telephone number separate from that of Schein; (D) neither the assets nor the creditworthiness of the Seller is held out as being available for the payment of any liability of Schein; (E) each of Schein and the Seller operates as a separate legal entity and not as a division or department thereof; (F) the Seller does not engage in or expect to engage in business for which its remaining property represents an unreasonably small capitalization; and (G) the Seller does not intend to incur nor does it believe it will incur indebtedness that it will not be able to repay at its maturity.

(p) Information. The Seller shall provide the Agent (which shall promptly forward a copy to each Purchaser Agent) with the following:

(i) as soon as practicable and in any event within 45 days following the close of each fiscal quarter, excluding the last fiscal quarter, of each Fiscal Year of the Seller during the term of this Agreement, an unaudited consolidated balance sheet of the Seller as of the end of such quarter and unaudited consolidated statements of income of the Seller for such quarter and for the Fiscal Year through such quarter, setting forth in comparative form the corresponding figures for the corresponding quarter of the preceding Fiscal Year, all in reasonable detail and certified by a Responsible Officer of the Seller, subject to adjustments of the type which would occur as a result of a year-end audit, as having been prepared in accordance with GAAP; and

(ii) as soon as practicable and in any event within 90 days after the close of each Fiscal Year of the Seller during the term of this Agreement, a consolidated balance sheet of the Seller as at the close of such Fiscal Year and consolidated statements of income of the Seller for such Fiscal Year, setting forth in comparative form the corresponding figures for the preceding Fiscal Year, all in reasonable detail.

(iii) Compliance Certificate. Together with the financial statements required pursuant to this Section 7.1(p), a compliance certificate in substantially the form of Exhibit IV signed by an Authorized Officer of the Seller and dated the date of such annual financial statement or such quarterly financial statement, as the case may be.

(q) Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions. Policies and procedures will be maintained and enforced by or on behalf of the Seller that are designed in good faith and in a commercially reasonable manner to promote and achieve compliance by the Seller and each of its Subsidiaries, and their respective directors, officers, employees and agents with Anti-Corruption Laws, applicable Anti-Terrorism Laws and applicable Sanctions.

Section 7.2 Negative Covenants of the Seller. Until the date on which the Aggregate Unpaids have been indefeasibly paid in full (other than contingent obligations for which no claim has been asserted) and this Agreement terminates in accordance with its terms, the Seller hereby covenants that it will not:

(a) No Rescissions or Modifications. Rescind or cancel any Receivable or related Contract or modify any terms or provisions thereof or grant any Dilution to an Obligor, except in accordance with the Credit and Collection Policy or otherwise with the prior written consent of the Agent, unless such Receivable has been deemed collected pursuant to Section 1.4(a) or repurchased pursuant to the Receivables Sale Agreement.

(b) No Liens. Cause any of the Receivables or related Contracts, or any inventory or goods the sale of which give rise to a Receivable, or any Lock-Box or Collection Account or any right to receive any payments received therein or deposited thereto, to be sold, pledged, assigned or transferred or to be subject to a Lien, other than the sale and assignment of the Receivable Interest therein to the Agent, for the benefit of the Secured Parties, and the Liens created in connection with the transactions contemplated by this Agreement.

(c) Consolidations, Mergers and Sales of Assets. (i) Consolidate or merge with or into any other Person or (ii) sell, lease or otherwise transfer all or substantially all of its assets to any other Person.

(d) No Changes. Make any change in the character of its business, which change would materially impair the collectibility of any Receivable, without prior written consent of the Agent and each Purchaser Agent, or change its name, identity or corporate structure in any manner which would make any financing statement or continuation statement filed in connection with this Agreement or the transactions contemplated hereby seriously misleading within the meaning of Section 9-507(c) of the UCC of any applicable jurisdiction or other applicable Laws unless it shall have given the Agent (which shall promptly forward a copy to each Purchaser Agent) at least 30 days' prior written notice thereof and unless prior thereto it shall have caused such financing statement or continuation statement to be amended or a new financing statement to be filed such that such financing statement or continuation statement would not be seriously misleading.

(e) Capital Stock. Issue any capital stock except to Schein. The Seller shall not pay any dividends to Schein if such payment would be prohibited under the General Corporation Law of the State of Delaware.

(f) Change in Payment Instructions to Obligors. Except as may be required by the Agent (which shall promptly forward a copy to each Purchaser Agent) pursuant to Section 8.2(b), the Seller will not add or terminate any bank as a Collection Bank, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box or Collection Account, unless (i) the Agent (which shall promptly forward a copy to each Purchaser Agent) shall have received, at least ten (10) days before the proposed effective date therefor, (A) written notice of such addition, termination or change and (B) with respect to the addition of a Collection Bank or a Collection Account or Lock-Box, an executed Collection Account Agreement (which is reasonably satisfactory to the Agent) with respect to the new Collection Account or Lock-Box, (ii) with respect to the termination of a Collection Bank or a Collection Account or Lock-Box, the Agent shall have consented thereto (which consent shall not be unreasonably withheld or delayed) and (iii) with respect to any changes in instructions to Obligors regarding payments, the Agent shall have consented thereto; ***provided that*** the Servicer may make changes in instructions to Obligors regarding payments without any consent if such new instructions require such Obligor to make payments to another existing Lock-Box or Collection Account.

(g) Use of Proceeds. Seller will not use the proceeds of the Purchases for any purpose other than (i) paying for Receivables and Related Security under and in accordance with the Receivables Sale Agreement, including without limitation, making payments on the Subordinated Notes (as defined in the Receivables Sale Agreement) to the extent permitted thereunder and under the Receivables Sale Agreement, (ii) paying its ordinary and necessary operating expenses when and as due, and (iii) making Restricted Junior Payments to the extent permitted under this Agreement**.**

(h) Termination Date Determination. Seller will not designate the Termination Date (as defined in the Receivables Sale Agreement), or send any written notice to any Originator in respect thereof, without the prior written consent of the Agent and each Purchaser Agent, except with respect to the occurrence of such Termination Date arising pursuant to Section 5.1(e) of the Receivables Sale Agreement.

(i) Restricted Junior Payments. Seller will not make any Restricted Junior Payment if after giving effect thereto, Seller's Net Worth (as defined in the Receivables Sale Agreement) would be less than the Required Capital Amount (as defined in the Receivables Sale Agreement).

(j) Seller Indebtedness. Seller will not incur or permit to exist any Indebtedness or liability on account of deposits except: (i) the Aggregate Unpaids, (ii) the Subordinated Loans (as defined in the Receivables Sale Agreement), and (iii) other current accounts payable arising in the ordinary course of business and not exceeding $25,000 at any one time and not overdue.

(k) Prohibition on Additional Negative Pledges. The Seller shall not enter into or assume any agreement (other than this Agreement and the other Transaction Documents) prohibiting the creation or assumption of any Lien upon the Purchased Assets except as contemplated by the Transaction Documents, or otherwise prohibiting or restricting any transaction contemplated hereby or by the other Transaction Documents, and the Seller shall not enter into or assume any agreement creating any Lien upon the Subordinated Notes.

(l) Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions. The Seller will not request any Purchase, and shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Purchase (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or applicable Anti-Terrorism Laws, (ii) for the purpose of funding or financing any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, in each case to the extent doing so would violate any applicable Sanctions, or (iii) in any other manner that would result in liability to any party hereto under any applicable Sanctions or result in the violation of any Anti-Corruption Laws or applicable Anti-Terrorism Laws.

Section 7.3 Affirmative Covenants of the Servicer. In addition to its other covenants contained herein or made pursuant hereto, the Servicer covenants with the Agent, each Purchaser Agent and each Purchaser as follows:

(a) Notice of Termination Event. Promptly upon becoming aware of, but in any event no later than two (2) Business Days, any Termination Event or Unmatured Termination Event, the Servicer shall give the Agent (which shall promptly forward a copy to each Purchaser Agent) notice thereof, together with a written statement of a Responsible Officer setting forth the details thereof and any action with respect thereto taken or contemplated to be taken by such Servicer.

(b) Notice of Material Adverse Change. Promptly upon any Responsible Officer of the Servicer becoming aware thereof, the Servicer shall give the Agent (which shall promptly forward a copy to each Purchaser Agent) notice of any material adverse change in the business, operations or financial condition of the Servicer which reasonably could be expected to materially adversely affect the collectibility of the Receivables or the ability of the Servicer to perform its obligations under this Agreement.

(c) Preservation of Corporate Existence. The Servicer shall preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its incorporation, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification could reasonably be expected to materially adversely affect (i) the interests of the Agent, any Purchaser Agent or any Purchaser hereunder or (ii) the ability of such Servicer to perform its obligations under this Agreement.

(d) Compliance with Laws. The Servicer shall comply in all material respects with all Laws applicable to the Servicer, its business and properties, and all Receivables related to the Receivable Interests.

(e) Enforceability of Obligations. The Servicer shall take such actions as are reasonable and within its power to ensure that, with respect to each Receivable, the obligation of any related Obligor to pay the unpaid balance of such Receivable in accordance with the terms of the related Contract remains legal, valid, binding and enforceable against such Obligor except as otherwise permitted by Section 8.2(d).

(f) Books and Records. The Servicer shall maintain and implement administrative and operating procedures (including, without limitation, the ability to recreate Records evidencing the Receivables in the event of the destruction of the originals thereof), and keep and maintain all documents, books, Records and other information reasonably necessary or advisable for the collection of all applicable Receivables (including, without limitation, Records adequate to permit the identification of all Related Security and Collections and adjustments to each existing Receivable). Upon the request of the Agent or any Purchaser Agent, following the occurrence and continuance of a Termination Event, the Servicer shall deliver to the Agent all Contracts (including, without limitation, all multiple originals of any such Contract constituting an instrument, a certificated security or chattel paper) relating to the Receivables.

(g) Fulfillment of Obligations. The Servicer will duly observe and perform, or cause to be observed or performed, all material obligations and undertakings on its part or on the part of any subservicer to be observed and performed under or in connection with the Receivables (including the delivery of Settlement Reports), will duly observe and perform all material provisions, covenants and other promises required to be observed by it under the

Contracts related to such Receivables, will do nothing to impair the rights, title and interest of the Agent, any Purchaser Agent or any Purchaser in and to the Receivable Interests and will pay when due any taxes, including without limitation any sales tax, excise tax or other similar tax or charge, payable in connection with such Receivables and their creation and satisfaction.

(h) Obligor List. The Servicer shall at all times maintain a current list (which may be stored on computer systems or disks) of all Obligors under Contracts related to the applicable Receivables, including the name, address, telephone number and account number of each such Obligor. The list shall be updated as provided in Section 8.5(b) and the Servicer shall deliver or cause to be delivered a copy of such list to the Agent (which shall promptly forward a copy to each Purchaser Agent) as soon as practicable following the Agent's request (but not more frequently than once each calendar quarter unless a Termination Event or Unmatured Termination Event has occurred and is continuing).

(i) Notice of Relocation. The Servicer shall give the Agent (which shall promptly forward a copy to each Purchaser Agent) 30 days' prior written notice of any change of its Location. The Servicer will at all times maintain its Location within a jurisdiction in the United States in which Article 9 of the UCC is in effect as of the date hereof or the date of any such relocation.

(j) Modification of Systems. The Servicer agrees, promptly after the replacement or any material modification of any computer, automation or other operating systems which are used to track, monitor or account for Receivables (in respect of hardware or software) used to perform its services as Servicer or to make any calculations or reports hereunder, to give notice of any such replacement or modification to the Agent (which shall promptly forward a copy to each Purchaser Agent).

(k) Litigation. As soon as possible, and in any event within ten (10) Business Days of the Servicer's knowledge thereof, the Servicer shall give the Agent (which shall promptly forward a copy to each Purchaser Agent) notice of any litigation, investigation or proceeding against the Servicer which may exist at any time which, in the reasonable judgment of the Servicer could reasonably be expected to materially impair the ability of the Servicer to perform its obligations under this Agreement.

(l) ERISA Events. Promptly upon the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to have a material adverse effect on the business, financial condition, operations or properties of Schein and its ERISA Affiliates taken as a whole, Schein shall give the Seller a written notice specifying the nature thereof, what action Schein or any ERISA Affiliate has taken with respect thereto and, when known by Schein, any action taken or threatened by the Internal Revenue Service, the Department of Labor or the PBGC with respect thereto.

(m) Separate Corporate Existence. As long as Schein is the Servicer hereunder, the Servicer shall maintain its legal identity separate from the Seller and take such action to ensure that: (A) the management of the Servicer does not anticipate any need for its having to extend advances to the Seller except for those described in the Transaction Documents, if any; (B) the Servicer does not conduct its business in the name of the Seller; (C) the Servicer has a telephone number, stationery and business forms separate from those of the Seller; (D) the

Servicer does not provide for its expenses and liabilities to be paid from the funds of the Seller or vice versa; (E) the Servicer is not liable for the payment of any liability of the Seller; (F) neither the assets nor the creditworthiness of the Servicer is held out as being available for the payment of any liability of the Seller; (G) the Servicer maintains an arm's-length relationship with the Seller; and (H) assets are not transferred from the Servicer to the Seller without fair consideration or with the intent to hinder, delay or defraud the creditors of either company.

(n) Audits. At any time, upon reasonable notice to the Servicer (but not more than once per calendar year unless a Termination Event or Unmatured Termination Event has occurred and is continuing), the Servicer shall permit the Agent, together with each Purchaser Agent that wants to participate, or such Person as they may designate, during business hours, to conduct audits or visit and inspect the corporate headquarters of the Servicer located at the location listed on Exhibit III in order to examine the Records, internal controls and procedures maintained by the Servicer and take copies and extracts therefrom, and to discuss the Servicer's affairs with its officers and independent accountants. The Servicer hereby authorizes such officers and independent accountants to discuss with the Agent and each Purchaser Agent, or such Person as they may designate, the affairs of the Servicer. The Seller shall reimburse the Agent and each Purchaser Agent for all reasonable and documented fees, costs and out-of-pocket expenses incurred by or on behalf of the Agent and each Purchaser Agent in connection with up to one (1) such audits and visits for each per calendar year promptly upon receipt of a written invoice therefor; ***provided that*** following the occurrence and during the continuance of a Termination Event or an Unmatured Termination Event, the Seller shall reimburse the Agent and each Purchaser Agent for all reasonable fees, costs and out-of-pocket expenses incurred by or on behalf of the Agent and each Purchaser Agent in connection with the foregoing actions promptly upon receipt of written invoice therefor regardless of the number of audits or visits in such year. Subject to the requirements of applicable laws, the Agent and each Purchaser Agent agrees to use commercially reasonable precautions to keep confidential, in accordance with its respective customary procedures for handling confidential information, any non-public information supplied to it by the Servicer pursuant to any such audit or visit which is identified by the Servicer as being confidential at the time the same is delivered to the Agent and each Purchaser Agent.

(o) S.E.C. Filings. Promptly upon the written request of the Agent or any Purchaser Agent, provide to the Agent (which shall promptly forward a copy to each Purchaser Agent) copies of all registration statements and annual, quarterly, monthly or other regular reports which Seller or Servicer files with the Securities and Exchange Commission.

(p) Notices. Servicer will notify the Agent (which shall promptly forward a copy to each Purchaser Agent) in writing of any of the following promptly upon learning of the occurrence thereof, describing the same and, if applicable, the steps being taken with respect thereto:

(i) Judgments and Proceedings. (A) (1) The entry of any judgment or decree against Schein or any of its Subsidiaries if the aggregate amount of all judgments and decrees then outstanding against Schein and its Subsidiaries exceeds $75,000,000 and shall remain undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Subsidiary to enforce any such

judgment and after deducting (a) the amount with respect to which Schein or any such Subsidiary, as the case may be, is insured and with respect to which the insurer has assumed responsibility in writing, and (b) the amount for which Schein or any such Subsidiary is otherwise indemnified, and (2) the institution of any material litigation, arbitration proceeding or governmental proceeding against Schein that could reasonably be expected to have a material adverse effect on Schein; and (B) the entry of any material judgment or decree or the institution of any material litigation, arbitration proceeding or governmental proceeding against Seller.

(ii) Termination Date. The occurrence of the "Termination Date" under and as defined in the Receivables Sale Agreement.

(iii) Defaults Under Other Agreements. The occurrence of any default by the Seller with respect to any payment obligation other than any payment obligation under the Transaction Documents in an amount exceeding $25,000.

(iv) Notices under Receivables Sale Agreement. Copies of all notices to be delivered under the Receivables Sale Agreement.

(q) [Intentionally Omitted].

(r) Financial Statements. In the event that the balance sheet and/or the statements of income and cash flow (as described in Section 5.3(k)) of the Servicer and its Consolidated Subsidiaries are no longer publicly available, Schein shall, within 45 or 90 days of the end of the applicable quarter or Fiscal Year, respectively, provide copies of such balance sheet and/or statements of income and cash flow to the Agent (which shall promptly forward a copy to each Purchaser Agent).

(s) Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions. Policies and procedures will be maintained and enforced by or on behalf of each of the Servicer and each Originator that are designed in good faith and in a commercially reasonable manner to promote and achieve compliance by the Servicer and each Originator and each of their respective Subsidiaries and their respective directors, officers, employees and agents with Anti-Corruption Laws, applicable Anti-Terrorism Laws and applicable Sanctions.

Section 7.4 Negative Covenants of the Servicer. Until the date on which the Aggregate Unpaids have been indefeasibly paid in full and this Agreement terminates in accordance with its terms, the Servicer hereby covenants that it will not:

(a) No Rescissions or Modifications. Rescind or cancel any Receivable or related Contract or modify any terms or provisions thereof or grant any Dilution to an Obligor, except in accordance with the Credit and Collection Policy or otherwise with the prior written consent of the Agent, unless such Receivable has been deemed collected pursuant to Section 1.4(a) or repurchased pursuant to the Receivables Sale Agreement.

(b) No Liens. Cause any of the applicable Receivables or related Contracts, or any inventory or goods the sale of which may give rise to a Receivable or any Collection Account or any right to receive any payments received therein or deposited thereto, to be sold, pledged, assigned or transferred or to be subject to a Lien, other than (i) the sale and assignment

of the Receivable Interest to the Agent, for the benefit of Secured Parties, (ii) the Liens created in connection with the transactions contemplated by this Agreement or (iii) Liens in respect of a Receivable which has been deemed collected pursuant to Section 1.4(a) or repurchased pursuant to the Receivables Sale Agreement, and for which payment has been received.

(c) No Changes. Change its name, identity or corporate structure or jurisdiction of formation in any manner which would make any financing statement or continuation statement filed in connection with this Agreement or the transactions contemplated hereby seriously misleading within the meaning of Section 9.507(c) of the UCC of any applicable jurisdiction or other applicable Laws unless it shall have given the Agent (which shall promptly forward a copy to each Purchaser Agent) at least 30 days' prior written notice thereof and unless prior thereto it shall have caused such financing statement or continuation statement to be amended or a new financing statement to be filed such that such financing statement or continuation statement would not be seriously misleading; or make any material change to the Credit and Collection Policy unless (i) the Agent has received prior written notice of such change and (ii) the Agent and the Required Purchaser Agents have consented to such change if such change could reasonably be expected to have a material adverse effect on the collectibility of the Receivables generally or of any material portion of the Receivables.

(d) Consolidations, Mergers and Sales of Assets. (i) Consolidate or merge with or into any other Person or (ii) sell, lease or otherwise transfer all or substantially all of its assets to any other Person; ***provided that*** the Servicer may merge with another Person if (A) the Servicer is the corporation surviving such merger and (B) immediately after giving effect to such merger, no Termination Event or Unmatured Termination Event shall have occurred and be continuing.

(e) Change in Payment Instructions to Obligors. Except as may be required by the Agent pursuant to Section 8.2(b), the Servicer will not add or terminate any bank as a Collection Bank, or make any change in the instructions to Obligors regarding payments to be made to any Lock-Box or Collection Account, unless (i) the Agent (which shall promptly forward a copy to each Purchaser Agent) shall have received, at least ten (10) days before the proposed effective date therefor, (A) written notice of such addition, termination or change and (B) with respect to the addition of a Collection Bank or a Collection Account or Lock-Box, an executed Collection Account Agreement (which is reasonably satisfactory to the Agent) with respect to the new Collection Account or Lock-Box, (ii) with respect to the termination of a Collection Bank or a Collection Account or Lock-Box, the Agent shall have consented thereto (which consent shall not be unreasonably withheld or delayed) and (iii) with respect to any changes in instructions to Obligors regarding payments, the Agent shall have consented thereto; ***provided that*** the Servicer may make changes in instructions to Obligors regarding payments without any consent if such new instructions require such Obligor to make payments to another existing Lock-Box or Collection Account.

(f) Prohibition on Additional Negative Pledges. The Servicer shall not enter into or assume any agreement (other than this Agreement and the other Transaction Documents) prohibiting the creation or assumption of any Lien upon the Purchased Assets or otherwise prohibiting or restricting any transaction contemplated hereby or by the other Transaction Documents, and the Servicer shall not enter into or assume any agreement creating any Lien upon the Subordinated Notes.

