

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

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2022
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-27078

**HENRY SCHEIN, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**11-3136595**  
(I.R.S. Employer Identification No.)

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

**11747**  
(Zip Code)

**(631) 843-5500**

(Registrant's telephone number, including area code)

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES:  NO:

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

YES:  NO:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES:  NO:

Indicate by check mark whether the registrant has submitted electronically 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. YES:  NO:

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

YES:  NO:

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, computed by reference to the closing sales price as quoted on the Nasdaq Global Select Market on June 25, 2022, was approximately \$10,463,590,000.

As of February 7, 2023, there were 131,283,515 shares of registrant's Common Stock, par value \$.01 per share, outstanding.

**Documents Incorporated by Reference:**

Portions of the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year (December 31, 2022) are incorporated by reference in Part III hereof.

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## PART I

### ITEM 1. Business

#### General

Henry Schein, Inc. is a solutions company for health care professionals powered by a network of people and technology. We believe we are the world's largest provider of health care products and services primarily to office-based dental and medical practitioners, as well as alternate sites of care. Our philosophy is grounded in our commitment to help customers operate a more efficient and successful business so the practitioner can provide better clinical care.

With more than 90 years of experience distributing health care products, we have built a vast set of small, mid-sized and large customers in the dental and medical markets, serving more than one million customers worldwide across dental practices, laboratories, physician practices, and ambulatory surgery centers, as well as government, institutional health care clinics and other alternate care clinics.

We are headquartered in Melville, New York and employ more than 22,000 people. Approximately 50% of our workforce is based in the United States and approximately 50% is based outside of the United States. We have operations or affiliates in 32 countries and territories. Our broad global footprint has evolved over time through our organic success as well as through contribution from strategic acquisitions.

We offer a comprehensive selection of more than 300,000 branded products and Henry Schein corporate brand products through our distribution centers. Our infrastructure, including over 3.8 million square feet of space in 29 strategically located distribution and 19 manufacturing facilities around the world, enables us to historically provide rapid and accurate order fulfillment, 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.

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. Our dental businesses serve office-based dental practitioners, dental laboratories, schools, government and other institutions. Our medical businesses serve physician offices, urgent care centers, ambulatory care sites, emergency medical technicians, dialysis centers, home health, federal and state governments and large enterprises, such as group practices and integrated delivery networks, among other providers across a wide range of specialties.

The health care distribution reportable segment, combining our global dental and medical businesses, distributes consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, dental specialty products (including implant, orthodontic and endodontic products), diagnostic tests, infection-control products, personal protective equipment products ("PPE") and vitamins. While our primary go-to-market strategy is in our capacity as a distributor, we also market and sell under our own corporate brand portfolio of cost-effective, high-quality consumable merchandise products, and manufacture certain dental specialty products in the areas of oral surgery, implants, orthodontics and endodontics.

The technology and value-added services reportable segment provides software, technology and other value-added services to health care practitioners. Henry Schein One, the largest contributor of sales to this category, offers dental practice management solutions for dental and medical practitioners. In addition, we offer dentists and physicians a broad suite of electronic health records, patient communication services including electronic marketing and web-site design, analytics and patient demand generation. Finally, our value-added practice solutions include practice consultancy, education, integrated revenue cycle management and the facilitation of financial service offerings (on a non-recourse basis) to help dentists and physicians operate and expand their business operations. We believe our hands-on consultative approach to provide solutions to support practice decision-making is a key differentiator for our business.

## **Recent Developments**

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments” herein for a discussion related to the COVID-19 pandemic and recent corporate transactions.

## **Industry**

The global health care 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 mid-sized and large group practices ranging in size from a few practitioners to several hundred practices owned or operated by dental support organizations (DSOs), medical group purchasing organizations (GPOs), hospital systems or integrated delivery networks (IDNs).

Due in part to the limited capacity 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, hygienist or office manager. Supplies and small equipment are generally purchased from more than one distributor, with one generally serving as the primary supplier.

The health care distribution industry continues to experience growth due to demand driven by the aging population, increased health care awareness and the importance of preventative care, an increasing understanding of the connection between good oral health and overall health, improved access to care globally, 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 and technological improvements, including the advancement of software and services, prosthetic solutions and telemedicine. In addition, the non-acute market continues to benefit from the shift of procedures and diagnostic testing from acute care settings to alternate-care sites, particularly physicians’ offices and ambulatory surgery centers.

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.

In addition, customer consolidation will likely lead to multiple locations under common management and the movement of more procedures from the hospital setting to the physician or alternate care setting as the health care industry is increasingly focused on efficiency and 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 health maintenance organizations (“HMOs”), group practices, other managed care accounts and collective buying groups, which, in addition to their emphasis on obtaining products at competitive prices, tend to favor distributors capable of providing specialized management information support. We believe that the trend towards cost containment has the potential to favorably affect demand for technology solutions, including software, which can enhance the efficiency and facilitation of practice management.

## **Competition**

The distribution and manufacture of health care supplies and equipment is highly competitive. Many of the health care products we sell are available to our customers from a number of suppliers. In addition, our competitors could obtain exclusive rights from manufacturers to market particular products. Manufacturers also could seek to sell directly to end-users, and thereby eliminate or reduce our role and that of other distributors. In certain parts of the dental end market, such as those related to dental specialty products, and medical end market manufacturers already sell directly to end customers.

In North America, we compete with other distributors, as well as several manufacturers, of dental and medical products, primarily on the basis of price, breadth of product line, e-commerce capabilities, customer service and

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value-added products and services. In the dental market, our primary competitors in the U.S. are the Patterson Dental division of Patterson Companies, Inc. and Benco Dental Supply Company. In addition, we compete against a number of other distributors that operate on a national, regional and local level. Our primary competitors in the U.S. medical market, which accounts for the large majority of our global medical sales, are McKesson Corporation and Medline Industries, Inc., which are national distributors. We also compete with a number of regional and local medical distributors, as well as a number of manufacturers that sell directly to physicians. With regard to our dental software, we compete against numerous companies, including the Patterson Dental division of Patterson Companies, Inc., Carestream Health, Inc., Carestream Dental LLC, Centaur Software Development Co Pty Ltd. (d.b.a. dental4windows, dental4web), Open Dental Software, Inc., PlanetDDS LLC, Good Methods Global Inc. (d.b.a. CareStack) and Curve Dental, LLC. In other software end markets, including revenue cycle management, patient relationship management and patient demand generation, we compete with companies such as Vyne Therapeutics Inc., EDI-Health Group, Inc. (d.b.a. Dental X Change, Inc.), Weave Communications, Inc., and Solutionreach, Inc. The medical practice management and electronic medical records market is fragmented and we compete with numerous companies such as the NextGen division of Quality Systems, Inc., eClinicalWorks, Allscripts Healthcare Solutions, Inc. and Epic Systems Corporation.

Outside of the U.S., we believe we are the only global distributor of supplies and equipment to dental practices and our competitors are primarily local and regional companies. We also face significant competition internationally, where we compete on the basis of price and customer service against several large competitors, including the GACD Group, Proclinic SA, Lifco AB, Planmeca Oy and Billerica Dental Supply Co. Ltd., as well as a large number of other dental and medical product distributors and manufacturers in international countries and territories we serve.

### **Competitive Strengths**

We have more than 90 years of experience in distributing products to health care practitioners resulting in strong awareness of the Henry Schein® brand. Our competitive strengths include:

*A focus on meeting our customers' unique needs.* We are committed to providing customized solutions to our customers that are driven by our understanding of the end markets we serve and reflect the technology-driven products and services best suited for their practice needs. We are committed to continuing to enhance these offerings through organic investment in our products and our teams, as well as through the acquisition of new products and services that may help us better serve our customers.

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

- *Field sales consultants.* Our field sales consultants, including equipment sales specialists, covering major North American, European and other international markets. These consultants complement our direct marketing and telesales efforts and enable us to better market, service and support the sale of more sophisticated products and equipment.
- *Marketing.* We market to existing and prospective office-based health care providers through a combination of owned, earned and paid digital channels, tradeshow, as well as through catalogs, flyers, direct mail and other promotional materials. Our strategies include an emphasis on educational content through webinars and content marketing initiatives. We continue to enhance our marketing technology to improve our targeting capability and the relevance of messaging and offers.
- *Telesales.* We support our direct marketing effort with inbound and outbound telesales representatives, who facilitate order processing, generate new sales through direct and frequent contact with customers and stay abreast of market developments and the hundreds of new products, services and technologies introduced each year to educate practice personnel.