(g) Anti-Corruption Laws, Anti-Terrorism and Sanctions. The Servicer and each Originator shall not use, and each of the Servicer and each Originator shall procure that its Subsidiaries and its or their respective directors, officers, employees and agents shall not use, the proceeds of any Purchase (i) in furtherance of an offer, payment, promise to pay, or authorization of the payment or giving of money, or anything else of value, to any Person in violation of any Anti-Corruption Laws or applicable Anti-Terrorism Laws, (ii) for the purpose of funding or financing any activities, business or transaction of or with any Sanctioned Person, or in any Sanctioned Country, in each case to the extent doing so would violate any Sanctions, or (iii) in any other manner that would result in liability to any party hereto under any applicable Sanctions or result in the violation of any Anti-Corruption Laws or applicable Anti-Terrorism Laws.

## ARTICLE VIII.

## ADMINISTRATION AND COLLECTION

Section 8.1 Designation of Servicer.

(a) The servicing, administration and collection of the Receivables shall be conducted by such Person (the ***"Servicer"***) so designated from time to time in accordance with this Section 8.1. Schein is hereby designated as, and hereby agrees to perform the duties and obligations of, the Servicer pursuant to the terms of this Agreement. The Agent may, at any time following the occurrence of a Termination Event upon five (5) Business Days' notice, designate as Servicer any Person (including itself) to succeed Schein or any successor Servicer.

(b) The Servicer may, with the prior written consent of the Agent, delegate its duties and obligations hereunder to any subservicer (each, a "Sub-Servicer"); ***provided*** that, in each such delegation, (i) such Sub-Servicer shall agree in writing to perform the duties and obligations of the Servicer pursuant to the terms hereof, (ii) the Servicer shall remain primarily liable to the Agent, each Purchaser Agent and each Purchaser for the performance of the duties and obligations so delegated, (iii) the Seller and the Agent, each Purchaser Agent and each Purchaser shall have the right to look to the Servicer (rather than the Sub-Servicer) for performance, and (iv) the terms of any agreement with any Sub-Servicer shall provide that the Agent may terminate such agreement upon the termination of the Servicer hereunder by giving notice of its desire to terminate such agreement to the Servicer (and the Servicer shall provide appropriate notice to such Sub-Servicer).

Section 8.2 Duties of Servicer.

(a) The Servicer shall take or cause to be taken all such actions as may be necessary or advisable to collect each Receivable from time to time, all in accordance with applicable laws, rules and regulations, with reasonable care and diligence, and in accordance with the Credit and Collection Policy.

(b) The Servicer will instruct all Obligors to pay all Collections directly to a Lock-Box or Collection Account. The Servicer shall not direct any cash or payment item other than Collections to be deposited into any Lock-Box or Collection Account. If, despite such direction, any remittances are received in any Lock-Box or Collection Account that shall have been identified, to the satisfaction of the Servicer, to not constitute Collections or other proceeds

of the Receivables or the Related Security, the Servicer shall promptly remit such items to the Person identified to it (or by it) as being the owner of such remittances. From and after the date the Agent delivers to any Collection Bank a Collection Notice pursuant to Section 8.3, the Agent may request that the Servicer, and the Servicer thereupon promptly shall, instruct all Obligors with respect to the Receivables to remit all payments thereon to a new depositary account specified by the Agent and, at all times thereafter, Seller and the Servicer shall not deposit or otherwise credit, and shall not permit any other Person to deposit or otherwise credit to such new depositary account any cash or payment item other than Collections.

(c) The Servicer shall administer the Collections in accordance with the procedures described herein. To the extent any Collections are received directly by the Servicer, the Servicer shall set aside and hold in trust for the account of Seller and the Secured Parties their respective shares of the Collections in accordance with Article II.

(d) The Servicer may, in accordance with the Credit and Collection Policy, extend the maturity of any Receivable or adjust the Outstanding Balance of any Receivable as the Servicer determines in good faith to be appropriate to maximize Collections thereof; ***provided that*** such extension or adjustment shall not alter the status of such Receivable as a Delinquent Receivable or Defaulted Receivable or limit the rights of the Agent, any Purchaser Agent or any Purchaser under this Agreement.

(e) The Servicer shall hold in trust for Seller and the Agent, each Purchaser Agent and each Purchaser all Records that (i) evidence or relate to the Receivables, the related Contracts and Related Security or (ii) are otherwise necessary or desirable to collect the Receivables and shall, as soon as practicable upon demand of the Agent, deliver or make available to the Agent all such Records, at a place selected by the Agent. The Servicer shall, from time to time at the request of the Agent or any Purchaser Agent, furnish to the Agent and each Purchaser Agent (promptly after any such request) a calculation of the amounts set aside for each Purchaser pursuant to Article II.

(f) Any payment by an Obligor in respect of any indebtedness owed by it to Originator or Seller shall, except as otherwise specified by such Obligor or otherwise required by contract or law and unless otherwise instructed by the Agent, be applied as a Collection of any Receivable of such Obligor (starting with the oldest such Receivable) to the extent of any amounts then due and payable thereunder before being applied to any other receivable or other obligation of such Obligor.

Section 8.3 Collection Notices. The Agent is authorized at any time after the occurrence and during the continuance of a Termination Event to deliver the Collection Notices to the Collection Banks. Seller hereby transfers to the Agent, for the benefit of the Secured Parties, effective when the Agent delivers such notice, the exclusive ownership and control of each Lock-Box and the Collection Accounts and, in connection therewith, agrees to cause each Collection Bank to modify the name on each Lock-Box and Collection Account as requested by the Agent. Seller hereby authorizes the Agent, and agrees that the Agent shall be entitled (i) at any time after delivery of the Collection Notices, to endorse Seller's name on checks and other instruments representing Collections, (ii) at any time after the occurrence of a Termination Event, to enforce the Receivables, the related Contracts and the Related Security, and (iii) at any time after the occurrence and during the continuance of a Termination Event, to take such action as shall be reasonably necessary or desirable to cause all cash, checks and other instruments constituting Collections of Receivables to come into the possession of the Agent rather than Seller or Servicer.

Section 8.4 Responsibilities of Seller. Anything herein to the contrary notwithstanding, the exercise by the Agent, on behalf of Secured Parties, of the Agent's rights hereunder shall not release the Servicer, any Originator or Seller from any of their duties or obligations with respect to any Receivables or under the related Contracts. The Agent, each Purchaser Agent and each Purchaser shall have no obligation or liability with respect to any Receivables or related Contracts, nor shall any of them be obligated to perform the obligations of Seller or any Originator thereunder.

Section 8.5 Settlement Reports.

(a) The Servicer shall prepare and forward to the Agent (with an electronic copy to each Purchaser Agent) (i) on each Settlement Reporting Date, a Settlement Report (certified by an Responsible Officer of the Servicer) and an electronic file of the data contained therein and (ii) at such times as the Agent or any Purchaser Agent shall request, a listing by Obligor of all Receivables together with an aging of such Receivables; ***provided that***, if a Termination Event or Unmatured Termination Event has occurred and is continuing, the Agent or any Purchaser Agent may request that the Servicer deliver a Settlement Report (or a specified portion thereof) no less frequently than weekly.

(b) Upon the request of the Agent or any Purchaser Agent (but not more frequently than every quarter), the Servicer shall provide in writing to the Agent (which shall promptly forward a copy to each Purchaser Agent) the list of Obligors under Contracts related to the Receivables including, for each Obligor added to the list, the name, address, telephone number and account number of such Obligor and if there have been changes in the name, address, telephone number or account number of any existing Obligor, the revisions shall be provided.

Section 8.6 Servicing Fee. As compensation for the Servicer's servicing activities on their behalf, the Servicer shall be paid the Servicing Fee in arrears on each Settlement Date out of Collections.

## ARTICLE IX.

## TERMINATION EVENTS

Section 9.1 Termination Events. The occurrence of any one or more of the following events shall constitute an "***Termination Event***":

(a) the Seller, the Servicer or the Performance Guarantor shall fail to remit or fail to cause to be remitted to the Agent, any Purchaser Agent or any Purchaser (i) on any day when due any payment, prepayment or deposit of any amount to be remitted to reduce the Invested Amount or any portion thereof or (ii) within two (2) Business Days of becoming due, CP Costs, Yield, fees set forth in any Fee Letter or any other Aggregate Unpaids required to be remitted to the Agent, any Purchaser Agent or any Purchaser; or

(b) the Seller or the Servicer shall fail to deliver any Settlement Report and such failure shall continue for three (3) Business Days after the date when such Settlement Report became due; or the Servicer shall fail to perform its duties and obligations as Servicer under the terms of this Agreement or any other Transaction Document and such failure remains unremedied for a period of ten (10) days after either (i) any Responsible Officer of the Servicer becomes aware thereof or (ii) written notice thereof to such Person by the Agent, any Purchaser Agent or any Purchaser;

(c) any representation, warranty, certification or statement made by the Seller, the Servicer or Schein under this Agreement or any other Transaction Document or in any material agreement, certificate, report, appendix, schedule or document furnished by the Seller, the Servicer or Schein to the Agent, any Purchaser Agent or any Purchaser pursuant to or in connection with this Agreement or any other Transaction Document shall prove to have been false or misleading in any material respect as of the time made or deemed made (including by omission of material information necessary to make such representation, warranty, certification or statement not misleading); or

(d) a Change in Control shall occur with respect to the Performance Guarantor; (ii) Schein shall cease to (A) own 100% of the capital stock of the Seller or (B) own (directly or indirectly) 100% of the capital stock of each Originator (other than Schein); or (iii) Schein shall (A) consolidate or merge with or into any other Person other than as permitted under Section 7.4 hereof or (B) sell, lease or otherwise transfer all or substantially all of its assets to any other Person unless Schein is the survivor of such transaction (unless, in each of clauses (i) through (iii), consented to in writing in advance by Agent in its sole discretion); or

(e) except as otherwise provided in this Section 9.1, the Seller or Schein shall default or fail in the performance or observance of any other covenant, agreement or duty applicable to it contained herein and such default or failure shall continue for ten (10) Business Days after either (i) any Responsible Officer of the Seller or such Originator becomes aware thereof or (ii) written notice thereof to such Person by the Agent, any Purchaser Agent or any Purchaser; or

(i) the Seller shall fail to pay any Indebtedness when due and such failure shall continue beyond the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; (ii) Schein or any of its Consolidated Subsidiaries (other than the Seller) shall fail to pay any Indebtedness in excess of $150,000,000 of Schein or any of its Consolidated Subsidiaries, as the case may be, or any interest or premium on such Indebtedness, in either case, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Indebtedness; (iii) any other default under any agreement or instrument relating to any such Indebtedness or any other event shall occur and shall continue after the applicable grace period, if any, specified in such agreement or instrument if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Indebtedness unless (A) MUFG is a party to such other agreement or instrument and (B) MUFG and the other requisite lenders thereunder consent to a written waiver of such default or other event in accordance with the terms of such agreement or instrument; or (iv) a final court decision of $75,000,000 or more shall be rendered against Schein or any of its Consolidated Subsidiaries and (A) such amount remains unpaid and (B) such amount remains undischarged for a period of 45 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of Schein or any of its Subsidiary to enforce any such judgment; or

(f) (i) the average of the Delinquency Ratios, computed for each of the immediately preceding three months, shall exceed 14.50%; (ii) the average of the Default Ratios, computed for each of the immediately preceding three months, shall exceed 2.00%; (iii) the average of the Dilution Ratios, computed for each of the immediately preceding three months, shall exceed 6.25%; or (iv) the average of the Portfolio Turnover, computed for each of the immediately preceding three months shall exceed 45 days; or

(g) there shall be pending any litigation, investigation or proceeding, which the Seller is required to disclose pursuant to Section 7.1(i) hereof, which in the reasonable opinion of the Required Purchaser Agents is likely to materially adversely affect the financial position or results of operations of the Seller or Schein or materially impair the ability of the Seller or Schein to perform its respective obligations under the Transaction Documents; or

(h) there shall have occurred any event or change in the financial condition or operations of the Seller, the Servicer, the Performance Guarantor or Schein which could reasonably be expected to have a material adverse effect on (i) the ability of the Seller, the Servicer, the Performance Guarantor or Schein to perform its obligations under any Transaction Document, (ii) the legality, validity or enforceability of any Transaction Document, (iii) the Agent's security interest in the Receivables generally or in any significant portion of such Receivables or the proceeds thereof, or (iv) the collectibility of the Receivables generally or of any material portion of such Receivables; or

(i) an Event of Bankruptcy shall occur with respect to the Seller, the Servicer, any Originator, the Performance Guarantor or any of Schein's material subsidiaries thereof; or

(j) the Aggregate Invested Amount shall exceed the Purchase Limit and the Seller shall have failed to pay to each Purchaser Agent for the benefit of the related Purchasers within three (3) days an amount to be applied to reduce the Aggregate Invested Amount (ratably, according to each Purchaser's aggregate Invested Amount), such that after giving effect to such payment the Aggregate Invested Amount is less than or equal to the Purchase Limit; or

(k) the Aggregate Investment amount exceeds the then applicable Purchase Limit or the Net Pool Balance shall at any time be less than an amount equal to the sum of (i) the Aggregate Invested Amount plus (ii) the Required Reserve; or

(l) Schein resigns as Servicer; or

(m) Schein shall default or fail in the performance or observance of any of the covenants set forth in Section 8.1 of the Credit Agreement as in effect on September 22, 2014 (without giving effect to any amendment, waiver, termination, supplement or other modification thereof unless consented to by the Agent); or

(n) a final court decision for $25,000 or more shall be rendered against the Seller; or;

(o) the Performance Guarantor shall default or fail in the performance of any covenant or agreement set forth in the Performance Undertaking; or

(p) the "Termination Date" or any "Termination Event" under and as defined in the Receivables Sale Agreement shall occur under the Receivables Sale Agreement or Schein shall for any reason cease to transfer, or cease to have the legal capacity to transfer, or otherwise be incapable of transferring Receivables to Seller under the Receivables Sale Agreement; or

(q) this Agreement shall terminate in whole or in part (except in accordance with its terms), or shall cease to be effective or to be the legally valid, binding and enforceable obligation of Seller, or any Seller Party shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability; or

(r) the Performance Undertaking shall cease to be effective or to be the legally valid, binding and enforceable obligation of Performance Guarantor, or Performance Guarantor shall directly or indirectly contest in any manner such effectiveness, validity, binding nature or enforceability of its obligations thereunder; or

(s) the Internal Revenue Service shall file notice of a lien pursuant to Section 6323 of the Internal Revenue Code with regard to any of the Purchased Assets or any assets of the Seller, Performance Guarantor or any Originator and such lien shall not have been released within seven (7) days, or the PBGC shall, or shall indicate its intention to, file notice of a lien pursuant to Section 4068 of ERISA with regard to any of the Purchased Assets; or

(t) An ERISA Event shall occur with respect to a Pension Plan or Multiemployer Plan which has resulted in, or could be reasonably expected to have, a material adverse effect on the business, financial condition, operations or properties of Schein and the ERISA Affiliates taken as a whole; or

(u) the Agent for the benefit of the Secured Parties shall cease to have a valid, perfected, first priority security interest in the Receivables, the Related Security, any Collection Account or any Lock-Box.

Section 9.2 Remedies. Upon the occurrence and during the continuation of a Termination Event, the Agent may, or upon the direction of the Required Purchaser Agents shall, take any of the following actions: (i) replace the Person then acting as Servicer, (ii) declare the Facility Termination Date for all Purchaser Groups to have occurred, whereupon Reinvestments shall immediately terminate, all without demand, protest or further notice of any kind, all of which are hereby expressly waived by each Seller Party; ***provided that***, upon the occurrence of an Event of Bankruptcy with respect to any Seller Party, the Facility Termination Date for all Purchaser Groups shall automatically occur, without demand, protest or any notice of any kind, all of which are hereby expressly waived by each Seller Party, (iii) deliver the Collection Notices to the Collection Banks, (iv) exercise all rights and remedies of a secured party upon default under the UCC and other applicable laws, and (v) notify Obligors of the Agent's security interest in the Receivables and other Purchased Assets. The aforementioned rights and remedies shall be without limitation, and shall be in addition to all other rights and remedies of the Agent, each Purchaser Agent and each Purchaser otherwise available under any other provision of this Agreement, by operation of law, at equity or otherwise, all of which are hereby expressly preserved, including, without limitation, all rights and remedies provided under the UCC, all of which rights shall be cumulative.

## ARTICLE X.

## INDEMNIFICATION

Section 10.1 Indemnities by the Seller Parties. Without limiting any other rights that the Agent, any Purchaser Agent, any Purchaser or any Funding Source may have hereunder or under applicable law, (A) Seller hereby agrees to indemnify (and pay upon demand to) the Agent, each Purchaser Agent, each Purchaser, each Funding Source and each of the respective assigns, officers, directors, members, partners, certificateholders, agents and employees of the foregoing (each, an ***"Indemnified Party"***) from and against any and all damages, losses, claims, taxes, liabilities, reasonable and out-of-pocket costs and expenses and for all other amounts payable, including reasonable attorneys' fees (which attorneys may be employees of any Indemnified Party) and disbursements of one counsel to the affected Indemnified Parties taken as a whole (and solely in the case of any conflict of interest, one additional counsel to the affected Indemnified Parties, taken as a whole) (all of the foregoing being collectively referred to as ***"Indemnified Amounts"***) awarded against or incurred by any of them arising out of or as a result of this Agreement or the acquisition, either directly or indirectly, by any Indemnified Party of an interest in the Receivables, and (B) the Servicer hereby agrees to indemnify (and pay upon demand to) each Indemnified Party for Indemnified Amounts awarded against or incurred by any of them arising out of the Servicer's activities as Servicer hereunder; ***excluding, however,*** in all of the foregoing instances under the preceding clauses (A) and (B):

(a) Indemnified Amounts to the extent a final judgment of a court of competent jurisdiction holds that such Indemnified Amounts resulted from gross negligence or willful misconduct on the part of the Indemnified Party seeking indemnification;

(b) Indemnified Amounts to the extent resulting from disputes solely between or among Indemnified Parties and their respective Affiliates;

(c) Indemnified Amounts to the extent the same results from losses in respect of Receivables that are uncollectible on account of the insolvency, bankruptcy or lack of creditworthiness of the related Obligor; or

(d) taxes imposed by the jurisdiction in which such Indemnified Party's principal executive office is located, on or measured by the overall net income of such Indemnified Party to the extent that the computation of such taxes is consistent with the characterization for income tax purposes of the acquisition by any Purchaser of Receivables as a loan or loans by any Purchaser to Seller secured by the Receivables, the Related Security, the Collection Accounts and the Collections, U.S. federal taxes attributable to such Indemnified Party's failure to comply with Section 1.7(b) or any U.S. federal withholding taxes imposed under FATCA (collectively, ***"Excluded Taxes"***);

***provided that*** nothing contained in this sentence shall limit the liability of any Seller Party or limit the recourse of any Indemnified Party to any Seller Party for amounts otherwise specifically provided to be paid by such Seller Party under the terms of this Agreement. Without limiting the generality of the foregoing indemnification, Seller shall indemnify the Indemnified Parties for Indemnified Amounts (including, without limitation, losses in respect of uncollectible receivables, regardless of whether reimbursement therefor would constitute recourse to Seller) relating to or resulting from:

(i) any representation or warranty made by any Seller Party or any Originator (or any officers of any such Person) under or in connection with this Agreement, any other Transaction Document or any other information or report delivered by any such Person pursuant hereto or thereto, which shall have been false or incorrect when made or deemed made;

(ii) the failure by Seller, the Servicer or any Originator to comply with any applicable law, rule or regulation with respect to any Receivable or Contract related thereto, or the nonconformity of any Receivable or Contract included therein with any such applicable law, rule or regulation or any failure of Seller, the Servicer or any Originator to keep or perform any of its obligations, express or implied, with respect to any Contract;

(iii) any failure of Seller, the Servicer or any Originator to perform its duties, covenants or other obligations in accordance with the provisions of this Agreement or any other Transaction Document;

(iv) any products liability, personal injury or damage suit, or other similar claim arising out of or in connection with merchandise, insurance or services that are the subject of any Contract or any Receivable;

(v) any dispute, claim, offset or defense (other than discharge in bankruptcy of the Obligor) of the Obligor to the payment of any Receivable (including, without limitation, a defense based on such Receivable or the related Contract not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or service related to such Receivable or the furnishing or failure to furnish such merchandise or services;

(vi) the commingling of Collections of Receivables at any time with other funds;

(vii) any investigation, litigation or proceeding related to or arising from this Agreement or any other Transaction Document, the transactions contemplated hereby, the use of the proceeds of any Purchase, the Purchased Assets or any other investigation, litigation or proceeding relating to Seller, the Servicer or any Originator in which any Indemnified Party becomes involved as a result of any of the transactions contemplated hereby;

(viii) any inability to litigate any claim against any Obligor in respect of any Receivable as a result of such Obligor being immune from civil and commercial law and suit on the grounds of sovereignty or otherwise from any legal action, suit or proceeding;

(ix) any Termination Event of the type described in Section 9.1(k);

(x) any failure of Seller to acquire and maintain legal and equitable title to and ownership of any of the Purchased Assets from the applicable Originator free and clear of any Lien (other than as created under the Transaction Documents); or any failure of Seller to give reasonably equivalent value to any Originator under the Receivables Sale Agreement in consideration of the transfer by such Originator of any Receivable, or any attempt by any Person to void such transfer under statutory provisions or common law or equitable action;

(xi) (A) any failure to vest and maintain vested in the Agent for the benefit of the Secured Parties, or to transfer to the Agent for the benefit of the Secured Parties, a valid first priority perfected security interests in the Purchased Assets, free and clear of any Lien (except as created by the Transaction Documents) and (B) (I) any failure to vest and maintain vested in the Agent for the benefit of the Secured Parties a valid first priority perfected security interests in each Lock-Box and Collection Account, free and clear of any Lien (except as created by the Transaction Documents) and (ii) any failure of a Collection Bank in the performance or observance of any agreement or duty applicable to it in respect of any Collection Account;

(xii) any action or omission by any Seller Party which reduces or impairs the rights of any Indemnified Party with respect to any Purchased Assets or the value of any Purchased Assets;

(xiii) any attempt by any Person to void any Purchase or the Agent's security interest in the Purchased Assets under statutory provisions or common law or equitable action;

(xiv) the failure of any Receivable included in the calculation of the Net Pool Balance as an Eligible Receivable to be an Eligible Receivable at the time so included; and

(xv) (A) any failure of the Seller or any Originator to pay any taxes when due and (B) any taxes related to the Purchase of Receivables by any Purchaser, except for taxes on the income of such Purchaser.

Section 10.2 Increased Cost and Reduced Return. If, after the date hereof, any Regulatory Change shall occur: (i) that subjects any Funding Source to any charge or withholding on or with respect to any Funding Agreement or a Funding Source's obligations under a Funding Agreement, or on or with respect to the Receivables, or changes the basis of taxation of payments to any Funding Source of any amounts payable under any Funding Agreement (except for changes in the rate of tax on the overall net income of a Funding Source or taxes excluded by Section 10.1) or (ii) that imposes, modifies or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of a Funding Source, or credit extended by a Funding Source pursuant to a Funding Agreement or (iii) that imposes any other condition the result of which is to increase the cost to a Funding Source of performing its obligations under a Funding Agreement, or to reduce the rate of return on a Funding Source's capital as a consequence of its obligations under a Funding Agreement, or to reduce the amount of any sum received or receivable by a Funding Source under a Funding Agreement or to require any payment calculated by reference to the

amount of interests or loans held or interest received by it, then, upon demand by the applicable Purchaser Agent, Seller shall pay to such Purchaser Agent, for the benefit of the relevant Funding Source, such amounts charged to such Funding Source or such amounts to otherwise compensate such Funding Source for such increased cost or such reduction. For the avoidance of doubt, if the issuance of Financial Accounting Standards Board's Interpretation No. 46, Statements of Financial Accounting Standards Nos. 166 and 167, any future statements or interpretations issued by the Financial Accounting Standards Board or any successor thereto or any other change in accounting standards or the issuance of any other pronouncement, release or interpretation, causes or requires the consolidation of all or a portion of the assets and liabilities of the Seller or any Conduit Purchaser with the assets and liabilities of the Agent, any Purchaser Agent or any other Funding Source, such event shall constitute a circumstance on which such Funding Source may base a claim for reimbursement under this Section 10.2.

Section 10.3 Other Costs and Expenses. Seller shall pay to the Agent, each Purchaser Agent and each Purchaser on demand all reasonable costs and out-of-pocket expenses in connection with the preparation, execution, delivery and administration of this Agreement, the transactions contemplated hereby and the other documents to be delivered hereunder, including without limitation, the cost of its auditors auditing the books, records and procedures of Seller or Servicer, rating agency fees, reasonable and documented fees and out-of-pocket expenses of a single independent legal counsel with respect thereto and with respect to providing advice as to their respective rights and remedies under this Agreement. Seller shall pay to the Agent, each Purchaser Agent and each Purchaser on demand any and all reasonable and documented costs and out-of-pocket expenses thereof, if any, including reasonable counsel fees and expenses, in connection with the enforcement of this Agreement and the other documents delivered hereunder and in connection with any restructuring or workout of this Agreement or such documents, or the administration of this Agreement following a Termination Event.

## ARTICLE XI.

## THE AGENTS

Section 11.1 Appointment and Authorization.

(a) Each Purchaser and Purchaser Agent hereby irrevocably designates and appoints MUFG as the "Agent" hereunder and authorizes the Agent to take such actions and to exercise such powers as are delegated to the Agent hereby and to exercise such other powers as are reasonably incidental thereto. The Agent shall hold, in its name, for the benefit of each Purchaser, ratably, the Receivable Interests. The Agent shall not have any duties other than those expressly set forth herein or any fiduciary relationship with any Purchaser or Purchaser Agent, and no implied obligations or liabilities shall be read into this Agreement, or otherwise exist, against the Agent. The Agent does not assume, nor shall it be deemed to have assumed or relationship of trust or agency with the Seller or Servicer. Notwithstanding any provision of this Agreement or any other Transaction Document to the contrary, in no event shall the Agent ever be required to take any action which exposes the Agent to personal liability or which is contrary to the provisions of any Transaction Document or applicable law.

(b) Each Purchaser hereby irrevocably designates and appoints the respective institution identified as the Purchaser Agent for such Purchaser's Purchaser Group on the signature pages hereto or in the Assumption Agreement or Transfer Supplement pursuant to which such Purchaser becomes a party hereto, and each authorizes such Purchaser Agent to take such action on its behalf under the provisions of this Agreement and to exercise such powers and perform such duties as are expressly delegated to such Purchaser Agent by the terms of this Agreement, if any, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, no Purchaser Agent shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Purchaser or other Purchaser Agent or the Agent, and no implied covenants, functions, responsibilities, duties, obligations or liabilities on the part of such Purchaser Agent shall be read into this Agreement or otherwise exist against such Purchaser Agent.

(c) Except as otherwise specifically provided in this Agreement, the provisions of this Article XI are solely for the benefit of the Purchaser Agents, the Agent and the Purchasers, and none of the Seller or Servicer shall have any rights as a third-party beneficiary or otherwise under any of the provisions of this Article XI, except that this Article XI shall not affect any obligations which any Purchaser Agent, the Agent or any Purchaser may have to the Seller or the Servicer under the other provisions of this Agreement. Furthermore, no Purchaser shall have any rights as a third-party beneficiary or otherwise under any of the provisions hereof in respect of a Purchaser Agent which is not the Purchaser Agent for such Purchaser.

(d) In performing its functions and duties hereunder, the Agent shall act solely as the agent of the Purchasers and the Purchaser Agents and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for the Seller or Servicer or any of their successors and assigns. In performing its functions and duties hereunder, each Purchaser Agent shall act solely as the agent of its respective Purchaser and does not assume nor shall be deemed to have assumed any obligation or relationship of trust or agency with or for the Seller, the Servicer, any other Purchaser, any other Purchaser Agent or the Agent, or any of their respective successors and assigns.

Section 11.2 Delegation of Duties. The Agent may execute any of its duties through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Agent shall not be responsible for the negligence or misconduct of any agents or attorneys-in-fact selected by it with reasonable care.

Section 11.3 Exculpatory Provisions. None of the Purchaser Agents, the Agent or any of their directors, officers, members, partners, certificateholders, agents or employees shall be liable for any action taken or omitted (i) with the consent or at the direction of the Required Purchaser Agents (or in the case of any Purchaser Agent, the Purchasers within its Purchaser Group that have a majority of the aggregate Commitment of such Purchaser Group) or (ii) in the absence of such Person's gross negligence or willful misconduct. The Agent shall not be responsible to any Purchaser, Purchaser Agent or other Person for (i) any recitals, representations, warranties or other statements made by the Seller, Servicer, or any of their Affiliates, (ii) the value, validity, effectiveness, genuineness, enforceability or sufficiency of any Transaction Document, (iii) any failure of the Seller, the Servicer, any Originator or any of their Affiliates to perform any obligation hereunder or under the other Transaction Documents to which it is a party (or under any Contract), or (iv) the satisfaction of any condition specified in any Transaction Document. The Agent shall not have any obligation to any Purchaser or Purchaser Agent to ascertain or inquire about the observance or performance of any agreement contained in any Transaction Document or to inspect the properties, books or records of the Seller, Servicer, Originator or any of their Affiliates.

Section 11.4 Reliance by Agents.

(a) Each Purchaser Agent and the Agent shall in all cases be entitled to rely, and shall be fully protected in relying, upon any document or other writing or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person and upon advice and statements of legal counsel (including counsel to the Seller or Servicer), independent accountants and other experts selected by the Agent. Each Purchaser Agent and the Agent shall in all cases be fully justified in failing or refusing to take any action under any Transaction Document unless it shall first receive such advice or concurrence of the Required Purchaser Agents (or, in the case of any Purchaser Agent, the Purchasers within its Purchaser Group that have a majority of the aggregate Commitment of such Purchaser Group), and assurance of its indemnification, as it deems appropriate.

(b) The Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of the Required Purchaser Agents or all Purchaser Agents, and such request and any action taken or failure to act pursuant thereto shall be binding upon all Purchasers and Purchaser Agents.

(c) The Purchasers within each Purchaser Group with a majority of the Commitment of such Purchaser Group shall be entitled to request or direct the related Purchaser Agent to take action, or refrain from taking action, under this Agreement on behalf of such Purchasers. Such Purchaser Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement in accordance with a request of such majority Purchasers, and such request and any action taken or failure to act pursuant thereto shall be binding upon all of such Purchaser Agent's Purchasers.

(d) Unless otherwise advised in writing by a Purchaser Agent or by any Purchaser on whose behalf such Purchaser Agent is purportedly acting, each party to this Agreement may assume that (i) such Purchaser Agent is acting for the benefit of each of the Purchasers in respect of which such Purchaser Agent is identified as being the "Purchaser Agent" in the definition of "Purchaser Agent" hereto, as well as for the benefit of each assignee or other transferee from any such Person, and (ii) each action taken by such Purchaser Agent has been duly authorized and approved by all necessary action on the part of the Purchasers on whose behalf it is purportedly acting. Each Purchaser Agent and its related Purchasers shall agree amongst themselves as to the circumstances and procedures for removal, resignation and replacement of such Purchaser Agent.

Section 11.5 Notice of Termination Events. Neither any Purchaser Agent nor the Agent shall be deemed to have knowledge or notice of the occurrence of any Termination Event or Unmatured Termination Event unless such Purchaser Agent or Agent has received notice from any Purchaser, Purchaser Agent, the Servicer or the Seller stating that a Termination Event or Unmatured Termination Event has occurred hereunder and describing such Termination Event or Unmatured Termination Event. In the event that the Agent receives such a notice, it shall promptly give notice thereof to each Purchaser Agent whereupon each such Purchaser Agent

shall promptly give notice thereof to its Purchasers. In the event that a Purchaser Agent receives such a notice (other than from the Agent), it shall promptly give notice thereof to the Agent. The Agent shall take such action concerning a Termination Event or Unmatured Termination Event as may be directed by the Required Purchaser Agents (unless such action otherwise requires the consent of all Purchaser Agents), but until the Agent receives such directions, the Agent may (but shall not be obligated to) take such action, or refrain from taking such action, as the Agent deems advisable and in the best interests of the Purchasers and Purchaser Agents.

Section 11.6 Non-Reliance on Agent, Purchaser Agents and Other Purchasers. Each Purchaser expressly acknowledges that none of the Agent, the Purchaser Agents nor any of their respective officers, directors, members, partners, certificateholders, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Agent or any Purchaser Agent hereafter taken, including any review of the affairs of the Seller, Servicer or any Originator, shall be deemed to constitute any representation or warranty by the Agent or such Purchaser Agent, as applicable. Each Purchaser represents and warrants to the Agent and the Purchaser Agents that, independently and without reliance upon the Agent, the Purchaser Agents or any other Purchaser and based on such documents and information as it has deemed appropriate, it has made and will continue to make its own appraisal of and investigation into the business, operations, property, prospects, financial and other conditions and creditworthiness of the Seller, the Servicer or the Originators, and the Receivables and its own decision to enter into this Agreement and to take, or omit, action under any Transaction Document. Except for items specifically required to be delivered hereunder, the Agent shall not have any duty or responsibility to provide any Purchaser Agent with any information concerning the Seller, Servicer or the Originators or any of their Affiliates that comes into the possession of the Agent or any of its officers, directors, members, partners, certificateholders, employees, agents, attorneys-in-fact or Affiliates.

Section 11.7 Agents and Affiliates. Each of the Purchasers and the Agent and their Affiliates may extend credit to, accept deposits from and generally engage in any kind of banking, trust, debt, entity or other business with the Seller, the Servicer or any Originator or any of their Affiliates. With respect to the acquisition of the Eligible Receivables pursuant to this Agreement, each of the Purchaser Agents and the Agent shall have the same rights and powers under this Agreement as any Purchaser and may exercise the same as though it were not such an agent, and the terms “Purchaser” and “Purchasers” shall include, to the extent applicable, each of the Purchaser Agents and the Agent in their individual capacities.

Section 11.8 Indemnification. Each Related Committed Purchaser shall indemnify and hold harmless the Agent (but solely in its capacity as Agent) and its officers, directors, members, partners, certificateholders, employees, representatives and agents (to the extent not reimbursed by the Seller, the Servicer or any Originator and without limiting the obligation of the Seller, the Servicer, or any Originator to do so), ratably (based on its Commitment) from and against any and all liabilities, obligations, losses, damages, penalties, judgments, settlements, costs, expenses and disbursements of any kind whatsoever (including in connection with any investigative or threatened proceeding, whether or not the Agent or such Person shall be designated a party thereto) that may at any time be imposed on, incurred by or asserted against the Agent or such Person as a result of, or related to, any of the transactions contemplated by the Transaction Documents or the execution, delivery or performance of the Transaction Documents or any other document furnished in connection therewith (but excluding any such liabilities, obligations, losses, damages, penalties, judgments, settlements, costs, expenses or disbursements resulting solely from the gross negligence or willful misconduct of the Agent or such Person as finally determined by a court of competent jurisdiction).

Section 11.9 Successor Agent. The Agent may, upon at least five (5) days notice to the Seller and each Purchaser and Purchaser Agent, resign as Agent. Such resignation shall not become effective until a successor agent is appointed by the Required Purchasers and has accepted such appointment. Upon such acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Transaction Documents. After any retiring Agent's resignation hereunder, the provisions of Article X and this Article XI shall inure to its benefit as to any actions taken or omitted to be taken by it while it was the Agent.

## ARTICLE XII.

## ASSIGNMENTS AND PARTICIPATIONS

Section 12.1 Successors and Assigns; Participations; Assignments.

(a) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Except as otherwise provided herein, no Seller Party may assign or transfer any of its rights or delegate any of its duties hereunder or under any Transaction Document without the prior consent of the Agent and the Purchaser Agents.

(b) Participations. Except as otherwise specifically provided herein, any Purchaser may sell to one or more Persons (each, a ***"Participant"***) participating interests in the interests of such Purchaser hereunder; ***provided that***, no Purchaser shall grant any participation under which the Participant shall have rights to approve any amendment to or waiver of this Agreement or any other Transaction Document. Such Purchaser shall remain solely responsible for performing its obligations hereunder, and the Seller, each Purchaser Agent and the Agent shall continue to deal solely and directly with such Purchaser in connection with such Purchaser's rights and obligations hereunder. A Purchaser shall not agree with a Participant to restrict such Purchaser's right to agree to any amendment hereto, except amendments that require the consent of all Purchasers.

(c) Assignments by Certain Related Committed Purchasers. Any Related Committed Purchaser may assign to one or more Persons (each, a ***"Purchasing Related Committed Purchaser"***), reasonably acceptable to the related Purchaser Agent, any portion of its Commitment pursuant to a supplement hereto, substantially in the form of Exhibit VIII with any changes as have been approved by the parties thereto (each, a ***"Transfer Supplement"***), executed by each such Purchasing Related Committed Purchaser, such selling Related Committed Purchaser, such related Purchaser Agent and the Agent and, so long as no Termination Event has occurred and is continuing, with the consent of Seller (which consent shall not be unreasonably withheld). Any such assignment by Related Committed Purchaser cannot be for an amount less than $10,000,000. Upon (i) the execution of the Transfer Supplement, (ii) delivery of an executed copy thereof to the Seller, such related Purchaser Agent and the Agent and (iii)

payment by the Purchasing Related Committed Purchaser to the selling Related Committed Purchaser of the agreed purchase price, if any, such selling Related Committed Purchaser shall be released from its obligations hereunder to the extent of such assignment and such Purchasing Related Committed Purchaser shall for all purposes be a Related Committed Purchaser party hereto and shall have all the rights and obligations of a Related Committed Purchaser hereunder to the same extent as if it were an original party hereto. The amount of the Commitment of the selling Related Committed Purchaser allocable to such Purchasing Related Committed Purchaser shall be equal to the amount of the Commitment of the selling Related Committed Purchaser transferred regardless of the purchase price, if any, paid therefor. The Transfer Supplement shall be an amendment hereof only to the extent necessary to reflect the addition of such Purchasing Related Committed Purchaser as a "Related Committed Purchaser" and any resulting adjustment of the selling Related Committed Purchaser's Commitment.

(d) Assignments to Liquidity Providers and other Funding Source Providers. Any Conduit Purchaser may at any time transfer or grant to one or more of its Liquidity Providers or other Funding Source participating interests (or voting rights or a security interest and right of foreclosure thereon) in its portion of the Receivable Interests. In the event of any such transfer or grant by such Conduit Purchaser of a participating interest to a Liquidity Provider or other Funding Source, such Conduit Purchaser shall remain responsible for the performance of its obligations hereunder. The Seller agrees that each Liquidity Provider and Funding Source of any Conduit Purchaser hereunder shall be entitled to the benefits of Section 1.6.

(e) Other Assignment by Uncommitted Purchasers. Each party hereto agrees and consents (i) to any Uncommitted Purchaser's assignment, participation, grant of security interests in or other transfers of any portion of, or any of its beneficial interest in, the Receivable Interests (or portion thereof), including without limitation to any collateral agent in connection with its commercial paper program, if any, and (ii) to the complete assignment by any Uncommitted Purchaser of all of its rights and obligations hereunder to any other Person with prior notice to the other parties hereto, and upon such assignment such Uncommitted Purchaser shall be released from all obligations and duties, if any, hereunder; ***provided that***, such Uncommitted Purchaser may not, without the prior consent of its Related Committed Purchasers (and, in the case of any assignment by an Uncommitted Purchaser that is not a Conduit Purchaser, unless a Termination Event has occurred and is continuing, the Seller), make any such transfer of its rights hereunder unless the assignee (i) if it is a Conduit Purchaser, is principally engaged in the purchase of assets similar to the assets being purchased hereunder, (ii) has as its Purchaser Agent the Purchaser Agent of the assigning Uncommitted Purchaser and (iii) if it is a Conduit Purchaser, issues commercial paper with credit ratings substantially comparable to the ratings of the assigning Conduit Purchaser and, ***provided***, ***further***, that no such consent of the Seller shall be required if the assignee is a Purchaser, an Affiliate of a Purchaser or an Approved Fund. Any assigning Uncommitted Purchaser shall deliver to any assignee a Transfer Supplement with any changes as have been approved by the parties thereto, duly executed by such Uncommitted Purchaser, assigning any portion of its interest in the Receivable Interests to its assignee. Such Uncommitted Purchaser shall promptly (i) notify each of the other parties hereto of such assignment and (ii) take all further action that the assignee reasonably requests in order to evidence the assignee's right, title and interest in such interest in the Receivable Interests and to enable the assignee to exercise or enforce any rights of such Uncommitted Purchaser hereunder. Upon the assignment of any portion of its interest in the Receivable Interests, the assignee shall have all of the rights hereunder with respect to such interest.

(f) Opinions of Counsel. If required by the Agent or the applicable Purchaser Agent or to maintain the ratings of any Conduit Purchaser, each Transfer Supplement must be accompanied by an opinion of counsel of the assignee as to such matters as the Agent or such Purchaser Agent may reasonably request.

## ARTICLE XIII.

## MISCELLANEOUS

Section 13.1 Waivers and Amendments.

(a) No failure or delay on the part of the Agent, any Purchaser Agent or any Purchaser in exercising any power, right or remedy under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or remedy preclude any other further exercise thereof or the exercise of any other power, right or remedy. The rights and remedies herein provided shall be cumulative and nonexclusive of any rights or remedies provided by law. Any waiver of this Agreement shall be effective only in the specific instance and for the specific purpose for which given.

(b) No provision of any Transaction Document may be amended, supplemented, modified or waived except in writing in accordance with the provisions of this Section 13.1(b). Seller and the Agent, with the consent of the Required Purchaser Agents, may enter into written modifications or waivers of any provisions of any Transaction Document; ***provided that***, no such modification or waiver shall:

(i) without the consent of each Purchaser adversely affected thereby, (A) extend the Facility Termination Date for the related Purchaser Group or the date of any payment or deposit of Collections by Seller or the Servicer, (B) reduce the rate or extend the time of payment of Yield or any CP Costs (or any component of Yield or CP Costs), (C) change any fee payable to such Purchaser, (D) change the Invested Amount of any Receivable Interest, (E) amend, modify or waive any provision of the definition of Required Purchaser Agents, Section 9.1, Section 12.1(d), Section 12.1(e), this Section 13.1(b), Section 13.5, Section 13.6(b) or Section 13.12, (F) consent to or permit the assignment or transfer by Seller of any of its rights and obligations under this Agreement, (G) change the definition of *"Available Commitment"*, *"Commitment"*, *"Eligible Receivable"*, *"Liquidity Agreement"*, *"Concentration Percentage"*, *"Excess Concentration"*. *"Purchase Limit"*, *"Purchase Price" or "Required Reserve"*, or (H) amend or modify any defined term (or any defined term used directly or indirectly in such defined term) used in clauses (A) through (G) above in a manner that would circumvent the intention of the restrictions set forth in such clauses; or

(ii) without the written consent of the Agent and each Purchaser Agent, amend, modify or waive any provision of any Transaction Document if the effect thereof is to affect the rights (including, without limitation, fees and indemnities) or duties of such Agent or Purchaser Agent.