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- *Electronic commerce solutions.* We provide our customers and sales teams with innovative and competitive e-commerce solutions. We continue to invest in our e-commerce platform to offer enhanced content management so customers can more easily find the products they need and to enable an engaging purchase experience, supported by excellent customer service.
- *Social media.* Our operating entities and employees engage our customers and supplier partners through various social media platforms, which are an important element of our communications and marketing efforts. We continue to expand our social media presence to raise awareness about issues, engage customers beyond a sale and deliver services and solutions to specialized audiences.

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

- *Consumable supplies and equipment.* We distribute consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, dental specialty products, diagnostic tests, infection-control products and vitamins. We offer over 300,000 branded products, through our distribution centers, to our customers. We also market and sell our own corporate brand portfolio of cost-effective, high-quality consumable merchandise products and manufacture certain dental specialty products in the areas of implants, orthodontics and endodontics.
- *Technology and other value-added products and services.* We sell practice management, business analytics, patient engagement and patient demand creation software solutions to our dental customers. Our practice management solutions provide practitioners with electronic medical records, patient treatment history, analytics, billing, accounts receivable analyses and management, appointment calendars, electronic claims processing and word processing programs, network and hardware services, e-commerce and electronic marketing services, sourcing third party patient payment plans, transition services and training and education programs for practitioners. We also sell medical software for practice management, certified electronic health records (“EHR”) and e-Prescribe medications and prescription solutions through MicroMD®. We have technical representatives supporting customers using our practice management solutions and services. As of December 31, 2022, we had an active user base of approximately 110,000 practices and 380,000 consumers, including users of AxiUm, Dentally®, Dentrix Ascend®, Dental Vision®, Dentrix® Dental Systems, Dentrix® Enterprise, Easy Dental®, EndoVision®, Evolution® and EXACT®, Gesden®, Jarvis Analytics™, Julie® Software, Oasis, OMSVision®, Orisline®, PBS Endo®, PerioVision®, Power Practice® Px, PowerDent, and Viive® and subscriptions for Demandforce®, Sesame, and Lighthouse360® for dental practices and DentalPlans.com® for dental patients; and MicroMD® for physician practices.
- *Repair services.* We have over 130 equipment sales and service centers worldwide that provide a variety of repair, installation and technical services for our health care customers. Our technicians provide installation and repair services for: dental handpieces, dental and medical small equipment, table-top sterilizers and large dental equipment.
- *Financial services.* We offer our customers solutions in operating their practices more efficiently by providing access to a number of financial services and products provided by third party suppliers (including non-recourse financing for equipment, technology and software products, non-recourse practice financing for leasehold improvements, business debt consolidation and commercial real estate, non-recourse patient financing and credit card processing) at rates that we believe are generally lower than what our customers would be able to secure independently. We also provide staffing services, dental practice valuation and brokerage services.

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

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- *Exceptional order fulfillment.* We ship an average of approximately 157,000 cartons daily. Historically, approximately 99% of items have been shipped without back-ordering and were shipped on the same business day the order is received. Due to supply chain disruptions during the year ended December 31, 2022, approximately 96% of items ordered were shipped without back-ordering. As supply chains continue to stabilize, we expect our percentage of items shipped without back-ordering and shipped on the same day to return to historical levels.
- *Comprehensive ordering process.* Customers may place orders 24 hours a day, 7 days a week via e-commerce solutions, telephone, fax, e-mail and mail.

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

*Cost-effective purchasing.* We believe that cost-effective purchasing is a key element to maintaining and enhancing our position as a competitively priced provider of health care products. We continuously evaluate our purchase requirements and suppliers' offerings and prices in order to obtain products at the lowest possible cost. In 2022, our top 10 health care distribution suppliers and our single largest supplier accounted for approximately 28% and 4%, respectively, of our aggregate purchases.

*Efficient distribution.* We distribute our products from our 29 strategically located distribution centers. We strive to maintain optimal inventory levels in order to satisfy customer demand for prompt delivery and complete order fulfillment. These inventory levels are managed on a daily basis with the aid of our management information systems. Once an order is entered, it is electronically transmitted to the distribution center nearest the customer's location for order fulfillment.