Notwithstanding any of the foregoing to the contrary, the Seller and the Agent, without the consent of any Purchaser or Purchaser Agent, may enter into any amendment, modification or wavier of any Transaction Document, or enter into any new agreement or instrument, to (i) effect the granting, perfection, protection, expansion or enhancement of any security interest in any Purchased Assets for the benefit of the Secured Parties, or as required by local law to give effect to, or protect any security interest for the benefit of the Secured Parties, in any property or so that the security interests therein comply with applicable law or (ii) correct any obvious error or omission of a technical nature, in each case that is immaterial (as reasonably determined by the Agent and the Seller), in any provision of any Transaction Document, if the same is not objected to in writing by the Required Purchaser Agents within five (5) Business Days following receipt of notice thereof.

Section 13.2 Notices. Except as provided in this Section 13.2, all communications and notices provided for hereunder shall be in writing (including bank wire, telecopy or electronic facsimile transmission or similar writing) and shall be given to the other parties hereto at their respective addresses or telecopy numbers set forth on the signature pages hereof or at such other address or telecopy number as such Person may hereafter specify for the purpose of notice to each of the other parties hereto. Each such notice or other communication shall be effective (i) if given by telecopy, upon the receipt thereof, (ii) if sent via U.S. certified or registered mail, three (3) Business Days after the time such communication is deposited in the mail with first class postage prepaid or (iii) if given by any other means, when received at the address specified in this Section 13.2. If the written confirmation differs from the action taken by the Agent or any Purchaser Agent, the records of such Agent or Purchaser Agent shall govern absent manifest error.

Section 13.3 Protection of Agent's Security Interest.

(a) Seller agrees that from time to time, at its expense, it will promptly execute and deliver all instruments and documents, and take all actions, that may be necessary, or that the Agent or any Purchaser Agent may reasonably request, to perfect, protect or more fully evidence the Agent's security interest in the Purchased Assets, or to enable the Agent, any Purchaser Agent or any Purchaser to exercise and enforce their rights and remedies hereunder. At any time after the occurrence and during the continuance of a Termination Event, the Agent may, or the Agent may direct Seller or the Servicer to, notify the Obligors of Receivables, at Seller's expense, of the ownership or security interests of the Agent (for the benefit of the Secured Parties) under this Agreement and may also direct that payments of all amounts due or that become due under any or all Receivables be made directly to the Agent or its designee.

(b) If any Seller Party fails to perform any of its obligations under Section 13.3(a), the Agent, any Purchaser Agent or any Purchaser may (but shall not be required to) perform, or cause performance of, such obligations, and the costs and expenses incurred in connection therewith shall be payable by Seller as provided in Section 10.3. Each Seller Party irrevocably authorizes the Agent at any time and from time to time in the sole discretion of the Agent, and appoints the Agent as its attorney-in-fact, to act on behalf of such Seller Party, in any case only after the occurrence and during the continuance of a Termination Event, (i) to execute on behalf of Seller as debtor and to file financing statements necessary or desirable in the Agent's sole discretion to perfect and to maintain the perfection and priority of the interest of the Agent for the benefit of the Secured Parties in the Receivables and the other Purchased Assets

and (ii) to file a carbon, photographic or other reproduction of this Agreement or any financing statement with respect to the Receivables and the other Purchased Assets as a financing statement in such offices as the Agent in its sole discretion deems necessary or desirable to perfect and to maintain the perfection and priority of the Agent's security interest in the Purchased Assets, for the benefit of the Secured Parties. The Agent shall provide the Seller with copies of any such filings. This appointment is coupled with an interest and is irrevocable. Each of the Seller Parties (A) hereby authorizes the Agent to file financing statements and other filing or recording documents with respect to the Receivables and the other Purchased Assets (including any amendments thereto, or continuation or termination statements thereof), without the signature or other authorization of such Seller Party, in such form and in such offices as the Agent reasonably determines appropriate to perfect or maintain the perfection of the security interest of the Agent hereunder, (B) acknowledges and agrees that it is not authorized to, and will not, file financing statements or other filing or recording documents with respect to the Receivables and the other Purchased Assets (including any amendments thereto, or continuation or termination statements thereof), without the express prior written approval by the Agent, consenting to the form and substance of such filing or recording document, and (C) approves, authorizes and ratifies any filings or recordings made by or on behalf of the Agent in connection with the perfection of the security interests in favor of Seller or the Agent.

Section 13.4 Confidentiality.

(a) Each of the parties hereto shall maintain and shall cause each of its employees, members, partners, certificateholders and officers to maintain the confidentiality of the Agreement and all information with respect to the other parties, including all information regarding their respective businesses obtained by it or them in connection with the structuring, negotiating and execution of the transactions contemplated herein, except that each such party and its directors, officers, members, partners, certificateholders and employees may (i) disclose such information to its accountants, attorneys, investors, potential investors, credit enhancers to the Purchasers and the agents or advisors of such Persons (***"Excepted Persons"***); ***provided that*** each Excepted Person shall, as a condition to any such disclosure, agree for the benefit of the parties hereto that such information shall be used solely in connection with such Excepted Person's evaluation of, or relationship with, the Seller and its affiliates, (ii) disclose the existence of the Agreement, but not the financial terms thereof, (iii) disclose such information as required pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law), (iv) disclose such information to any rating agency rating the Commercial Paper and any other nationally recognized statistical rating organization as contemplated in Section 17g-5 of the Securities Exchange Act of 1934 and (v) disclose the Agreement and such information in any suit, action, proceeding or investigation (whether in law or in equity or pursuant to arbitration) involving any of the Transaction Documents for the purpose of defending itself, reducing its liability, or protecting or exercising any of its claims, rights, remedies, or interests under or in connection with any of the Transaction Documents; ***provided further that*** the Persons permitted to make such disclosures under clauses (iii) and (v) shall also include credit enhancers to the Purchasers. It is understood that the financial terms that may not be disclosed except in compliance with this Section 13.4(a) include, without limitation, all fees and other pricing terms, and all Termination Events and priority of payment provisions.

(b) Anything herein to the contrary notwithstanding, each Seller Party hereby consents to the disclosure of any nonpublic information with respect to it obtained in connection with the transactions contemplated herein (i) to the Agent, any Liquidity Agent, any Purchaser, any Purchaser Agent or any Funding Source by each other, (ii) by the Agent, any Liquidity Agent, any Purchaser, any Purchaser Agent or any Funding Source to any prospective or actual assignee or participant of any of them or (iii) by the Agent, any Liquidity Agent, any Purchaser, any Purchaser Agent or any Funding Source to any rating agency, commercial paper dealer or provider of a surety, guaranty or credit or liquidity enhancement to a Purchaser and to any officers, directors, members, partners, certificateholders, employees, accountants, advisors, and attorneys of any of the foregoing, ***provided that*** each such Person is informed of the confidential nature of such information and agrees for the benefit of the parties hereto that such information shall be used solely in connection with such Person's evaluation. In addition, the Agent, any Liquidity Agent, any Purchaser, any Purchaser Agent, any Funding Source or provider of a surety, guaranty or credit or liquidity enhancement to a Purchaser may disclose any such nonpublic information as required pursuant to any law, rule, regulation, direction, request or order of any judicial, administrative or regulatory authority or proceedings (whether or not having the force or effect of law).

(c) Notwithstanding anything herein to the contrary, the foregoing shall not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known, (ii) disclosure of any and all information if required to do so by any applicable statute, law, rule or regulation, or (iii) any other disclosure authorized by the Seller or Servicer.

Section 13.5 Bankruptcy Petition. Each party hereto hereby covenants and agrees that prior to the date which is one year and one day after the payment in full of all outstanding commercial paper notes or other indebtedness of each Conduit Purchaser, it will not institute against or join any other Person in instituting against such Conduit Purchaser any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States.

Section 13.6 Limitation of Liability. (a) No claim may be made by any party hereto against any other party hereto or any Funding Source or their respective Affiliates, directors, officers, members, partners, certificateholders, employees, attorneys or agents for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and each party hereto hereby waives, releases, and agrees not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor, and (b) no Conduit Purchaser shall have any obligation to pay any amounts owing hereunder unless and until such Purchaser has received such amounts pursuant to its portion of the Receivable Interests and such amounts are not necessary to pay outstanding commercial paper notes or other outstanding indebtedness of such Purchaser. Each party hereto hereby agrees that no liability or obligation of any Conduit Purchaser hereunder for fees, expenses or indemnities shall constitute a claim (as defined in Section 101 of Title 11 of the United States Bankruptcy Code) against such Purchaser unless such Purchaser has received cash from its portion of the Receivable Interests sufficient to pay such amounts, and such amounts are not necessary to pay outstanding commercial paper notes or other indebtedness of such Purchaser.

Section 13.7 CHOICE OF LAW. THIS AGREEMENT SHALL BE GOVERNED AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF OTHER THAN SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW EXCEPT TO THE EXTENT THAT THE PERFECTION OF THE OWNERSHIP INTEREST OF SELLER OR THE OWNERSHIP OR SECURITY INTEREST OF THE AGENT (FOR THE BENEFIT OF THE SECURED PARTIES) IN ANY OF THE COLLATERAL IS GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

Section 13.8 CONSENT TO JURISDICTION. EACH PARTY TO THIS AGREEMENT HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL COURT SITTING IN THE SOUTHERN DISTRICT OF NEW YORK OR ANY NEW YORK STATE COURT SITTING IN NEW YORK COUNTY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH PERSON PURSUANT TO THIS AGREEMENT, AND EACH SUCH PARTY HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE AGENT, ANY PURCHASER AGENT OR ANY PURCHASER TO BRING PROCEEDINGS AGAINST ANY SELLER PARTY IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY ANY SELLER PARTY AGAINST THE AGENT, ANY PURCHASER AGENT OR ANY PURCHASER OR ANY AFFILIATE OF THE AGENT, ANY PURCHASER AGENT OR ANY PURCHASER INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT OR ANY DOCUMENT EXECUTED BY SUCH SELLER PARTY PURSUANT TO THIS AGREEMENT SHALL BE BROUGHT ONLY IN A COURT IN NEW YORK, NEW YORK.

Section 13.9 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH THIS AGREEMENT, ANY DOCUMENT EXECUTED BY ANY SELLER PARTY PURSUANT TO THIS AGREEMENT OR THE RELATIONSHIP ESTABLISHED HEREUNDER OR THEREUNDER.

Section 13.10 Integration; Binding Effect; Survival of Terms.

(a) This Agreement and each other Transaction Document contain the final and complete integration of all prior expressions by the parties hereto with respect to the subject matter hereof and shall constitute the entire agreement among the parties hereto with respect to the subject matter hereof superseding all prior oral or written understandings.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns (including any trustee in bankruptcy). This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms and shall remain in full force and effect until terminated in accordance with its terms; ***provided that*** the rights and remedies with respect to (i) any breach of any representation and warranty made by any Seller Party pursuant to Article V, (ii) the indemnification and payment provisions of Article X, and Section 13.4, Section 13.5 and Section 13.6 shall be continuing and shall survive any termination of this Agreement.

(c) Each of the Seller Parties, the Agent, the Purchaser Agents and the Purchasers hereby acknowledges and agrees that the Funding Sources are hereby made express third party beneficiaries of this Agreement and each of the other Transaction Documents as in effect from time to time.

Section 13.11 Counterparts; Severability; Section References. This Agreement may be executed in any number of counterparts and by different parties hereto in separate 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 counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of a manually executed counterpart of a signature page to this Agreement. Any provisions of this Agreement which are 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. Unless otherwise expressly indicated, all references herein to *"Article", "Section", "Schedule" or "Exhibit"* shall mean articles and sections of, and schedules and exhibits to, this Agreement.

Section 13.12 Characterization.

(a) It is the intention of the parties hereto that each Purchase hereunder shall constitute and be treated as an absolute and irrevocable sale, which Purchase shall provide the Agent (for the benefit of the Secured Parties) with the full benefits of ownership of the applicable Receivable Interest. Except as specifically provided in this Agreement, each sale of a Receivable Interest hereunder is made without recourse to Seller; ***provided that*** (i) Seller shall be liable to the Agent, the Purchaser Agents and the Purchasers for all representations, warranties, covenants and indemnities made by Seller pursuant to the terms of this Agreement, and (ii) such sale does not constitute and is not intended to result in an assumption by the Agent, any Purchaser Agent or any Purchaser or any assignee thereof of any obligation of Seller or any Originator or any other person arising in connection with the Receivables, the Related Security, or the related Contracts, or any other obligations of Seller or any Originator.

(b) In addition to any ownership interest which the Agent or any Purchaser may from time to time acquire pursuant hereto, Seller hereby grants to the Agent, for the benefit of Secured Parties, a valid and perfected security interest in all of Seller's right, title and interest in, to and under all Receivables now existing or hereafter arising, the Collections, each Lock-Box, each Collection Account, all Related Security, all other rights and payments relating to such Receivables, and all proceeds of any thereof prior to all other liens on and security interests therein to secure the prompt and complete payment of the Aggregate Unpaids. The Agent, on behalf of Secured Parties, shall have, in addition to the rights and remedies that it may have under this Agreement, all other rights and remedies provided to a secured creditor under the UCC and other applicable law, which rights and remedies shall be cumulative.

(c) Notwithstanding Sections 13.12(a) and 13.12(b), for U.S. federal income tax purposes, the parties hereto shall treat and report the Seller's sales, and the Purchasers' purchases, of Receivables under the Transaction Documents as one or more secured loans made by the Purchasers to the Seller.

Section 13.13 Federal Reserve. Notwithstanding any other provision of this Agreement to the contrary, any Purchaser Group may, at any time, pledge or grant a security interest in all or any portion of its rights (including, without limitation, any rights to payment of capital and interest) under this Agreement and any other Transaction Document to secure obligations of such Purchaser Group to a Federal Reserve Bank, without notice to or consent of the Seller or the Agent or any other party; ***provided that*** no such pledge or grant of a security interest shall release a Purchaser Group from any of its obligations hereunder or substitute any such pledgee or grantee for such Purchaser Group as a party hereto.

Section 13.14 Patriot Act. Agent, each Purchaser and each Purchaser Agent hereby notifies each Originator, the Seller and the Servicer that pursuant to the requirements of the USA PATRIOT Act, Title III of Pub. L. 107-56 (signed into law October 26, 2001) (the "***PATRIOT Act***"), Agent, each Purchaser and each Purchaser Agent may be required to obtain, verify and record information that identifies each Originator, the Seller and the Servicer, which information includes the name, address, tax identification number and other information regarding each Originator, the Seller and the Servicer that will allow Agent, each Purchaser and each Purchaser Agent to identify such Persons in accordance with the PATRIOT Act. This notice is given in accordance with the requirements of the PATRIOT Act. Each Originator, the Seller and the Servicer agrees to provide Agent, each Purchaser and each Purchaser Agent, from time to time, with all documentation and other information required by bank regulatory authorities under "know your customer" and anti-money laundering rules and regulations, including the PATRIOT Act.

*<signature pages follow>*

***IN WITNESS WHEREOF,*** the parties hereto have caused this Agreement to be executed and delivered by their duly authorized officers or attorneys-in-fact as of the date hereof.

HSFR, INC., as Seller

By: _____
Name: Ferdinand G. Jahnel
Title: Treasurer

Address: HSFR, Inc.
135 Duryea Road
Melville, New York 11747
Attention: Chief Financial Officer
Facsimile: (631) 843-5541

With a copy to: Proskauer Rose LLP
Eleven Times Square
New York, New York 10036
Attention: Ron D. Franklin, Esq.
Facsimile: (212) 969-2900

HENRY SCHEIN, INC.,
as Servicer

By: _____
Name: Steven Paladino
Title: Executive Vice President and Chief Financial Officer

Address: Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747
Attention: Chief Financial Officer
Facsimile: (631) 843-5541

With a copy to: Proskauer Rose LLP
Eleven Times Square
New York, New York 10036
Attention: Ron D. Franklin, Esq.
Facsimile: (212) 969-2900

MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.), as Agent

By: _____
Name: _____
Title: _____

Address: MUFG Bank, Ltd.
1251 Avenue of the Americas, 12th Floor
New York, New York 10020-1104
Attention: Securitization Department
Telephone: (212) 782-6957
Facsimile: (212) 782-6448

VICTORY RECEIVABLES CORPORATION, as an Uncommitted Purchaser

By: _____
Name: _____
Title: _____

| | |
|---|---|
| Address: | Victory Receivables Corporation<br>c/o Global Securitization Services, LLC<br>114 West 47th Street, Suite 2310<br>New York, New York 10036 |
| Attention: | Frank B. Bilotta |
| Telephone: | (212) 295-2777 |
| Facsimile: | (212) 302-8767 |
| With a copy to: | MUFG Bank, Ltd.<br>1251 Avenue of the Americas, 12th Floor<br>New York, New York 10020-1104 |
| Attention: | Securitization Department |
| Telephone: | (212) 782-6957 |
| Facsimile: | (212) 782-6448 |

MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.), as Purchaser Agent for Victory Receivables Corporation

By: _____
Name: _____
Title: _____

| | |
|---|---|
| Address: | MUFG Bank, Ltd.<br>1251 Avenue of the Americas, 12th Floor<br>New York, New York 10020-1104 |
| Attention: | Securitization Department |
| Telephone: | (212) 782-6957 |
| Facsimile: | (212) 782-6448 |

MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.), as Related Committed Purchaser for Victory Receivables Corporation

By: _____
Name: _____
Title: _____

Address: MUFG Bank, Ltd.
1251 Avenue of the Americas, 12th Floor
New York, New York 10020-1104
Attention: Securitization Department
Telephone: (212) 782-6957
Facsimile: (212) 782-6448

**EXHIBIT I**

**DEFINITIONS**

***As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):***

***"Account Disclosure Letter"*** means that certain letter from the Seller and the Servicer to the Agent and each Purchaser Agent, setting forth each Lock-Box and Collection Account to which Collections are remitted.

***"Adjusted Dilution Ratio"*** means, as of any day, the average of the Dilution Ratios for the preceding twelve Calculation Periods.

***"Affiliate"*** shall mean, with respect to a Person, any other Person which directly or indirectly controls, is controlled by or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

***"Agent"*** has the meaning set forth in the preamble to this Agreement.

***"Aggregate Invested Amount"*** means, on any date of determination, the aggregate Invested Amount of all Receivable Interests of all Purchasers outstanding on such date.

***"Aggregate Reduction"*** has the meaning specified in Section 1.3.

***"Aggregate Unpaids"*** means, at any time, an amount equal to the sum of (i) the Aggregate Invested Amount, plus (ii) all Recourse Obligations (whether due or accrued) at such time.

***"Agreement"*** means this Agreement, as it may be amended, restated, supplemented or otherwise modified and in effect from time to time.

***"Alternate Base Rate"*** means, for any day for any Purchaser, the rate *per annum* equal to (i) 1.50% above the LIBO Rate or (ii) if the LIBO Rate is not available in accordance with Section 4.3, the greater of (x) the Prime Rate and (y) one-half of one percent (0.50%) above the Federal Funds Effective Rate. For purposes of determining the Alternate Base Rate for any day, changes in the Prime Rate or the Federal Funds Effective Rate shall be effective on the date of each such change.

***"Anti-Corruption Laws"*** means all laws, rules, and regulations of any jurisdiction applicable to the Seller Parties or their respective Subsidiaries from time to time concerning or relating to bribery or corruption, including the Foreign Corrupt Practices Act of 1977, as amended, the UK Bribery Act 2010, and any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

***"Anti-Terrorism Laws"*** means each of: (a) the Executive Order; (b) the PATRIOT Act; (c) the Money Laundering Control Act of 1986, 18 U.S.C. Sect. 1956 and any successor statute thereto; (d) the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada); (e) the Bank Secrecy Act, and the rules and regulations promulgated thereunder; and (f) any other applicable law of the United States, Canada or any member state of the European Union now or hereafter enacted to monitor, deter or otherwise prevent: (i) terrorism or (ii) the funding or support of terrorism or (iii) money laundering

***"Applicable Spread"*** has the meaning set forth in the Fee Letter.

***"Applicable Originator"*** shall mean the Originator which generated a specific Receivable (or Receivables).

***"Approved Fund"*** means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by a Purchaser, an Affiliate of a Purchaser or an entity or an Affiliate of an entity that administers or manages a Purchaser.

***"Assumption Agreement"*** means an agreement substantially in the form set forth in Exhibit VII to the Agreement.

***"Available Commitment"*** means, with respect to each Related Committed Purchaser, the excess, if any, of such Related Committed Purchaser's Commitment over the amount funded as of such date by such Related Committed Purchaser hereunder or with respect to outstanding principal of the Receivable Interests under the Liquidity Agreement for the Conduit Purchaser, if any, in the related Purchaser Group.

***"Bank Funding"*** means the funding of a Receivable Interest hereunder by any Purchaser other than through the issuance of Commercial Paper.