## Products and Services

The following table sets forth the percentage of consolidated net sales by principal categories of products and services offered through our health care distribution and technology and value-added services reportable segments:

|  | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
|--|----------------------|----------------------|----------------------|
| <b>Health care distribution:</b>   |                      |                      |                      |
| Dental products <sup>(1)</sup>   | 59.1%                | 60.8%                | 58.4%                |
| Medical products <sup>(2)</sup>  | 35.2                 | 34.0                 | 35.8                 |
| <b>Total health care distribution</b>  | 94.3                 | 94.8                 | 94.2                 |
| <b>Technology and value-added services:</b>                                    |                      |                      |                      |
| Software and related products and<br>other value-added products <sup>(3)</sup> | 5.7                  | 5.2                  | 5.1                  |
| <b>Total excluding Corporate TSA net sales</b>                                 | 100.0                | 100.0                | 99.3                 |
| Corporate TSA net sales <sup>(4)</sup>   | -                    | -                    | 0.7                  |
| <b>Total</b>   | 100.0                | 100.0                | 100.0                |

- (1) Includes infection-control products, handpieces, preventatives, impression materials, composites, anesthetics, teeth, dental implants, gypsum, acrylics, articulators, abrasives, dental chairs, delivery units and lights, X-ray supplies and equipment, PPE products, equipment repair and high-tech and digital restoration equipment.
- (2) Includes branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products, X-ray products, equipment, PPE products and vitamins.
- (3) 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.
- (4) Corporate TSA net sales represents sales of certain products to Covetrus under the transition services agreement entered into in connection with the Animal Health Spin-off, which ended in December 2020. See [Note-23 Related Party Transactions](#) for further information.

## Business Strategy

Our mission is to provide innovative, integrated health care products and services; and to be trusted advisors and consultants to our customers - enabling them to deliver the best quality patient care and enhance their practice management efficiency and profitability. Our BOLD+1 Strategic Plan consists of the following:

- **Build (“B”)** Complementary software, specialty, and services businesses for high growth
- **Operationalize (“O”)** One Distribution to deliver exceptional customer experience, increased efficiency, and growth
- **Leverage (“L”)** One Schein to broaden and deepen relationships with our customers
- **Drive (“D”)** Drive digital transformation for our customers and for Henry Schein
- **+1** Create Value for our stakeholders

To accomplish this, we apply our competitive strengths in executing the following strategies:

- *Increase penetration of our existing customer base.* We have over 1 million customers worldwide and we intend to increase sales to our existing customer base and enhance our position as their primary supplier. We believe our offering of a broad range of products, services and support, including software solutions that can help drive improved workflow efficiency and patient communications for practices, coupled with our full-service value proposition, helps us to retain and grow our customer base.
- *Increase the number of customers we serve.* This strategy includes increasing the productivity of our field sales consultants and telesales team, as well as using our customer database to focus our marketing efforts in all of our operating segments. In the dental business, we provide products and services to independent practices, mid-market groups, and large DSOs as well as community health centers and government sites of care. Leveraging our broad array of assets and capabilities, we offer solutions to address these new markets. In the medical business, we have expanded to serve customers located in settings outside of the traditional office, such as urgent care clinics, retail, occupational health and home health settings. As settings of health care shift, we remain committed to serving these practitioners and providing them with the products and services they need.
- *Leverage our value-added products and services.* We continue to increase cross-selling efforts for key product lines utilizing a consultative selling process. In the dental business, we have significant cross-selling opportunities between our dental software users and our dental customers. In the medical business, we have opportunities to expand our vaccine, injectables and other pharmaceuticals sales to health care practitioners, as well as cross-selling EHR systems and software when we sell our core products. Our strategy extends to providing health systems, integrated delivery networks and other large group and multi-site health care organizations, including physician clinics, these same value added products and services. As physicians and health systems closely align, we have increased access to opportunities for cross-marketing and selling our product and service portfolios.
- *Pursue strategic acquisitions and joint ventures.* Our acquisition strategy is focused on investments in companies that add new customers and sales teams, increase our geographic footprint (whether entering a new country, such as emerging markets, or building scale where we have already invested in businesses), and finally, those that enable us to access new products and technologies.

## Markets Served

Demographic trends indicate that our markets are growing, as an aging U.S. population is increasingly using health care services. According to the U.S. Census Bureau’s International Database, between 2022 and 2032, the 45 and older population is expected to grow by approximately 11%. Between 2022 and 2042, this age group is expected to grow by approximately 21%. This compares with expected total U.S. population growth rates of approximately 6% between 2022 and 2032 and approximately 12% between 2022 and 2042.