***"Bank Rate"*** means, with respect to each Receivable Interest that is funded through a Bank Funding, (a) the LIBO Rate or (b) if the LIBO Rate is not available in accordance with Section 4.3, the Alternate Base Rate.

***"Beneficial Ownership Rule"*** means 31 C.F.R. § 1010.230.

***"Broken Funding Costs"*** means for any Receivable Interest which: (i) has its Invested Amount reduced (I) if funded with Commercial Paper, without compliance by Seller with the notice requirements hereunder or (II) if funded by reference to the Yield Rate and based upon the LIBO Rate, on any date other than the Settlement Date or (ii) does not become subject to an Aggregate Reduction following the delivery of any Reduction Notice or (iii) is assigned by any Conduit Purchaser to the Liquidity Providers under the related Liquidity Agreement or terminated prior to the date on which it was originally scheduled to end; an amount equal to the excess, if any, of (A) the CP Costs or Yield (as applicable) that would have accrued during the remainder of the Interest Periods or the tranche periods for Commercial Paper determined by the applicable Purchaser Agent to relate to such Receivable Interest (as applicable) subsequent to the date of such reduction, assignment or termination (or in respect of clause (ii) above, the date such Aggregate Reduction was designated to occur pursuant to the Reduction Notice) of the Invested Amount of such Receivable Interest if such reduction, assignment or termination had not

occurred or such Reduction Notice had not been delivered, over (B) the sum of (x) to the extent all or a portion of such Invested Amount is allocated to another Receivable Interest, the amount of CP Costs or Yield actually accrued during the remainder of such period on such Invested Amount for the new Receivable Interest, and (y) to the extent such Invested Amount is not allocated to another Receivable Interest, the income, if any, actually received during the remainder of such period by the holder of such Receivable Interest from investing the portion of such Invested Amount not so allocated. In the event that the amount referred to in clause (B) exceeds the amount referred to in clause (A), the relevant Purchaser or Purchasers agree to pay to Seller the amount of such excess (net of any amounts due to such Purchasers). All Broken Funding Costs shall be due and payable hereunder upon written demand.

***"Business Day"*** means any day on which banks are not authorized or required to close in New York, New York, and The Depository Trust Company of New York is open for business, and, if the applicable Business Day relates to any computation or payment to be made with respect to the Yield Rate and based upon the LIBO Rate, any day on which dealings in dollar deposits are carried on in the London interbank market.

***"Calculation Period"*** means each accounting month specified in Part 1 of Exhibit XIV.

***"Capitalized Lease"*** of a Person shall mean any lease of property by such Person as lessee which would be capitalized on a balance sheet of such Person prepared in accordance with GAAP.

***"Change in Control"*** means any Person or "group" (within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended) (A) shall have acquired beneficial interest of 50% or more of any outstanding class of equity interests having ordinary voting power in the election of the directors of Schein (other than the aggregate beneficial ownership of the Persons who are officers or directors of Schein as of September 12, 2012) or (B) shall obtain (i) the power (whether or not exercised) to elect a majority of Schein's directors or (ii) the board of directors of Schein shall not consist of a majority of Continuing Directors.

***"Closing Date"*** April 17, 2013.

***"Collection Account"*** means each concentration account, depositary account, lock-box account or similar account in which any Collections are collected or deposited and which is listed on Exhibit I to the Account Disclosure Letter.

***"Collection Account Agreement"*** means an agreement, substantially in the form of Exhibit V, among Servicer, Seller, the Agent and a Collection Bank.

***"Collection Bank"*** means, at any time, any of the banks holding one or more Collection Accounts.

***"Collection Notice"*** means a notice, in substantially the form of Annex A to Exhibit V, from the Agent to a Collection Bank.

***"Collections"*** means, with respect to any Receivable, all cash collections and other cash proceeds in respect of such Receivable, including, without limitation, all Finance Charges or other related amounts accruing in respect thereof and all cash proceeds of Related Security with respect to such Receivable.

***"Commercial Paper"*** means, with respect to any Conduit Purchaser, (a) promissory notes issued by such Conduit Purchaser in the commercial paper market or (b) on any day, any short-term notes or any other form of debt issued by or on behalf of such Conduit Purchaser in the ordinary course of its financing business or obligations pursuant to interest rate basis swaps entered into in connection with the issuance of such short-term notes.

***"Commitment"*** means, with respect to each Related Committed Purchaser, the aggregate maximum amount which such Purchaser is obligated to pay hereunder on account of all Purchases, as set forth below its signature to this Agreement or in the Assumption Agreement or Transfer Supplement (or, with respect to the Commitment of MUFG as the Related Committed Purchaser for Victory Receivables Corporation, as set forth on its signature page to the Third Amendment), pursuant to which it became a Purchaser, as such amount may be modified in connection with any subsequent assignment pursuant to Section 12.1 or in connection with a reduction in the Maximum Purchase Limit pursuant to Section 1.1(b).

***"Commitment Percentage"*** means, for each Related Committed Purchaser in a Purchaser Group, such Related Committed Purchaser's Commitment divided by the total of all Commitments of all Related Committed Purchasers in such Purchaser Group.

***"Concentration Percentage"*** means (i) for any Group A Obligor, 10.00%, (ii) for any Group B Obligor, 10.00%, (iii) for any Group C Obligor, 5.00% and (iv) for any Group D Obligor, 2.50%.

***"Conduit Purchasers"*** means each Purchaser that is a commercial paper conduit.

***"Consolidated Subsidiary"*** shall mean, at any date, for any Person, any Subsidiary or other entity the accounts of which would be consolidated under GAAP with those of such Person in its consolidated financial statements as of such date.

***"Contingent Obligation"*** of a Person means any agreement, undertaking or arrangement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes or is contingently liable upon, the obligation or liability of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor of such other Person against loss, including, without limitation, any comfort letter, operating agreement, take-or-pay contract or application for a letter of credit.

***"Continuing Directors"*** means, as to Schein, the directors of Schein as of September 12, 2012, and each other director of Schein whose nomination for election to the Board of Directors of Schein is recommended by a majority of the then Continuing Directors.

***"Contract"*** means, with respect to any Receivable, any and all instruments, agreements, invoices or other writings pursuant to which such Receivable arises or which evidence such Receivable.

***"Contractual Dilution"*** means any amount by which a Receivable is reduced prior to payment by the relevant Obligor as a result of allowances, discounts, sales programs or rebates which are customary and specified in a sales contract or applicable obligor program.

***"CP Costs"*** means, for each day for any Conduit Purchaser (a) the "weighted average cost" (as defined below) for such day related to the issuance of Commercial Paper by such Conduit Purchaser that is allocated, in whole or in part by such Conduit Purchaser, to fund all or part of its Purchases (and which may also be allocated in part to the funding of other assets of such Conduit Purchaser) or (b) any other amount designated as the "CP Costs" for such Conduit Purchaser in an Assumption Agreement or Transfer Supplement pursuant to which such Conduit Purchaser becomes a party (as a Conduit Purchaser) to the Agreement, or any other written agreement among such Conduit Purchaser, the Seller, the Servicer, the related Purchaser Agent and the Agent from time to time. As used in this definition, the "weighted average cost" shall consist of (A) the actual interest rate (or discount) paid to purchasers of Commercial Paper issued by such Conduit Purchaser, together with the commissions of placement agents and dealers in respect of such Commercial Paper, to the extent such commissions are allocated, in whole or in part, to such Commercial Paper (B) the costs associated with the issuance of such Commercial Paper, including without limitation, issuing and paying agent fees incurred with respect to such Commercial Paper, (C) any incremental carrying costs incurred with respect to Commercial Paper maturing on dates other than those on which corresponding funds are received by such Conduit Purchaser under this Agreement and (D) interest on other borrowing or funding sources by such Conduit Purchaser, including, without limitation, (i) to fund small or odd dollar amounts that are not easily accommodated in the commercial paper market, (ii) bridge loans, (iii) market disruption loans, (iv) subordinate notes and (v) voluntary advance facilities.

***"Credit Agreement"*** means that certain Credit Agreement, dated as of September 12, 2012, among Schein, as borrower, the lenders party thereto, JPMorgan Chase Bank, N.A., as administrative agent, HSBC Bank USA, National Association, as syndication agent and U.S. Bank National Association, MUFG, UniCredit Bank AG and The Bank of New York Mellon, as co-documentation agents, as amended, restated, supplemented or otherwise modified from time to time.

***"Credit and Collection Policy"*** means, as applicable, Schein's credit and collection policies and practices relating to Contracts and Receivables existing on the date hereof and provided to the Agent and each Purchaser Agent, as modified from time to time in accordance with this Agreement.

***"Cut-Off Date"*** means the last day of a Calculation Period.

***"Deemed Collections"*** means Collections deemed received by Seller under Section 1.4(a).

***"Default Rate"*** means a rate per annum equal to the sum of (a) Prime Rate and (b) 1.50%.

***"Default Ratio"*** means, as of any Cut-Off Date, the ratio (expressed as a percentage) computed by dividing (i) the aggregate Outstanding Balance of Receivables which became Defaulted Receivables during the Calculation Period that includes such Cut-Off Date by (ii) the aggregate Outstanding Balance of Receivables originated by the Originators during the Calculation Period occurring four (4) months prior to the Calculation Period ending on such Cut-Off Date.

***"Defaulted Receivable"*** means a Receivable (without duplication): (i) as to which the Obligor thereof has suffered an Event of Bankruptcy; (ii) which, consistent with the Credit and Collection Policy, should be written off Seller's books as uncollectible; or (iii) as to which any payment, or part thereof, remains unpaid for more than ninety (90) days but equal to or less than one hundred and twenty (120) days from the original due date for such payment (determined without regard to any extension of the due date pursuant to Section 8.2(d)).

***"Delinquency Ratio"*** means, as of any Cut-Off Date, the ratio (expressed as a percentage) computed by dividing (i) the aggregate Outstanding Balance of Receivables which became Delinquent Receivables during the Calculation Period ending on such Cut-Off Date by (ii) the aggregate Outstanding Balance of all Receivables as of such Cut-Off Date.

***"Delinquent Receivable"*** means a Receivable (other than a Defaulted Receivable) as to which any payment, or part thereof, remains unpaid for more than 60 days from the original due date for such payment (determined without regard to any extension of the due date pursuant to Section 8.2(d)).

***"Diluted Receivable"*** means a Receivable which in whole or in part has become a subject of reduction as a result of returned products, defect, dispute, warranty, cash discounts, allowances, rebates, rejections, set off, netting, deficit, failure to perform on the part of the related Originator, adjustment, or any other reason besides reasons pertaining to the credit worthiness of the related Obligor.

***"Dilution"*** means the amount of any reduction or cancellation of the Outstanding Balance of a Receivable as described in Section 1.4(a).

***"Dilution Horizon Ratio*** means as of any date, a ratio (expressed as a percentage), computed as of the last day of the most recently ended Calculation Period by dividing (i) the sum of the aggregate amount of gross sales of the Originators generated during the most recently ended Calculation Period by (ii) the amount equal to the Non-Defaulted Receivables Balance as of the last day of the most recently ended Calculation Period.

***"Dilution Ratio"*** means, as of any Cut-Off Date, a ratio (expressed as a percentage) computed by dividing (i) the aggregate Outstanding Balance of Receivables that became Diluted Receivables (excluding any portion thereof constituting Contractual Dilution) during the Calculation Period ending on such Cut-Off Date by (ii) the aggregate Outstanding Balance of Receivables generated by the Originators during the Calculation Period immediately prior to the Calculation Period ending on such Cut-Off Date.

***"Dilution Reserve Floor Percentage"*** means the product of:

ADR x DHR

***where:***

ADR = Adjusted Dilution Ratio;

DHR = Dilution Horizon Ratio.

***"Dilution Spike"*** means, at any time, the highest three (3) month average Dilution Ratio observed over the previous 12 months.

***"Dilution Volatility Ratio"*** means the product of:

((DS – ADR) x DS/ADR)

***where:***

ADR = Adjusted Dilution Ratio;

DS = Dilution Spike

***"Dispute"*** shall mean any dispute, deduction, claim, offset, defense, counterclaim, set-off or obligation of any kind, contingent or otherwise, relating to a Receivable, including, without limitation, any dispute relating to goods or services already paid for.

***"Dollar"*** and ***"$"*** shall mean lawful currency of the United States of America.

***"Dynamic Dilution Reserve Percentage"*** means, at any time, a percentage calculated as follows:

((SF x ADR) + DVR) x DHR

***where***:

SF = stress factor of 2.00;

ADR = Adjusted Dilution Ratio;

DVR = Dilution Volatility Ratio;

DHR = Dilution Horizon Ratio.

***"Dynamic Loss Reserve Percentage"*** means, at any time, the product of:

SF x LR x LHR

***where:***

SF = stress factor of 2.00;

LR = the highest three-month average Loss Ratio over the past 12 months;

LHR = Loss Horizon Ratio.

***"Eligible Receivable"*** means, at any time, a Receivable:

(a) which, together with the related Contract, complies with all applicable Laws and other legal requirements, whether Federal, state or local, including, without limitation, to the extent applicable, usury laws, the Federal Consumer Credit Protection Act, the Fair Credit Billing Act, the Federal Truth in Lending Act, and Regulation Z of the Board of Governors of the Federal Reserve System;

(b) which constitutes an "account", "chattel paper" or a "payment intangible" as defined in the UCC as in effect in the State of New York and the jurisdiction whose Law governs the perfection of the Agent's (for the benefit of the Secured Parties) ownership and security interest therein, and is not evidenced by an "instrument," as defined in the UCC as so in effect;

(c) which was originated in connection with a sale of goods or the provision of services by the Applicable Originator in the ordinary course of its business to an Obligor who was approved by the Applicable Originator in accordance with its Credit and Collection Policy, and which Obligor is not an Affiliate of the Seller or the Applicable Originator;

(d) which (i) arises from a Contract and has been billed, or in respect of which the related Obligor is otherwise liable, in accordance with the terms of such Contract and (ii) arises from a Contract that (A) does not require the Obligor under such Contract to consent to the transfer, sale or assignment of the rights and duties of the Applicable Originator or the Seller under such Contract and (B) does not contain any provision that restricts the ability of the Agent, any Purchaser Agent or any Purchaser to exercise its rights under this Agreement (or the Receivables Sale Agreement), including, without limitation, the right to review the Contract;

(e) which constitutes a legal, valid, binding and irrevocable payment obligation of the related Obligor, enforceable in accordance with its terms, and which is not subject to any Disputes or other offsets, counterclaims, defenses or contra accounts; ***provided that*** (1) if such Dispute, offset, counterclaim, defense or contra accounts affects only a portion of the Outstanding Balance of such Receivable or (2) if such Receivable is subject to Contractual Dilution then such Receivable may be deemed an Eligible Receivable to the extent of the portion of such Outstanding Balance which is not so affected;

(f) which provides for payment in Dollars and is to be paid in the United States by the related Obligor;

(g) with respect to which the related Contract directs (or the Servicer has directed) payment thereof to be sent to a Lock-Box or the Collection Account;

(h) which has not been repurchased by any Originator pursuant to the repurchase provisions of the Receivables Sale Agreement;

(i) which is not a Defaulted Receivable or Delinquent Receivable;

(j) which has a related Obligor (i) for which no more than 35% of the aggregate Outstanding Balances of Receivables owed by such Obligor are greater than 90 days past due and (ii) which is not the subject of a current Event of Bankruptcy and has not been the subject of an Event of Bankruptcy during the prior 24 months unless otherwise agreed to in writing by the Agent and the Required Purchaser Agents;

(k) which has a related Obligor that is a Person domiciled in the United States of America; ***provided that*** Receivables owed by Obligors not domiciled in the United States are permitted to be Eligible Receivables if the related Obligor is a resident of an OECD country;

(l) which was not originated in or subject to the Laws of a jurisdiction whose Laws would make such Receivable, the related Contract or the sale of the Receivable Interests to the Seller or Agent for the benefit of the Purchasers, or the pledge of the security interest to the Agent (for the benefit of the Secured Parties), hereunder unlawful, invalid or unenforceable and which is not subject to any legal limitation on transfer;

(m) which (i) immediately prior to the sale of such Receivable to the Seller under and in accordance with the Receivables Sale Agreement, was owned solely by the Applicable Originator free and clear of all Liens, except for the Lien arising in connection with the Receivables Sale Agreement, (ii) was transferred to the Seller in a "true sale" or "true contribution" under the Receivables Sale Agreement and (iii) after such sale, is owned solely by the Seller free and clear of all Liens, except for the Lien arising in connection with this Agreement;

(n) for which all goods, services, and other products and transactions in connection with such Receivable have been finally performed or delivered to and accepted by the Obligor without Dispute;

(o) which does not provide the Obligor with the right to obtain any cash advance thereunder;

(p) which by its terms has Invoice Payment Terms of less than 91 days; ***provided that*** an Extended Term Receivable may be an Eligible Receivable if the Invoice Payment Terms of such Extended Term Receivable do not exceed 180 days;

(q) which is an eligible asset within the meaning of Rule 3a-7 promulgated under the Investment Company Act of 1940, as amended from time to time;

(s) which has terms which have not been modified, impaired, waived, altered, extended or renegotiated since the initial sale or provision of service to an Obligor in any way not expressly permitted for in this Agreement;

(t) which represents all or part of the sales price of merchandise, insurance, services, and goods within the meaning of the Investment Company Act of 1940, Section 3(c)(5), as amended, and which is sold by the Applicable Originator in the ordinary course of business;

(u) for which the purchase of such Receivable is a "current transaction" within Section 3(a)(3) of the Securities Act of 1933; and

(v) the Obligor of which is not a Sanctioned Person.

***"ERISA"*** means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any rule or regulation issued thereunder.

***"ERISA Affiliate"*** means any trade or business (whether or not incorporated) under common control with Schein within the meaning of Section 414(b) or (c) of the Internal Revenue Code (and Sections 414(m) and (o) of the Internal Revenue Code for purposes of provisions relating to Section 412 of the Internal Revenue Code).

***"ERISA Event"*** means (a) a Reportable Event with respect to a Pension Plan; (b) a complete or partial withdrawal from a Multiemployer Plan that results in liability to Schein or any ERISA Affiliate, or the receipt or delivery by Schein or any ERISA Affiliate of any notice with respect to any Multiemployer Plan concerning the imposition of liability as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA; (c) a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA; (d) the filing pursuant to Section 412(c) of the Internal Revenue Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard with respect to any Pension Plan; (e) the PBGC or a plan administrator shall, or shall indicate its intention in writing to Schein or any ERISA Affiliate to, terminate any Pension Plan or appoint a trustee to administer any Pension Plan; (f) Schein or any ERISA Affiliate incurs liability under Title IV of ERISA with respect to the termination of any Pension Plan; (g) a failure by any Pension Plan to satisfy the minimum funding standards (as defined in Section 412 of the Internal Revenue Code or Section 302 of ERISA) applicable to such Pension Plan, in each instance, whether or not waived or (h) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon Schein or any ERISA Affiliate.

***"Event of Bankruptcy"*** shall be deemed to have occurred with respect to a Person if either:

(a) a case or other proceeding shall be commenced, without the application or consent of such Person, in any court, seeking the liquidation, reorganization, debt arrangement, dissolution, winding up, or composition or readjustment of debts of such Person, the appointment of a trustee, receiver, custodian, liquidator, assignee, sequestrator or the like for such Person or all or substantially all of its assets, or any similar action with respect to such Person under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, and such case or proceeding shall continue undismissed, or unstayed and in effect, for a period of 60 consecutive days; or an order for relief in respect of such Person shall be entered in an involuntary case under the federal bankruptcy laws or other similar laws now or hereafter in effect; or

(b) such Person shall commence a voluntary case or other proceeding under any applicable bankruptcy, insolvency, reorganization, debt arrangement, dissolution or other similar law now or hereafter in effect, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee (other than a trustee under a deed of trust, indenture or similar instrument), custodian, sequestrator (or other similar

official) for, such Person or for any substantial part of its property, or shall make any general assignment for the benefit of creditors, or shall be adjudicated insolvent, or admit in writing its inability to pay its debts generally as they become due, or, if a corporation or similar entity, its board of directors shall vote to implement any of the foregoing.

***"Excepted Persons"*** has the meaning set forth in Section 13.4.

***"Excess Concentration"*** means, without duplication, the sum of the following amounts:

(a) the sum of the amounts calculated for each of the Obligors equal to the excess (if any) of the aggregate Outstanding Balance of the Eligible Receivables of such Obligor, over the product of (x) such Obligor's Concentration Percentage, multiplied by (y) the aggregate Outstanding Balance of all Eligible Receivables; plus

(b) the amount (if any) by which the aggregate Outstanding Balance of all Eligible Receivables owed by Obligors not domiciled in the United States and are residents of an OECD country, exceeds 5.00% of the aggregate Outstanding Balance of all Eligible Receivables; plus

(c) the amount (if any) by which the aggregate Outstanding Balance of all Eligible Receivables that are Extended Term Receivables, exceeds 5.00% of the aggregate Outstanding Balance of all Eligible Receivables; plus

(d) the amount (if any) by which the aggregate Outstanding Balance of all Eligible Receivables that are Government Receivables, exceeds 5.00% of the aggregate Outstanding Balance of all Eligible Receivables; plus

(e) the amount (if any) by which the aggregate Outstanding Balance of all Eligible Receivables originated by (i) Insource, Inc. and (ii) Henry Schein Puerto Rico, Inc., exceeds 5.00% of the aggregate Outstanding Balance of all Eligible Receivables.

***"Excluded Taxes"*** has the meaning set forth in Section 10.1(d).

***"Executive Order"*** means Executive Order No. 13224 on Terrorist Financings: Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten To Commit, or Support Terrorism issued on September 23, 2001.

***"Extended Term Receivables"*** means a Receivable with Invoice Payment Terms greater than 90 days.

***"Facility Account"*** means that certain account of the Seller maintained at The Bank of New York Mellon and as set forth in that certain letter dated as of the date hereof from the Seller to the Purchaser Agents.

***"Facility Termination Date"*** means the earliest to occur of: (a) the Scheduled Facility Termination Date, (b) the date determined pursuant to Section 9.2, (c) the Termination Date and (d) the date the Purchase Limit reduces to zero pursuant to Section 1.1(b) of this Agreement.

***"FATCA"*** means Sections 1471 through 1474 of the Internal Revenue Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code.

***"Federal Bankruptcy Code"*** means Title 11 of the United States Code entitled "Bankruptcy," as amended and any successor statute thereto.

***"Federal Funds Effective Rate"*** means, for any period for any Purchaser, a fluctuating interest rate *per annum* for each day during such period equal to (i) 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 for such day (or, if such day is not a Business Day, for the preceding Business Day) by the Federal Reserve Bank of New York in the Composite Closing Quotations for U.S. Government Securities; or (ii) if such rate is not so published for any day which is a Business Day, the average of the quotations at approximately 11:30 a.m. (New York time) for such day on such transactions received by the related Purchaser Agent from three federal funds brokers of recognized standing selected by it.

***"Fee Letter"*** means each fee letter with respect to this Agreement among Seller, Schein and the applicable Purchaser Agent, as it may be amended, restated or otherwise modified and in effect from time to time.

***"Fifth Amendment Date"*** means May 13, 2019.

***"Final Payout Date"*** means the date on which all Aggregate Unpaids have been paid in full and the Purchase Limit has been reduced to zero.

***"Finance Charges"*** means, with respect to a Contract, any finance, interest, late payment charges or similar charges owing by an Obligor pursuant to such Contract.

***"Fiscal Year"*** shall mean, for accounting purposes of each of the Seller and the Servicer, the following dates: (i) for Fiscal Year 2013, December 30, 2012 until December 28, 2013, (ii) for Fiscal Year 2014, December 29, 2013 until December 27, 2014, (iii) for Fiscal Year 2015, December 28, 2014 until December 26, 2015 and (iv) for Fiscal Year 2016, December 27, 2015 until December 31, 2016.

***"Funding Agreement"*** means (i) this Agreement, (ii) each Liquidity Agreement and (iii) any other agreement or instrument executed by any Funding Source with or for the benefit of any Conduit Purchaser.

***"Funding Source"*** means (i) the Agent, any Purchaser Agent or any Liquidity Provider or (ii) any insurance company, bank or other funding entity providing liquidity, credit enhancement or back-up purchase support or facilities to any Conduit Purchaser.

***"GAAP"*** means generally accepted accounting principles in effect in the United States of America as of the date of this Agreement.

***"Government Receivables"*** shall mean, at the time, any Receivables for which the related Obligor is the United States of America, any State or local government or any Federal or state agency or instrumentality or political subdivision thereof.

***"Group A Obligor"*** means an Obligor (or its parent or majority owner, as applicable, if such parent or majority owner is a guarantor on the related Contract) with a short-term rating of at least: (a) "A-1" by Standard & Poor's or, if such Obligor does not have a short-term rating from Standard & Poor's, a rating of "A+" or better by Standard & Poor's on such Obligor's (or, if applicable, its parent's or its majority owner's) long-term senior unsecured and uncredit-enhanced debt securities, and (b) "P-1" by Moody', or, if such Obligor does not have a short-term rating from Moody's, a rating of "Al" or better by Moody's on such Obligor's (or, if applicable, its parent's or its majority owner's) long-term senior unsecured and uncredit-enhanced debt securities; provided, that if an Obligor (or its parent or majority owner, as applicable, if such parent or majority owner is a guarantor on the related Contract) receives a split rating from Standard & Poor's and Moody's, then such Obligor (or its parent or majority owner, as applicable) shall be deemed to have the lower of the two ratings; provided, further, that if an Obligor (or its parent or majority owner, as applicable, if such parent or majority owner is a guarantor on the related Contract) is rated by either Standard & Poor's or Moody's, but not both, and satisfies either clause (a) or clause (b) above, then such Obligor (or its parent or majority owner, as applicable) shall be deemed to be a Group B Obligor. Notwithstanding the foregoing, any Obligor that is a Subsidiary or an Affiliate of an Obligor that satisfies the definition of "Group A Obligor" shall be deemed to be a Group A Obligor and shall be aggregated with the Obligor that satisfies such definition for the purposes of clause (i) of the definition of "Excess Concentration" for such Obligors, unless such deemed Obligor separately satisfies the definition of "Group A Obligor", "Group B Obligor", or "Group C Obligor", in which case such Obligor shall be separately treated as a Group A Obligor, a Group B Obligor or a Group C Obligor, as the case may be, and shall be aggregated and combined for such purposes with any of its Subsidiaries that are Obligors.

***"Group B Obligor"*** means an Obligor (or its parent or majority owner, as applicable, if such parent or majority owner is a guarantor on the related Contract) that is not a Group A Obligor and that has a short-term rating of at least: (a) "A-2" by Standard & Poor's or, if such Obligor does not have a short-term rating from Standard & Poor's, a rating of "BBB+" or better by Standard & Poor's on such Obligor's (or, if applicable, its parent's or its majority owner's) long-term senior unsecured and uncredit-enhanced debt securities, and (b) "P-2" by Moody's or, if such Obligor does not have a short-term rating from Moody's, a rating of "Baal" or better by Moody's on such Obligor's (or, if applicable, its parent's or its majority owner's) long-term senior unsecured and uncredit-enhanced debt securities; provided, that if an Obligor (or its parent or majority owner, as applicable, if such parent or majority owner is a guarantor on the related Contract) receives a split rating from Standard & Poor's and Moody's, then such Obligor (or its parent or majority owner, as applicable) shall be deemed to have the lower of the two ratings; provided, further, that if an Obligor (or its parent or majority owner, as applicable, if such parent or majority owner is a guarantor on the related Contract) is rated by either Standard & Poor's or Moody's, but not both, and satisfies either clause (a) or clause (b) above, then such Obligor (or its parent or majority owner, as applicable) shall be deemed to be a Group C Obligor. Notwithstanding the foregoing, any Obligor that is a Subsidiary or Affiliate of an Obligor that satisfies the definition of "Group B Obligor" shall be deemed to be a Group B Obligor and shall be aggregated with the Obligor that satisfies such definition for the purposes of clause (i) of the

definition of “Excess Concentration” for such Obligors, unless such deemed Obligor separately satisfies the definition of “Group A Obligor”, “Group B Obligor”, or “Group C Obligor”, in which case such Obligor shall be separately treated as a Group A Obligor, a Group B Obligor or a Group C Obligor, as the case may be, and shall be aggregated and combined for such purposes with any of its Subsidiaries that are Obligors.

***“Group C Obligor”*** means an Obligor (or its parent or majority owner, as applicable, if such parent or majority owner is a guarantor on the related Contract) that is not a Group A Obligor or a Group B Obligor and that has a short-term rating of at least: (a) “A-3” by Standard & Poor’s or, if such Obligor does not have a short-term rating from Standard & Poor’s, a rating of “BBB-”or better by Standard & Poor’s on such Obligor’s (or, if applicable, its parent’s or its majority owner’s) long-term senior unsecured and uncredit-enhanced debt securities, and (b) “P-3” by Moody’s or, if such Obligor does not have a short-term rating from Moody’s, a rating of “Baa3” or better by Moody’s on such Obligor’s (or, if applicable, its parent’s or its majority owner’s) long-term senior unsecured and uncredit-enhanced debt securities; provided, that if an Obligor (or its parent or majority owner, as applicable, if such parent or majority owner is a guarantor on the related Contract) receives a split rating from Standard & Poor’s and Moody’s, then such Obligor (or its parent or majority owner, as applicable) shall be deemed to have the lower of the two ratings; provided, further, that if an Obligor (or its parent or majority owner, as applicable, if such parent or majority owner is a guarantor on the related Contract) is rated by either Standard & Poor’s or Moody’s, but not both, and satisfies either clause (a) or clause (b) above, then such Obligor (or its parent or majority owner, as applicable) shall be deemed to be a Group D Obligor. Notwithstanding the foregoing, any Obligor that is a Subsidiary or Affiliate of an Obligor that satisfies the definition of “Group C Obligor” shall be deemed to be a Group C Obligor and shall be aggregated with the Obligor that satisfies such definition for the purposes of clause (i) of the definition of “Excess Concentration” for such Obligors, unless such deemed Obligor separately satisfies the definition of “Group A Obligor”, “Group B Obligor”, or “Group C Obligor”, in which case such Obligor shall be separately treated as a Group A Obligor, a Group B Obligor or a Group C Obligor, as the case may be, and shall be aggregated and combined for such purposes with any of its Subsidiaries that are Obligors.

***“Group Commitment”*** means, with respect to any Purchaser Group, the aggregate of the Commitments of each Purchaser within such Purchaser Group.

***“Group D Obligor”*** means any Obligor that is not a Group A Obligor, Group B Obligor or Group C Obligor, Any Obligor (or its parent or majority owner, as applicable, if such Obligor is unrated) that is rated by neither Moody’s nor Standard & Poor’s shall be a Group D Obligor.

***“Group Invested Amount”*** means, with respect to any Purchaser Group, an amount equal to the aggregate Invested Amount of all the Purchasers within such Purchaser Group.

***“Guarantee”*** shall mean, as applied to any Indebtedness, (i) a guarantee (other than by endorsement for collection in the ordinary course of business), direct or indirect, in any manner, of any part or all of such Indebtedness or (ii) an agreement, direct or indirect, contingent or otherwise, providing assurance of the payment or performance (or payment of damages in the event of non-performance) of any part or all of such Indebtedness, including, without limiting the foregoing, the payment of amounts drawn down by letters of credit. The amount of any Guarantee shall be deemed to be the maximum amount of the Indebtedness guaranteed for which the guarantor could be held liable under such Guarantee.

***"Incremental Purchase"*** means a purchase of one or more Receivable Interests which increases the total outstanding Aggregate Invested Amount hereunder.

***"Indebtedness"*** of any Person shall mean, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, or upon which interest payments are customarily made, (iii) all obligations of such Person under conditional sale or other title retention agreements relating to property purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business), (iv) all obligations of such Person issued or assumed as the deferred purchase price of property or services purchased by such Person (other than trade debt incurred in the ordinary course of business and due within twelve months of the incurrence thereof) which would appear as liabilities on a balance sheet of such Person, (v) all obligations of such Person under take-or-pay or similar arrangements or under commodities agreements, (vi) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed, ***provided that*** for purposes hereof the amount of such Indebtedness shall be limited to the greater of (A) the amount of such Indebtedness as to which there is recourse to such Person and (B) the fair market value of the property which is subject to the Lien, (vii) all Guarantees of such Person, (viii) the principal portion of all obligations of such Person under Capitalized Leases, (ix) all obligations of such Person in respect of interest rate protection agreements, foreign currency exchange agreements, commodity purchase or option agreements or other interest or exchange rate or commodity price hedging agreements, (x) the maximum amount of all standby letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed), (xi) all preferred stock issued by such Person and required by the terms thereof to be redeemed, or for which mandatory sinking fund payments are due by a fixed date, (xii) the principal balance outstanding under any securitization transaction and (xiii) the principal balance outstanding under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product to which such Person is a party, where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP. The Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer, but only to the extent to which there is recourse to such Person for payment of such Indebtedness.

***"Indemnified Amounts"*** has the meaning specified in Section 10.1.

***"Indemnified Party"*** has the meaning specified in Section 10.1.

***"Independent Director"*** means an individual who (A)(i) shall not have been at the time of such individual's appointment as a director, (ii) may not have been at any time during the preceding five (5) years and (iii) shall not be while serving as Independent Director for the Seller (a) a shareholder of, or an officer, director (other than an Independent Director), member, partner, attorney, counsel or employee of, the Seller or any Affiliate thereof, (b) a customer,

creditor or contractor of, or supplier to the Seller, or any of its Affiliates, (c) a Person controlling, controlled by or under common control with, any such shareholder, officer, director, member, partner, attorney, counsel, employee, customer or supplier, or (d) a member of the immediate family of any such shareholder, officer, director, member, partner, employee, customer or supplier and (B) shall have (i) prior experience as an independent director, independent manager or independent member and who is provided by CT Corporation, Corporation Service Company, National Registered Agents, Inc., Wilmington Trust Company, Stewart Management Company, Lord Securities Corporation or, if none of those companies is then providing professional independent directors, another nationally-recognized company reasonably approved by the Agent, in each case that is not an Affiliate of the Seller and that provides professional independent directors and other corporate services in the ordinary course of its business and (ii) at least three (3) years of employment experience with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management or placement services to issuers of securitization or structured finance instruments, agreements or securities.

***"Interest Period"*** means with respect to any Receivable Interest funded through a Bank Funding:

(a) the period commencing on the date of the initial funding of such Receivable Interest through a Bank Funding and including on, but excluding, the Business Day immediately preceding the next following Settlement Date; and

(b) thereafter, each period commencing on, and including, the Business Day immediately preceding a Settlement Date and ending on, but excluding, the Business Day immediately preceding the next following Settlement Date.

***"Internal Revenue Code"*** shall mean the Internal Revenue Code of 1986, as amended from time to time and any successor thereto, and the regulations promulgated and rulings issued thereunder.

***"Invested Amount"*** of any Receivable Interest means, at any time, (A) the Purchase Price of such Receivable Interest paid by the Purchasers, minus (B) the sum of the aggregate amount of Collections and other payments received by the applicable Purchaser Agent which, in each case, are applied to reduce such Invested Amount in accordance with the terms and conditions of this Agreement; ***provided that*** such Invested Amount shall be restored (in accordance with Section 2.4) in the amount of any Collections or other payments so received and applied if at any time the distribution of such Collections or payments are rescinded, returned or refunded for any reason.

***"Invoice Payment Terms"*** means, with respect to any Receivable, the number of days following the date of the related original invoice by which such Receivable is required to be paid in full, as set forth in such original invoice.

***"Law"*** shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, order, injunction, writ, decree or award of any Official Body.

***"LIBO Rate"*** means for any Interest Period either (a) the interest rate per annum designated as MUFG's LIBO Rate for a period of time comparable to such Interest Period that appears on the Reuters Screen LIBO Page as of 11:00 a.m. (London, England time) on the second Business Day preceding the first day of such Interest Period or (b) if a rate cannot be determined under clause (a), an annual rate equal to the average (rounded upwards if necessary to the nearest 1/100th of 1%) of the rates per annum at which deposits in U.S. Dollars with a duration comparable to such Interest Period in a principal amount substantially equal to the applicable Rate Tranche are offered to the principal London office of MUFG by three London banks, selected by Agent in good faith, at approximately 11:00 a.m. London time on the second Business Day preceding the first day of such Interest Period. If the calculation of the LIBO Rate results in a LIBO Rate of less than zero (0), the LIBO Rate shall be deemed to be zero (0) for all purposes of this Agreement and the Transaction Documents.

***"Lien"*** means, in respect of the property of any Person, any ownership interest of any other Person, any mortgage, deed of trust, hypothecation, pledge, lien, security interest, filing of any financing statement, charge or other encumbrance or security arrangement of any nature whatsoever, including, without limitation, any conditional sale or title retention arrangement, and any assignment, deposit arrangement, consignment or lease intended as, or having the effect of, security.

***"Liquidity Agent"*** means each of the banks acting as agent for the various Liquidity Providers under each Liquidity Agreement.

***"Liquidity Agreement"*** means any agreement entered into in connection with this Agreement pursuant to which a Liquidity Provider agrees to make purchases or advances to, or purchase assets from, any Conduit Purchaser in order to provide liquidity for such Conduit Purchaser's Purchases.

***"Liquidity Provider"*** means each bank or other financial institution that provides liquidity support to any Conduit Purchaser pursuant to the terms of a Liquidity Agreement.

***"Location"*** shall mean, with respect to the Seller, any Originator or the Servicer, the place where the Seller, such Originator or the Servicer, as the case may be, is "located" (within the meaning of Section 9-307, or any analogous provision, of the UCC, in effect in the jurisdiction whose Law governs the perfection of the Agent's (for the benefit of the Secured Parties) interests in any Purchased Assets).

***"Lock-Box"*** means each locked postal box with respect to which a bank who has executed a Collection Account Agreement has been granted exclusive access for the purpose of retrieving and processing payments made on the Receivables and which is listed on Exhibit I to the Account Disclosure Letter.

***"Loss Horizon Ratio"*** means, as of any Cut-Off Date, the ratio (expressed as a decimal) computed by dividing (i) the aggregate Outstanding Balance of Receivables generated by the Originators during the preceding four Calculation Periods prior to the Calculation Period ending on such Cut-Off Date by (ii) the amount equal to the Non-Defaulted Receivables Balance as of the last day of the most recently ended Calculation Period.

***"Loss Ratio"*** means, as of any Cut-Off Date, the ratio (expressed as a decimal) computed by dividing (i) the aggregate Outstanding Balance of all Defaulted Receivables on such Cut-Off Date by (ii) the aggregate Outstanding Balance of Receivables generated by the Originators during the Calculation Period four months prior to the Calculation Period ending on such Cut-Off Date.

***"Loss Reserve Floor"*** means 10%.

***"Maximum Purchase Limit"*** means $350,000,000, as such amount may be reduced pursuant to Section 1.1(b) or increased pursuant to Section 1.1(c).

***"Moody's"*** means Moody's Investors Service, Inc.

***"MUFG***" means MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.), in its individual capacity and its successors.

***"Multiemployer Plan"*** means a "multiemployer plan", within the meaning of Section 4001(a)(3) of ERISA, to which Schein or any ERISA Affiliate makes, is making, or is obligated to make contributions or, during the preceding three calendar years, has made, or been obligated to make, contributions.

***"Net Pool Balance"*** means, at any time, the aggregate Outstanding Balance of all Eligible Receivables at such time reduced by the Excess Concentration.

***"Non-Defaulted Receivables Balance"*** means an aggregate balance, for a given Calculation Period, of all Receivables as to which no payment, or part thereof, remains unpaid for more than ninety (90) days from the original due date for such payment (determined without regard to any extension of the date due pursuant to Section 8.2(d)).

***"Obligor"*** shall mean, for any Receivable, each and every Person who purchased goods or services on credit under a Contract and who is obligated to make payments to an Originator or the Seller as assignee thereof pursuant to such Contract.

***"Obligor Percentage"*** means, at any time, for each Obligor, a fraction, expressed as a percentage, (a) the numerator of which is the aggregate Outstanding Balance of the Eligible Receivables of such Obligor at such time less the amount (if any) then included in the calculation of the Excess Concentration pursuant to clause (a) of the definition thereof with respect to such Obligor, and (b) the denominator of which is the aggregate Outstanding Balance of all Eligible Receivables at such time.

***"OFAC"*** has the meaning set forth in the definition of Sanctioned Person.

***"Official Body"*** shall mean any government or political subdivision or any agency, authority, bureau, central bank, commission, department or instrumentality of either, or any court, tribunal, grand jury or arbitrator, in each case whether foreign or domestic.

***"Originator"*** means each of Schein and each other Person, if any, party to the Receivables Sale Agreement from time to time as a seller.

***"Outstanding Balance"*** of any Receivable at any time means the then outstanding principal balance thereof.

***"Participant"*** has the meaning set forth in Section 12.1(b).

"***Patriot Act***" has the meaning set forth in Section 13.14.

***"PBGC"*** means the Pension Benefit Guaranty Corporation, or any successor thereto.

***"Pension Plan"*** means a pension plan (as defined in Section 3(2) of ERISA) (other than a Multiemployer Plan) subject to Title IV of ERISA which Schein or any ERISA Affiliate sponsors or maintains, or to which Schein or any of its ERISA Affiliates makes, is making, or is obligated to make contributions, including a multiple employer plan (as described in Section 4064(a) of ERISA), or with respect to which Schein or any of its ERISA Affiliates has any liability, contingent or otherwise.

***"Performance Guarantor"*** means Henry Schein, Inc.

***"Performance Undertaking"*** means that certain Performance Undertaking, dated as of April 17, 2013 by Performance Guarantor in favor of Seller, substantially in the form of Exhibit IX, as the same may be further amended, restated or otherwise modified from time to time.

***"Person"*** means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

***"Portfolio Turnover"*** means, as of any Cut-Off Date, an amount equal to (i) the aggregate Outstanding Balance of all Receivables as of such Cut-Off Date divided by (ii) the product of the (a) the aggregate Outstanding Balance of Receivables generated by the Originators during the Calculation Period including such Cut-Off Date multiplied by (b) 30.

***"Prime Rate"*** means, for any day for any Purchaser, a rate per annum equal to the prime rate of interest announced from time to time by the related Purchaser Agent (which is not necessarily the lowest rate charged to any customer), changing when and as said prime rate changes.