In the dental industry, there is predicted to be a rise in oral health care expenditures as the 45-and-older segment of the population increases. There is increasing demand for new technologies that allow dentists to increase



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productivity, and this is being driven in the U.S. by lower insurance reimbursement rates. At the same time, there is an expected increase in dental insurance coverage.

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

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

Additionally, we seek to expand our dental full-service model and medical offerings in countries where opportunities exist. We do this through both direct sales and by partnering with local distribution and manufacturing companies.

For information on revenues and long-lived assets by geographic area, see [Note 3 – Segment and Geographic Data](#) of “Notes to Consolidated Financial Statements.”

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

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

Our business is subject to seasonal and other quarterly fluctuations. Sales and profitability generally have been higher in the third and fourth quarters due to the timing of sales of seasonal products (including influenza vaccine) purchasing patterns of office-based health care practitioners for certain products (including equipment and software) and year-end promotions. Sales and profitability may also be impacted by the timing of certain annual and biennial dental tradeshow where equipment promotions are offered. In addition, some dental practices delay equipment purchases in the U.S. until year-end due to tax incentives. We expect our historical seasonality of sales to continue in the foreseeable future.

### **Governmental Regulations**

We strive to be compliant in all material respects with the applicable laws, regulations and guidance described below, and believe we have effective compliance programs and other controls in place to ensure substantial compliance. However, compliance is not guaranteed either now or in the future, as certain laws, regulations and guidance may be subject to varying and evolving interpretations that could affect our ability to comply, as well as future changes, additions and enforcement approaches, including political changes. When we discover situations of non-compliance we seek to remedy them and bring the affected area back into compliance. President Biden's administration (the “Biden Administration”) has indicated that it will be more aggressive in its pursuit of alleged violations of law, and has revoked certain guidance that would have limited governmental use of informal agency guidance to pursue potential violations, and has stated that it is more prepared to pursue individuals for corporate law violations, including an aggressive approach to anti-corruption activities. Changes to applicable laws, regulations and guidance described below, as well as related administrative or judicial interpretations, may require us to update or revise our operations, services, marketing practices and compliance programs and controls, and may impose additional and unforeseen costs on us, pose new or previously immaterial risks to us, or may otherwise have a material adverse effect on our business.

#### *Government*

Certain of our businesses involve the distribution, manufacturing, importation, exportation, marketing and sale of, and/or third party payment for, pharmaceuticals and/or medical devices, and in this regard, we are subject to extensive local, state, federal and foreign governmental laws and regulations, including as applicable to our wholesale distribution of pharmaceuticals and medical devices, manufacturing activities, and as part of our specialty home medical supply business that distributes and sells medical equipment and supplies directly to

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patients. Federal, state and certain foreign governments have also increased enforcement activity in the health care sector, particularly in areas of fraud and abuse, anti-bribery and corruption, controlled substances handling, medical device regulations and data privacy and security standards.

Government and private insurance programs fund a large portion of the total cost of medical care, and there have been efforts to limit such private and government insurance programs, including efforts, thus far unsuccessful, to seek repeal of the entire United States Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, each enacted in March 2010 (as amended, the “ACA”). In addition, activities to control medical costs, including laws and regulations lowering reimbursement rates for pharmaceuticals, medical devices and/or medical treatments or services, are ongoing. Many of these laws and regulations are subject to change and their evolving implementation may impact our operations and our financial performance.

Our businesses are generally subject to numerous laws and regulations that could impact our financial performance, and failure to comply with such laws or regulations could have a material adverse effect on our business.

### *Operating, Security and Licensure Standards*

Certain of our businesses are subject to local, state and federal governmental laws and regulations relating to the distribution of pharmaceuticals and medical devices and supplies. 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”), Section 361 of the Public Health Service Act and Section 401 of the Consolidated Appropriations Act of the Social Security Act, as well as laws regulating the billing of and reimbursement from government programs, such as Medicare and Medicaid, and from commercial payers. We are also subject to comparable foreign regulations.

The FDC Act, the Controlled Substances Act, their implementing regulations, and similar foreign laws generally regulate the introduction, manufacture, advertising, marketing and promotion, sampling, pricing and reimbursement, labeling, packaging, storage, handling, returning or recalling, reporting, 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. Furthermore, 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”), was first implemented in November 2014 and will be phased in over a period of ten years. DSCSA is intended to build a national electronic, interoperable system by November 27, 2023, that will 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, third-party logistics providers (e.g., trading partners), 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. The DSCSA requires wholesalers and 3PLs to submit annual reports to the FDA, which include information regarding each state where the wholesaler or 3PL is licensed, the name and address of each facility and contact information. 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. In addition, with respect to our specialty home medical supply business, we are subject to certain state licensure laws (including state pharmacy laws), and also certain accreditation standards, including to qualify for reimbursement from Medicare and other third-party payers.

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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, 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 completed the phase in. However, in May 2021, the FDA issued an enforcement policy stating that it does not intend to object to the use of legacy identification numbers on device labels and packages for finished devices manufactured and labeled prior to September 24, 2023. 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 (including, but not limited to, certain software that qualifies as a medical device under FDA rules), 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. On July 22, 2022, the FDA posted the final guidance regarding the Global Unique Device Identification Database called Unique Device Identification Policy Regarding Compliance Dates for Class I and Unclassified Devices, Direct Marketing, and Global Unique Device Identification Database Requirements for Certain Devices. 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, reproducers 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.

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, reporting, record-keeping 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 (“HHS”), 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, relabel, 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.

### *EU Regulation of Medicinal and Dental Products*

European Union (“EU”) member states regulate their own healthcare systems, as does EU law. The latter regulates certain matters, most notably medicinal products and medical devices. Medicinal products are defined, broadly, as substances or combinations of substances having certain functionalities and may not include medical devices. EU “regulations” apply in all member states, whereas “directives” are implemented by the individual laws of member states.

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On medicines for humans, we are regulated under Directive No. 2001/83/EC of 6 November 2001, as amended by Directive 2003/63/EC of 25 June 2003, and EU Regulation (EC) No. 726/2004 of 31 March 2004. These rules provide for the authorization of products, and regulate their manufacture, importation, marketing and distribution. It implements requirements which may be implemented without warning, as well as a national pharmacovigilance system under which marketing authorizations may be withdrawn, and includes potential sanctions for breaches of the rules, and on other bases such as harmfulness or lack of efficacy.

EU Regulation No. 1223/2009 of 30 November 2009 *on cosmetic products* requires that cosmetic products (which includes dental products) be safe for human health when used under normal or reasonably foreseeable conditions of use and comply with certain obligations which apply to manufacturer, importer and distributor. It includes market surveillance, and non-compliance may result in the recall or withdrawal of products, along with other sanctions.

In the EU, the EU Medical Device Regulation No. 2017/745 of 5 April 2017 (“EU MDR”) covers a wide scope of our activities, from dental material to X-ray machines, and certain software. It was meant to become applicable three years after publication (i.e., May 26, 2020). However, on April 23, 2020, to allow European Economic Area (“EEA”) national authorities, notified bodies, manufacturers and other actors to focus fully on urgent priorities related to the COVID-19 pandemic, the European Council and Parliament adopted Regulation 2020/561, postponing the date of application of the EU MDR by one year (to May 26, 2021).

The EU MDR significantly modifies and intensifies the regulatory compliance requirements for the medical device industry as a whole. Among other things, the EU MDR:

- strengthens the rules on placing devices on the market and reinforces surveillance once they are available;
- establishes explicit provisions on manufacturers’ responsibilities for the follow-up of the quality, performance and safety of devices placed on the market;
- improves the traceability of medical devices throughout the supply chain to the end-user or patient through a unique identification number;
- sets up a central database to provide patients, healthcare professionals and the public with comprehensive information on products available in the EU;
- strengthens rules for the assessment of certain high-risk devices, such as implants, which may have to undergo an additional check by experts before they are placed on the market; and
- identifies importers and distributors and medical device products through registration in a database (EUDAMED, which is not fully functional for the time being and might not be so before the end of 2024 at the earliest; therefore, the use of this database is only possible through a voluntary basis and, by a way of consequence, is currently not mandatory).

In particular, the EU MDR imposes strict requirements for the confirmation that a product meets the regulatory requirements, including regarding a product’s clinical evaluation and a company’s quality systems, and for the distribution, marketing and sale of medical devices, including post-market surveillance. Medical devices that have been assessed and/or certified under the Directive No. 93/42/EEC of 14 June 1993 *concerning medical devices* (“EU Medical Device Directive”) may for the moment continue to be placed on the market until 2024 (or until the expiry of their certificates, if applicable and earlier). However, on January 6, 2023, the EU Commission submitted a proposed amendment to extend the MDR transitional periods until December 31, 2027 for higher risk devices and December 31, 2028, for other medical devices to ensure continued access to medical devices for patients and to allow medical devices already placed on the market in accordance with the current legal framework to remain on the market. We continue to monitor developments and whether the proposed amendment and new deadlines will be approved by the European Parliament and Council. Nevertheless, EU MDR requirements regarding the distribution, marketing and sale including quality systems and post-market surveillance have to be observed by manufacturers, importers and distributors as of the application date (i.e., since May 26, 2021).