***"Proposed Reduction Date"*** has the meaning set forth in Section 1.3.

***"Purchase"*** means an Incremental Purchase or a Reinvestment.

***"Purchase Date"*** means each Business Day on which a Purchase is made hereunder.

***"Purchase Limit"*** means:

(i) for each Specified Calculation Period, solely to the extent Agent has not notified Seller prior to the Specified Settlement Reporting Date immediately succeeding such Specified Calculation Period that the Purchase Limit for such period shall be the Maximum Purchase Limit, the lesser of (x) the product of (A) 65.0% and (B) the aggregate Outstanding Balance of all Receivables as of the Specified Cut-Off Date immediately preceding such Specified Settlement Reporting Date and (y) the Maximum Purchase Limit; and

(ii) at all other times, the Maximum Purchase Limit.

References to the unused portion of the Purchase Limit shall mean, at any time, the Purchase Limit minus the then outstanding Aggregate Invested Amount.

***"Maximum Purchase Limit Decrease Notice"*** has the meaning set forth in Section 1.1(b).

***"Purchase Notice"*** has the meaning set forth in Section 1.2.

***"Purchase Price"*** means, with respect to any Incremental Purchase of a Receivable Interest, the amount paid to Seller for such Receivable Interest which shall not exceed the least of (i) the amount requested by Seller in the applicable Purchase Notice, (ii) the unused portion of the Purchase Limit on the applicable Purchase Date and (iii) the excess, if any, of the Net Pool Balance less the Required Reserve on the applicable Purchase Date over the aggregate outstanding amount of Aggregate Invested Amount determined as of the date of the most recent Settlement Report, without taking into account such proposed Incremental Purchase.

***"Purchased Assets"*** means all of Seller's right, title and interest, whether now owned and existing or hereafter arising in and to all of the Receivables, the Related Security, the Collections and all proceeds of the foregoing.

***"Purchaser"*** means each Uncommitted Purchaser and/or each Related Committed Purchaser, as applicable.

***"Purchaser Agent"*** means each Person acting as agent on behalf of a Purchaser Group and designated as a Purchaser Agent for such Purchaser Group on the signature pages to the Agreement or any other Person who becomes a party to this Agreement as a Purchaser Agent pursuant to an Assumption Agreement or a Transfer Supplement.

***"Purchaser Group"*** means, for each Purchaser Agent, the Uncommitted Purchaser (if any) and Related Committed Purchasers (if any) (and, to the extent applicable, its related Funding Sources and Indemnified Parties) identified as a "Purchaser Group" for purposes of this Agreement.

***"Purchasers' Portion"*** means, on any date of determination, the sum of the percentages represented by the Receivable Interests of the Purchasers.

***"Purchasing Related Committed Purchaser"*** has the meaning set forth in Section 12.1(c).

***"Ratable Share"*** means, for each Purchaser Group, such Purchaser Group's Group Commitments divided by the aggregate Group Commitments of all Purchaser Groups.

***"Receivable"*** means all indebtedness and other obligations owed to Seller or any Originator (at the time it arises, and before giving effect to any transfer or conveyance under the Receivables Sale Agreement) or in which Seller or an Originator has a security interest or other interest, including, without limitation, any indebtedness, obligation or interest constituting an account, chattel paper, instrument or general intangible, arising in connection with the sale of

goods or the rendering of services by an Originator, and further includes, without limitation, the obligation to pay any Finance Charges (if any) with respect thereto. Indebtedness and other rights and obligations arising from any one transaction, including, without limitation, indebtedness and other rights and obligations represented by an individual invoice, shall constitute a Receivable separate from a Receivable consisting of the indebtedness and other rights and obligations arising from any other transaction; ***provided that*** any indebtedness, rights or obligations referred to in the immediately preceding sentence shall be a Receivable regardless of whether the account debtor or Seller treats such indebtedness, rights or obligations as a separate payment obligation.

***"Receivable Interest"*** means, at any time, an undivided percentage ownership interest (computed as set forth below) associated with a designated amount of Invested Amount, selected pursuant to the terms and conditions hereof in (i) each Receivable arising prior to the time of the most recent computation or recomputation of such undivided interest, (ii) all Related Security with respect to each such Receivable, and (iii) all Collections with respect to, and other proceeds of, each such Receivable. Each such undivided percentage interest shall equal:

$$\frac{IA \times \left(1 + \frac{RR}{AIA}\right)}{NPB}$$

***where:***

IA = the Invested Amount of such Receivable Interest.

AIA = the Aggregate Invested Amount.

NPB = the Net Pool Balance.

RR = the Required Reserve.

Such undivided percentage ownership interest shall be initially computed on its date of purchase. Thereafter, until the Facility Termination Date, each Receivable Interest shall be automatically recomputed (or deemed to be recomputed) on each day prior to the Facility Termination Date. The variable percentage represented by any Receivable Interest as computed (or deemed recomputed) as of the close of the Business Day immediately preceding the Facility Termination Date shall remain constant at all times thereafter.

***"Receivables Purchase Agreement"*** means this Agreement.

***"Receivables Sale Agreement"*** means that certain Receivables Sale Agreement, dated as of the date hereof, among each Originator and the Seller, as the same may be amended, supplemented, restated or otherwise modified from time to time in accordance with its terms.

***"Recipient"*** has the meaning set forth in Section 1.6.

***"Records"*** means, with respect to any Receivable, all Contracts and other documents, books, records and other information (including, without limitation, computer programs, tapes, disks, punch cards, data processing software and related property and rights) relating to such Receivable, any Related Security therefor and the related Obligor.

***"Recourse Obligations"*** has the meaning set forth in Section 2.1.

***"Reduction Notice"*** has the meaning set forth in Section 1.3.

***"Regulatory Change"*** means, after the date of this Agreement (i) adoption of any United States (federal, state or municipal) or foreign laws, regulations (including any applicable law, rule or regulation regarding capital adequacy) or accounting principles, (ii) the adoption or making of any interpretations, guidance, directives or requests of or under any United States (federal, state or municipal) or foreign laws, regulations (whether or not having the force of law) or accounting principles by any court, governmental or monetary authority, or accounting board or authority (whether or not part of government) charged with the establishment, interpretation or administration thereof or (iii) the compliance, implementation or application by any Funding Source, Indemnified Party or Purchaser of any of the foregoing clauses (i) or (ii). For the avoidance of doubt and notwithstanding anything to the contrary contained herein, any interpretation of, or compliance, implementation or application by, whether commenced prior to or after the date hereof, any Funding Source, Indemnified Party or Purchaser with any of the following existing laws, including any rules, regulations, guidance, directives or requests issued in connection therewith (whether or not having the force of law), shall constitute a Regulatory Change: (a) FAS 140 or FIN 46R by the Financial Accounting Standards Board, Statements of Financial Accounting Standards Nos. 166 and 167; (b) the final rule titled Risk-Based Capital Guidelines: Capital Adequacy Guidelines; Capital Maintenance; Regulatory Capital; Impact of Modifications to Generally Accepted Accounting Principles; Consolidation of Asset-Backed Commercial Paper Programs; and Other Related Issues, adopted by the United States bank regulatory agencies on December 15, 2009, (c) the Dodd-Frank Wall Street Reform and Consumer Protection Act adopted by Congress on July 21, 2010 and (d) the revised Basel Accord prepared by the Basel Committee on Banking Supervision as set out in the publication entitled "International Convergence of Capital Measurements and Capital Standards: a Revised Framework," as updated from time to time (including, without limitation, the Basel II and Basel III).

***"Reinvestment"*** has the meaning set forth in Section 2.2.

***"Related Committed Purchaser"*** means each Person listed as a "Committed Purchaser" or "Related Committed Purchaser" for a specified Uncommitted Purchaser, as set forth on the signature pages of the Agreement or in any Assumption Agreement or Transfer Supplement (and specifying its respective commitment).

***"Related Security"*** means, with respect to any Receivable:

(i) all security or other interests in the inventory and goods (including returned or repossessed inventory or goods), if any, the sale of which by an Originator gave rise to such Receivable, and all insurance contracts with respect thereto,

(ii) all other security interests or liens and property subject thereto from time to time, if any, purporting to secure payment of such Receivable, whether pursuant to the Contract related to such Receivable or otherwise, together with all financing statements and security agreements describing any collateral securing such Receivable,

(iii) all guaranties, letters of credit, insurance and other agreements or arrangements of whatever character from time to time supporting or securing payment of such Receivable whether pursuant to the Contract related to such Receivable or otherwise,

(iv) all service contracts and other contracts and agreements associated with such Receivable,

(v) all Records related to such Receivable,

(vi) all of Seller's right, title and interest in, to and under the Receivables Sale Agreement in respect of such Receivable and all of Seller's right, title and interest in, to and under the Performance Undertaking with respect thereto, and

(vii) all proceeds of any of the foregoing.

***"Replacement Rate"*** has the meaning set forth in Section 4.5.

***"Reportable Event"*** means any of the events set forth in Section 4043(c) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC.

***"Required Purchaser Agents"*** means, at any time, Purchaser Agents representing Purchasers whose Commitments aggregate more than 50% of the aggregate of the Commitments of all Purchasers.

***"Required Reserve"*** means, on any day during a Calculation Period, (i) the greater of (a) the sum of the Loss Reserve Floor, the Dilution Reserve Floor Percentage the Yield Reserve Percentage, and Servicing Reserve Percentage and (b) the sum of the Dynamic Loss Reserve Percentage, the Dynamic Dilution Reserve Percentage, the Yield Reserve Percentage, and the Servicing Reserve Percentage, multiplied by (ii) the Net Pool Balance as of such date.

***"Responsible Officer"*** shall mean, with respect to the Seller, the Servicer, any Originator or the Performance Guarantor, the chief executive officer, chief financial officer, president, corporate controller, principal financial officer or treasurer of such Person, or any other Person agreed to by the Agent.

***"Restricted Junior Payment"*** means (i) any dividend or other distribution, direct or indirect, on account of any shares of any class of capital stock of Seller now or hereafter outstanding, except a dividend payable solely in shares of that class of stock or in any junior class of stock of Seller, (ii) any redemption, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any shares of any class of capital stock of Seller now or hereafter outstanding, (iii) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to the Subordinated Loans (as defined in the Receivables Sale Agreement), (iv) any

payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire shares of any class of capital stock of Seller now or hereafter outstanding, and (v) any payment of management fees by Seller (except for reasonable management fees to any Originator or its Affiliates in reimbursement of actual management services performed).

***"S&P"*** means Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.

***"Sanctioned Country"*** means, at any time, a country or territory which is the subject or target of any Sanctions, including on the Fifth Amendment Date, Cuba, Crimea (Ukraine), Iran, North Korea and Syria.

***"Sanctioned Person"*** means, at any time, (a) any Person currently the subject or the target of any Sanctions, including any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury ("***OFAC***") (or any successor thereto) or the U.S. Department of State, or as otherwise published from time to time; (b) that is fifty-percent or more owned, directly or indirectly, in the aggregate by one or more Persons described in clause (a) above; (c) that is operating, organized or resident in a Sanctioned Country; (d) with whom engaging in trade, business or other activities is otherwise prohibited or restricted by Sanctions; or (e) (i) an agency of the government of a Sanctioned Country, (ii) an organization controlled by a Sanctioned Country, or (iii) a Person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC.

***"Sanctions"*** means the laws, rules, regulations and executive orders promulgated or administered to implement economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time (a) by the United States government, including those administered by OFAC, the US State Department, the US Department of Commerce or the US Department of the Treasury, (b) by the United Nations Security Council, the European Union or Her Majesty's Treasury of the United Kingdom or (c) by other relevant sanctions authorities to the extent compliance with the sanctions imposed by such other authorities would not entail a violation of applicable law.

***"Scheduled Facility Termination Date"*** means April 29, 2022; provided that the Seller may, with the prior written consent of the Agent and each Purchaser, extend the then existing Scheduled Facility Termination Date for a term of one year by providing written notice to the Agent on or before each anniversary of April 15th that is two years prior to the then existing Scheduled Facility Termination Date of its request to extend the then existing Scheduled Facility Termination Date for one year.

***"Schein"*** has the meaning set forth in the preamble to this Agreement.

***"Secured Parties"*** means the Indemnified Parties.

***"Seller"*** has the meaning set forth in the preamble to this Agreement.

***"Seller Parties"*** has the meaning set forth in the preamble to this Agreement.

***"Servicer"*** means, at any time, the Person (which may be the Agent) then authorized pursuant to Article VIII to service, administer and collect the Receivables.

***"Servicing Fee"*** means, for each day in a Calculation Period, an amount equal to (i) the Servicing Fee Rate ***times*** (ii) the aggregate Outstanding Balance of all Receivables at the close of business on the Cut-Off Date immediately preceding such Calculation Period, ***times*** (iii) 1/360.

***"Servicing Fee Rate"*** means 1.0% *per annum.*

***"Servicing Reserve Percentage"*** means, at any time, a percentage equal to the product of (i) the Servicing Fee Rate divided by 360 and (ii) the highest Portfolio Turnover over the most recent 12-months.

***"Settlement Date"*** means (i) each Specified Settlement Date, (ii) the 2nd Business Day after each Settlement Reporting Date that is not a Specified Settlement Reporting Date and (iii) the Facility Termination Date.

***"Settlement Report"*** means a report, in substantially the form of Exhibit VI hereto (appropriately completed), together with the electronic backup data which is part of the spreadsheet that creates such report, furnished by the Servicer to the Agent and each Purchaser Agent pursuant to Section 8.5.

***"Settlement Reporting Date"*** means the 21st day immediately following the most recent Cut-Off Date (or if any such day is not a Business Day, the next succeeding Business Day thereafter), including each Specified Settlement Reporting Date, or such other days of any month as may be required, or as Agent or any Purchaser Agent may request, in connection with Section 8.5.

***"Specified Calculation Period"*** means each accounting month specified in Part 2 of Exhibit XIV.

***"Specified Cut-Off Date"*** means the last day of a Specified Calculation Period.

***"Specified Settlement Date"*** means the 3rd Business Day after each Specified Settlement Reporting Date.

***"Specified Settlement Reporting Date"*** means the 21st day immediately following the most recent Specified Cut-Off Date (or if such day is not a Business Day, the next succeeding Business Day thereafter).

***"Sub-Servicer"*** has the meaning set forth in Section 8.1(b).

***"Subsidiary"*** of a Person means (i) any corporation more than 50% of the outstanding securities having ordinary voting power of which shall at the time be owned or controlled, directly or indirectly, by such Person or by one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries, or (ii) any partnership, association, limited liability company, joint venture or similar business organization more than 50% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled.

***"Termination Date"*** means the earliest to occur of (i) the day on which any of the conditions precedent set forth in Section 6.2 are not satisfied, (ii) the Business Day immediately prior to the occurrence of an Event of Bankruptcy with respect to any Seller Party, (iii) the Business Day specified in a written notice from the Agent following the occurrence of any other Termination Event, and (iv) the date which is 60 days after the Agent's receipt of written notice from Seller that it wishes to terminate the facility evidenced by this Agreement.

***"Termination Event"*** has the meaning specified in Section 9.1.

***"Third Amendment***" means that certain Amendment No. 3 to Receivables Purchase Agreement, dated as of June 1, 2016, by and among the Seller, the Purchasers and Purchaser Agents party thereto, the Performance Guarantor (solely with respect to Section 10 thereof) and the Agent.

***"Transaction Documents"*** means, collectively, this Agreement, each Purchase Notice, the Receivables Sale Agreement, each Collection Account Agreement, the Performance Undertaking, the Fee Letters, each Subordinated Note (as defined in the Receivables Sale Agreement), the Account Disclosure Letter and all other instruments, documents and agreements executed and delivered in connection herewith by any of the Seller Parties.

***"Transfer Supplement"*** has the meaning set forth in Section 12.1(c).

***"UCC"*** means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

***"Uncommitted Purchaser"*** means each financial institution or commercial paper conduit that is a party to the Agreement, or that becomes a party to the Agreement, as an "Uncommitted Purchaser".

***"Unmatured Termination Event"*** means an event which, with the passage of time or the giving of notice, or both, would constitute a Termination Event.

***"Volcker Rule"*** means Section 13 of the U.S. Bank Holding Company Act of 1956, as amended, and the applicable rules and regulations thereunder.

***"Yield"*** means for each Interest Period relating to a Receivable Interest funded through a Bank Funding, an amount equal to the product of the applicable Yield Rate for such Receivable Interest multiplied by the Invested Amount of such Receivable Interest for each day elapsed during such Interest Period, annualized on a 360 day basis.

***"Yield Rate"*** means, at any time, with respect to each Receivable Interest funded through a Bank Funding, the applicable Bank Rate on such day plus the Applicable Spread; ***provided that***, from and after the occurrence of a Termination Event, the Yield Rate shall be the Default Rate.

***"Yield Reserve Percentage"*** means, at any time, a percentage equal to the product of (i) the Prime Rate as of such date divided by 360, (ii) 1.5 and (iii) the highest Portfolio Turnover over the most recent 12-months.

***All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.***

**EXHIBIT II**

**FORM OF PURCHASE NOTICE**

**HSFR, INC.**

**PURCHASE NOTICE**
**dated _____, 20__**
**for Purchase on _____, 20__**

MUFG Bank, Ltd., as Agent
1251 Avenue of the Americas, 12th Floor
New York, New York 10020-1104
Attention: Securitization Department
Telephone: (212) 782-6957
Facsimile: (212) 782-6448

[Address to each Purchaser Agent]

Ladies and Gentlemen:

Reference is made to the Receivables Purchase Agreement dated as of April 17, 2013 (as amended, supplemented or otherwise modified from time to time, the ***"Agreement"***) among HSFR, Inc. (the ***"Seller"***), Henry Schein, Inc., as initial Servicer, the various Purchaser Groups from time to time party thereto, and MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.), as Agent. Capitalized terms defined in the Agreement are used herein with the same meanings.

1. The **[**Servicer, on behalf of the**]** Seller hereby certifies, represents and warrants to the Agent, each Purchaser Agent and each Purchaser that on and as of the Purchase Date (as hereinafter defined):

(a) all applicable conditions precedent set forth in Article VI of the Agreement have been satisfied;

(b) each of its representations and warranties contained in Article V of the Agreement will be true and correct, in all material respects, as if made on and as of the Purchase Date;

(c) no event has occurred and is continuing, or would result from the requested Purchase, that constitutes a Termination Event or Unmatured Termination Event;

(d) the applicable Facility Termination Date has not occurred; and

(e) after giving effect to the Purchase requested below, (i) no Related Committed Purchaser's aggregate Invested Amount shall exceed its Available Commitment, (ii) no Purchaser Group's Group Invested Amount shall exceed its Group Commitment, (iii) the aggregate of the Receivable Interests shall not exceed 100% and (iv) the Aggregate Invested Amount shall not exceed the Purchase Limit.

2. The **[**Servicer, on behalf of the**]** Seller hereby requests that the Purchasers make a Purchase on _____, 20__ (the ***"Purchase Date"***) as follows:

(a) Purchase Price: $_____

(b) (X) Ratable Share[1]:

MUFG Bank, Ltd.'s Purchaser Group: $_____

3. Please disburse the proceeds of the Purchase as follows:

**[**Apply $_____ to payment of Aggregate Unpaids due on the Purchase Date**]**. **[**Wire transfer $_____ to the Facility Account.**]**

1 For Purchases based on the Ratable Share.

***IN WITNESS WHEREOF,*** [the Servicer, on behalf of] the Seller has caused this Purchase Request to be executed and delivered as of this _____ day of _____, _____.

[Henry Schein, Inc., as Servicer, on behalf of:] HSFR, Inc.,
as Seller

By: _____
Name:
Title:

**EXHIBIT III**

**PLACES OF BUSINESS OF THE SELLER PARTIES; LOCATIONS OF RECORDS**

Name of Seller:

HSFR, Inc.

Location of Books and Records:

| Name of Location | Address/Location of Records |
|---|---|
| Henry Schein, Inc. | 135 Duryea Road<br>Melville, New York 11747 |

Legal, Trade and Assumed Names:

HSFR, Inc.

Corporate Information Regarding the Seller

| | |
|---|---|
| Federal Tax Identification Number: | 46-2140842 |
| Delaware Corporation Organization Number: | 5283163 |

**EXHIBIT IV**

**FORM OF COMPLIANCE CERTIFICATE**

To: MUFG Bank, Ltd., as Agent

This Compliance Certificate is furnished pursuant to that certain Receivables Purchase Agreement dated as of April 17, 2013 among HSFR, Inc. (the ***"Seller"***), Henry Schein, Inc. (the ***"Servicer"***), the various Purchaser Groups from time to time party thereto and MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.), as Agent (the ***"Agreement"***).

***THE UNDERSIGNED HEREBY CERTIFIES THAT:***

1. I am the duly elected _____ of Seller.

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of Seller during the accounting period covered by the attached financial statements.

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Termination Event or Unmatured Termination Event, as each such term is defined under the Agreement, during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate**[**, except as set forth in paragraph 5 below**]**.

**[**5. Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which Seller has taken, is taking, or proposes to take with respect to each such condition or event: _____**]**

The foregoing certifications, together with the computations set forth in Schedule I hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered as of _____, 20__.

By: _____
Name:
Title:

**EXHIBIT V**

**FORM OF COLLECTION ACCOUNT AGREEMENT**

See attached.

**EXHIBIT VI**

**FORM OF SETTLEMENT REPORT**

(On file with the Agent)

**EXHIBIT VII**

**FORM OF ASSUMPTION AGREEMENT**

THIS ASSUMPTION AGREEMENT (this "Agreement"), dated as of [_____, 20__], is among HSFR, Inc. (the "Seller"), [_____], as purchaser (the "[_____] Uncommitted Purchaser"), [_____], as the related committed purchaser (the "[_____] Related Committed Purchaser" and together with the Uncommitted Purchaser, the "[_____] Purchasers"), and [_____], as agent for the Purchasers (the "[_____] Purchaser Agent" and together with the Purchasers, the "[_____] Purchaser Group").

BACKGROUND

The Seller and various others are parties to a certain Receivables Purchase Agreement dated as of April 17, 2013 (as amended, restated, supplemented or otherwise modified through the date hereof, the "Receivables Purchase Agreement"). Capitalized terms used and not otherwise defined herein have the respective meaning assigned to such terms in the Receivables Purchase Agreement.

NOW, THEREFORE, the parties hereto hereby agree as follows:

SECTION 1. This letter constitutes an Assumption Agreement as defined in the Receivables Purchase Agreement. The Seller desires [the [_____] Purchasers] [the [_____] Related Committed Purchaser] to [become Purchasers under] [increase its existing Commitment under] the Receivables Purchase Agreement and upon the terms and subject to the conditions set forth in the Receivables Purchase Agreement, the [_____] Purchasers agree to [become Purchasers thereunder] [increase its Commitment in an amount equal to the amount set forth as the "Commitment" under the signature of such [_____] Related Committed Purchaser hereto].

Seller hereby represents and warrants to the [_____] Purchasers as of the date hereof, as follows:

(i) the representations and warranties of the Seller contained in Section 5.1 of the Receivables Purchase Agreement are correct in all material respects on and as of such dates as though made on and as of such dates and shall be deemed to have been made on such dates;

(ii) no Termination Event or Unmatured Termination Event has occurred and is continuing, or would result from such transfer; and

(iii) the Facility Termination Date has not occurred.

SECTION 2. Upon execution and delivery of this Agreement by the Seller and each member of the [_____] Purchaser Group, satisfaction of the other conditions to assignment specified in the Receivables Purchase Agreement and receipt by the Agent of counterparts of this Agreement (whether by facsimile or otherwise) executed by each of the parties hereto, [the [_____] Purchasers shall become a party to, and have the rights and obligations of Purchasers under, the Receivables Purchase Agreement] [the [_____] Related Committed Purchaser shall increase its Commitment in the amount set forth as the "Commitment" under the signature of the [_____] Related Committed Purchaser, hereto].

[Insert Alternate Base Rate, CP Costs, LIBO Rate and Scheduled Facility Termination Date as appropriate.]

SECTION 3. Each party hereto hereby covenants and agrees that prior to the date which is one year and one day after the payment in full of all outstanding commercial paper notes or other indebtedness of each Conduit Purchaser, it will not institute against or join any other Person in instituting against such Conduit Purchaser any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States. The agreements set forth in this Section 3 and the parties' respective obligations under this Section 3 shall survive the termination hereof and of the Receivables Purchase Agreement.

SECTION 4. No Conduit Purchaser shall have any obligation to pay any amounts owing under the Receivables Purchase Agreement unless and until such Conduit Purchaser has received such amounts pursuant to its portion of the Receivable Interests and such amounts are not necessary to pay outstanding commercial paper notes or other outstanding indebtedness of such Conduit Purchaser. In addition, each party hereto hereby agrees that no liability or obligation of any Conduit Purchaser under the Receivables Purchase Agreement for fees, expenses or indemnities shall constitute a claim (as defined in Section 101 of Title 11 of the United States Bankruptcy Code) against such Conduit Purchaser unless such Conduit Purchaser has received cash from its portion of the Receivable Interests sufficient to pay such amounts, and such amounts are not necessary to pay outstanding commercial paper notes or other indebtedness of such Conduit Purchaser. The agreements set forth in this Section 4 and the parties' respective obligations under this Section 4 shall survive the termination hereof and of the Receivables Purchase Agreement.

SECTION 5. THIS AGREEMENT SHALL BE GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK. This Agreement may not be amended, supplemented or waived except pursuant to a writing signed by the party to be charged. This Agreement may be executed in counterparts, and by the different parties on different counterparts, each of which shall constitute an original, but all together shall constitute one and the same agreement.

(continued on following page)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement by their duly authorized officers as of the date first above written.

[_____], as an Uncommitted Purchaser

By: _____
Name Printed: _____
Title: _____

[Address]

[_____], as a Related Committed Purchaser

By: _____
Name Printed: _____
Title: _____

[Address]
[Commitment]

[_____], as Purchaser Agent for [_____]

By: _____
Name Printed: _____
Title: _____

[Address]

HSFR, Inc., as Seller

By: _____
Name Printed: _____
Title: _____

Consented and Agreed:

MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.),
as Agent

By: _____
Name Printed: _____
Title: _____

By: _____
Name Printed: _____
Title: _____

Consented and Agreed:

[THE PURCHASERS]

**Exhibit VIII**

Form of Transfer Supplement
with respect to
HSFR, Inc.
Receivables Purchase Agreement

Dated as of [_____ __, 20__]

Section 1.

| | |
|---|---|
| Commitment assigned: | $_____ |
| Assignor's remaining Commitment: | $_____ |
| Invested Amount allocable to Commitment assigned: | $_____ |
| Assignor's remaining Invested Amount: | $_____ |
| Discount (if any) allocable to Invested Amount assigned: | $_____ |
| Discount (if any) allocable to Assignor's remaining Invested Amount: | $_____ |

Section 2.

Effective Date of this Transfer Supplement: [_____ __, 20__]

Upon execution and delivery of this Transfer Supplement by transferee and transferor and the satisfaction of the other conditions to assignment specified in Section 12.1 of the Receivables Purchase Agreement (as defined below), from and after the effective date specified above, the transferee shall become a party to, and have the rights and obligations of a Related Committed Purchaser under, the Receivables Purchase Agreement dated as of April 17, 2013 (as amended, restated, supplemented or otherwise modified through the date hereof, the "Receivables Purchase Agreement"), among HSFR, Inc., as Seller, Henry Schein, Inc., as initial Servicer, MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.), as Agent, and the various purchaser groups from time to time party thereto.

[Insert Alternate Base Rate, CP Costs, LIBO Rate and Scheduled Facility Termination Date as appropriate.]

Each party hereto hereby covenants and agrees that prior to the date which is one year and one day after the payment in full of all outstanding commercial paper notes or other indebtedness of each Conduit Purchaser, it will not institute against or join any other Person in instituting against such Conduit Purchaser any bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings or other similar proceeding under the laws of the United States or any state of the United States. The agreements set forth in this paragraph and the parties' respective obligations under this paragraph shall survive the termination hereof and of the Receivables Purchase Agreement.

No Conduit Purchaser shall have any obligation to pay any amounts owing under the Receivables Purchase Agreement unless and until such Conduit Purchaser has received such amounts pursuant to its portion of the Receivable Interests and such amounts are not necessary to pay outstanding commercial paper notes or other outstanding indebtedness of such Conduit Purchaser. In addition, each party hereto hereby agrees that no liability or obligation of any Conduit Purchaser under the Receivables Purchase Agreement for fees, expenses or indemnities shall constitute a claim (as defined in Section 101 of Title 11 of the United States Bankruptcy Code) against such Conduit Purchaser unless such Conduit Purchaser has received cash from its portion of the Receivable Interests sufficient to pay such amounts, and such amounts are not necessary to pay outstanding commercial paper notes or other indebtedness of such Conduit Purchaser. The agreements set forth in this paragraph and the parties' respective obligations under this paragraph shall survive the termination hereof and of the Receivables Purchase Agreement.

ASSIGNOR:

[_____],
as a Related Committed Purchaser

By: _____
Name: _____
Title: _____

ASSIGNEE:

[_____],
as a Related Committed Purchaser

By: _____
Name: _____
Title: _____

[Address]

Accepted as of date first above written:

[_____],
as Purchaser Agent for the
[_____] Purchaser Group

By: _____
Name: _____
Title: _____

**EXHIBIT IX**

**FORM OF PERFORMANCE UNDERTAKING**

**See attached.**

**EXHIBIT X**

**[RESERVED]**

**EXHIBIT XI**

**FORM OF INTERIM SETTLEMENT REPORT**

Form of Interim Settlement Report

(On file with the Agent)

**EXHIBIT XII**

**FORM OF REDUCTION NOTICE**

_____, ____

MUFG Bank, Ltd., as Agent
1251 Avenue of the Americas, 12th Floor
New York, New York 10020-1104
Attention: Securitization Department
Telephone: (212) 782-6957
Facsimile: (212) 782-6448

[Address to each Purchaser Agent]

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of April 17, 2013 (as amended, supplemented or otherwise modified, the "Receivables Purchase Agreement"), among HSFR, Inc., as Seller, Henry Schein, Inc., as Servicer, the various purchaser groups from time to time party thereto, and MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.), as Agent. Capitalized terms used in this Reduction Notice and not otherwise defined herein shall have the meanings assigned thereto in the Receivables Purchase Agreement.

This letter constitutes a Reduction Notice pursuant to Section 1.3 of the Receivables Purchase Agreement. The Seller desires to reduce the Aggregate Invested Amount on _____, _____[2] by the application of cash to pay Aggregate Invested Amount and Yield to accrue (until such cash can be used to pay commercial paper notes) with respect to such Aggregate Invested Amount, together with all costs related to such reduction of Aggregate Invested Amount, as follows:

(a) Reduction Amount: $_____

(b) (X) Ratable Share[3]:

MUFG Bank, Ltd.'s Purchaser Group: $_____

2 Notice must be given at least one Business Day prior to the requested reduction date.
3 For reductions based on the Ratable Share.

IN WITNESS WHEREOF, the undersigned has caused this Reduction Notice to be executed by its duly authorized officer as of the date first above written.

HSFR, INC.

By: _____
Name: _____
Title: _____

**EXHIBIT XIII**

**FORM OF MAXIMUM PURCHASE LIMIT DECREASE NOTICE**

_____ , _____

MUFG Bank, Ltd., as Agent
1251 Avenue of the Americas, 12th Floor
New York, New York 10020-1104
Attention: Securitization Department
Telephone: (212) 782-6957
Facsimile: (212) 782-6448

[Address to each Purchaser Agent] – [PURCHASER AGENTS TO PROVIDE]

Ladies and Gentlemen:

Reference is hereby made to the Receivables Purchase Agreement, dated as of April 17, 2013 (as heretofore amended or supplemented, the "Receivables Purchase Agreement"), among HSFR, Inc., as Seller, Henry Schein, Inc., as Servicer, the various purchaser groups from time to time party thereto, and MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd., as Agent. Capitalized terms used in this Maximum Purchase Limit Decrease Notice and not otherwise defined herein shall have the meanings assigned thereto in the Receivables Purchase Agreement.

This letter constitutes a Maximum Purchase Limit Decrease Notice pursuant to Section 1.1(b) of the Receivables Purchase Agreement. The Seller desires to decrease the Maximum Purchase Limit and respective Commitments of each Purchaser Group on _____, ____[4] to the following amounts:

(a) Maximum Purchase Limit: $_____

(b) Ratable Share of Each Purchaser Group:

MUFG Bank, Ltd.: $_____

Seller hereby represents and warrants as of the date hereof, and as of the date of this decrease, as follows:

(i) the representations and warranties contained in Section V of the Receivables Purchase Agreement are correct in all material respects on and as of such dates as though made on and as of such dates and shall be deemed to have been made on such dates; and

(ii) no event has occurred and is continuing, or would result from the decrease proposed hereby, that constitutes a Termination Event or an Unmatured Termination Event.

4 Notice must be given at least ten Business Days prior to the requested decrease, and must be in a minimum amount of $100,000,000.

IN WITNESS WHEREOF, the undersigned has caused this Maximum Purchase Limit Decrease Notice to be executed by its duly authorized officer as of the date first above written.

HSFR, Inc.

By: _____
Name: _____
Title: _____

**EXHIBIT XIV**

**CALCULATION PERIODS**

*Part 1 – Calculation Periods*

**2019**

| | # of Weeks | Month End | # of business days | # of Weeks in quarter |
|---|---|---|---|---|
| January | 5 | 2/2 | 24 | |
| February | 4 | 3/2 | 20 | |
| March | 4 | 3/30 | 20 | 13 |
| April | 4 | 4/27 | 20 | |
| May | 5 | 6/1 | 24 | |
| June | 4 | 6/29 | 20 | 13 |
| July | 5 | 8/3 | 24 | |
| August | 4 | 8/31 | 20 | |
| September | 4 | 9/28 | 19 | 13 |
| October | 5 | 11/2 | 25 | |
| November | 4 | 11/30 | 18 | |
| December | 4 | 12/28 | 19 | 13 |
| | 52 | | 253 | 52 |

**2020**

| | # of Weeks | Month End | # of business days | # of Weeks in quarter |
|---|---|---|---|---|
| January | 5 | 2/1 | 24 | |
| February | 4 | 2/29 | 20 | |
| March | 4 | 3/28 | 20 | 13 |
| April | 4 | 4/25 | 20 | |
| May | 5 | 5/30 | 24 | |
| June | 4 | 6/27 | 20 | 13 |
| July | 5 | 8/1 | 24 | |
| August | 4 | 8/29 | 20 | |
| September | 4 | 9/26 | 19 | 13 |
| October | 5 | 10/31 | 25 | |
| November | 4 | 11/28 | 18 | |
| December | 4 | 12/26 | 19 | 13 |
| | 52 | | 253 | 52 |

**2021**

| | # of Weeks | Month End | # of business days | # of Weeks in quarter |
|---|---|---|---|---|
| January | 5 | 1/30 | 24 | |
| February | 4 | 2/27 | 20 | |
| March | 4 | 3/27 | 20 | 13 |
| April | 4 | 4/24 | 20 | |
| May | 5 | 5/29 | 25 | |
| June | 4 | 6/26 | 19 | 13 |
| July | 5 | 7/31 | 24 | |
| August | 4 | 8/28 | 20 | |
| September | 4 | 9/25 | 19 | 13 |
| October | 5 | 10/30 | 25 | |
| November | 4 | 11/27 | 18 | |
| December | 4 | 12/25 | 19 | 13 |
| | 52 | | 253 | 52 |

**2022**

| | # of Weeks | Month End | # of business days | # of Weeks in quarter |
|---|---|---|---|---|
| January | 5 | 1/29 | 24 | |
| February | 4 | 2/26 | 20 | |
| March | 4 | 3/26 | 20 | 13 |
| April | 4 | 4/23 | 20 | |
| May | 5 | 5/28 | 25 | |
| June | 4 | 6/25 | 19 | 13 |
| July | 5 | 7/30 | 24 | |
| August | 4 | 8/27 | 20 | |
| September | 4 | 9/24 | 19 | 13 |
| October | 5 | 10/29 | 25 | |
| November | 4 | 11/26 | 18 | |
| December | 5 | 12/31 | 24 | 14 |
| | 53 | | 258 | 53 |

**2019**

| | # of Weeks | Month End | # of business days |
|---|---|---|---|
| February | 4 | 3/2 | 20 |
| May | 5 | 6/1 | 24 |
| August | 4 | 8/31 | 20 |
| November | 4 | 11/30 | 18 |

**2020**

| | # of Weeks | Month End | # of business days |
|---|---|---|---|
| February | 4 | 2/29 | 20 |
| May | 5 | 5/30 | 24 |
| August | 4 | 8/29 | 20 |
| November | 4 | 11/28 | 18 |

**2021**

| | # of Weeks | Month End | # of business days |
|---|---|---|---|
| February | 4 | 2/27 | 20 |
| May | 5 | 5/29 | 25 |
| August | 4 | 8/28 | 20 |
| November | 4 | 11/27 | 18 |

**2022**

| | # of Weeks | Month End | # of business days |
|---|---|---|---|
| February | 4 | 2/26 | 20 |
| May | 5 | 5/28 | 25 |
| August | 4 | 8/27 | 20 |
| November | 4 | 11/26 | 18 |

**SCHEDULE A**

**DOCUMENTS TO BE DELIVERED**
**ON OR PRIOR TO THE CLOSING DATE**

1. Executed copies of the Receivables Purchase Agreement, duly executed by the parties thereto.

2. Copy of the Resolutions of the Board of Directors of each Seller Party and Performance Guarantor certified by its Secretary authorizing such Person's execution, delivery and performance of this Agreement and the other Transaction Documents to be delivered by it hereunder.

3. Articles or Certificate of Incorporation of each Seller Party and Performance Guarantor certified by the Secretary of State of its jurisdiction of incorporation on or within thirty (30) days prior to the initial Purchase.

4. Good Standing Certificate for each Seller Party and Performance Guarantor issued by the Secretaries of State of its state of incorporation and each jurisdiction where it has material operations, each of which is listed below:

a. Seller: Delaware

b. Servicer: Delaware

c. Performance Guarantor: Delaware

5. A certificate of the Secretary of each Seller Party and Performance Guarantor certifying (i) the names and signatures of the officers authorized on its behalf to execute this Agreement and any other Transaction Documents to be delivered by it hereunder and (ii) a copy of such Person's By-Laws.

6. Pre-filing state and federal tax lien, judgment lien and UCC lien searches against each Seller Party from the following jurisdictions:

a. Seller: Delaware

b. Servicer: Delaware

7. Time stamped receipt copies of proper financing statements, duly filed under the UCC on or before the date of the initial Purchase in all jurisdictions as may be necessary or, in the opinion of the Agent or any Purchaser Agent, desirable, under the UCC of all appropriate jurisdictions or any comparable law in order to perfect the ownership or security interests contemplated by this Agreement.

8. Time stamped receipt copies of proper UCC termination statements, if any, necessary to release all security interests and other rights of any Person in the Receivables or Related Security previously granted by any Originator.

9. Executed copies of Collection Account Agreements for each Lock-Box and Collection Account.

10. A favorable opinion of legal counsel for the Seller Parties and Performance Guarantor reasonably acceptable to the Agent and each Purchaser Agent which addresses the following matters and such other matters as the Agent and each Purchaser Agent may reasonably request:

(a) Each of the Seller Parties and Performance Guarantor is a corporation duly organized, validly existing, and in good standing under the laws of such Person's state of incorporation.

(b) Each of the Seller Parties and Performance Guarantor has all requisite authority to conduct its business in each jurisdiction where failure to be so qualified would have a material adverse effect on such entity's business.

(c) The execution and delivery by each of the Seller Parties and Performance Guarantor of the Transaction Document to which it is a party and its performance of its obligations thereunder have been duly authorized by all necessary organizational action and proceedings on the part of such entity and will not:

(i) require any action by or in respect of, or filing with, any governmental body, agency or official (other than the filing of UCC financing statements); or

(ii) contravene, or constitute a default under, any provision of applicable law or regulation or of its articles or certificate of incorporation or bylaws or of any agreement, judgment, injunction, order, decree or other instrument binding upon such entity.

(d) Each of the Transaction Documents to which each of the Seller Parties and Performance Guarantor is a party has been duly executed and delivered by such entity and constitutes the legally valid, and binding obligation of such entity enforceable in accordance with its terms, except to the extent the enforcement thereof may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject also to the availability of equitable remedies if equitable remedies are sought.

(e) The provisions of the Receivables Purchase Agreement are effective to create valid security interests in favor of the Agent, for the benefit of the Secured Parties, in all of Seller's right, title and interest in and to the Receivables and Related Security described therein which constitute "accounts," "chattel paper" or "general intangibles" (each as defined in the UCC) (collectively, the ***"Opinion Collateral"***), as security for the payment of the Aggregate Unpaids.

(f) Upon filing of the UCC-1 Financing Statements in such filing offices and payment of the required filing fees, the security interest in favor of the Agent, for the benefit of the Secured Parties, in the Receivables and the other Opinion Collateral will be perfected (in the case of the other Opinion Collateral, to the extent the security interests may be perfected by the filing of a UCC-1 Financing Statement).

(g) Neither of the Seller Parties is an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

11. The Fee Letter.

12. A Settlement Report as of April 17, 2013.

13. The Liquidity Agreement, duly executed by each of the parties thereto.

14. Executed copies of (i) all consents from and authorizations by any Persons and (ii) all waivers and amendments to existing credit facilities, that are necessary in connection with this Agreement, if any.

15. If applicable, for each Purchaser that is not incorporated under the laws of the United States of America, or a state thereof, two duly completed copies of United States Internal Revenue Service Form W-8BEN or W-8ECI, as applicable, certifying in either case that such Purchaser is entitled to receive payments under the Agreement without deduction or withholding of any United States federal income taxes.

**EXHIBIT 31.1**

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

I, Stanley M. Bergman, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ Stanley M. Bergman
Stanley M. Bergman
Chairman and Chief Executive Officer

**EXHIBIT 31.2**

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

I, Steven Paladino, certify that:

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

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2019

/s/ Steven Paladino
Steven Paladino
Executive Vice President and Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO SECTION 906 OF THE**
**SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of Henry Schein, Inc. (the "Company") for the period ending June 29, 2019, 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: August 6, 2019

/s/ Stanley M. Bergman
Stanley M. Bergman
Chairman and Chief Executive Officer

Dated: August 6, 2019

/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.