Other EU regulations that may apply under appropriate circumstances include EU Regulation No. 1907/2006 of 18 December 2006 *concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals*, which requires importers to register substances or mixtures that they import in the EU beyond certain quantities, and the EU Regulation No. 1272/2008 of 16 December 2008 on classification, labelling and packaging of substances and mixtures, which sets various obligations with respect to the labelling and packaging of concerned substances and mixtures.

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Furthermore, compliance with legal requirements has required and may in the future require us to delay product release, sale or distribution, or institute voluntary recalls of, or other corrective action with respect to products we sell, each of which could result in regulatory and enforcement actions, financial losses and potential reputational harm. Our customers are also subject to significant federal, state, local and foreign governmental regulation, which may affect our interactions with customers, including the design and functionality of our products.

Certain of our businesses are subject to various additional federal, state, local and foreign laws and regulations, including with respect to the sale, transportation, storage, handling and disposal of hazardous or potentially hazardous substances, and safe working conditions. In addition, certain of our businesses must operate in compliance with a variety of burdensome and complex billing and record-keeping requirements in order to substantiate claims for payment under federal, state and commercial healthcare reimbursement programs. One of these businesses was suspended in October 2021 by CMS from receiving payments from Medicare, although it was permitted to continue to perform and bill for Medicare services. On September 30, 2022, CMS terminated the suspension of Medicare payments. As a result of the termination of the suspension, we recognized \$4 million of previously deferred revenue during the year ended December 31, 2022.

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

*Antitrust and Consumer Protection*

The federal government of the United States, most U.S. states and many foreign countries have antitrust laws that prohibit certain types of conduct deemed to be anti-competitive, as well as consumer protection laws that seek to protect consumers from improper business practices. At the U.S. federal level, the Federal Trade Commission oversees enforcement of these types of laws, and states have similar government agencies. Violations of antitrust or consumer protection laws may result in various sanctions, including criminal and civil penalties. Private plaintiffs may also bring civil lawsuits against us in the United States for alleged antitrust law violations, including claims for treble damages. EU law also regulates competition and provides for detailed rules protecting consumers. The Biden Administration has indicated increased antitrust enforcement and has been more aggressive in enforcement activities, including investigation and challenging non-compete restrictions and other restrictive contractual terms that it believes harm workers and competition.

*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. Certain additional state and federal laws, such as the federal Physician Self-Referral Law, commonly known as the “Stark Law,” prohibit physicians and other health professionals from referring a patient to an entity with which the physician (or family member) has a financial relationship, for the furnishing of certain designated health services (for example, durable medical equipment and medical supplies), unless an exception applies. Violations of Anti-Kickback Statutes or the Stark Law may be enforced as violations of the federal False Claims Act.

The fraud and abuse laws and regulations have been subject to 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 applicable false claims laws, and who may receive up to 30% of total government recoveries. Penalties under fraud and abuse laws may be severe, including treble damages and substantial civil penalties under the federal False Claims Act, as well as potential loss of licenses and the ability to participate in federal and state health care programs, criminal penalties, or imposition of a corporate integrity agreement or corporate compliance monitor which could have a material adverse effect on our business. Also, these measures may be interpreted or applied by a prosecutorial, regulatory or

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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. 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, as well as other fraud and abuse laws.

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, dentists and other healthcare professionals 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.

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, or failure to comply with applicable law, could have a material adverse effect on our business.

*Affordable Care Act and Other Insurance Reform*

The ACA 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 ACA also materially expanded the number of individuals in the United States with health insurance.

The ACA has faced frequent legal challenges, including litigation seeking to invalidate and Congressional action seeking to repeal some of or all of the law or the manner in which it has been implemented. In 2012, the United States Supreme Court, in upholding the constitutionality of the ACA and its individual mandate provision requiring that people buy health insurance or else face a penalty, simultaneously limited ACA provisions requiring Medicaid expansion, making such expansion a state-by-state decision. In addition, one of the major political parties in the United States remains committed to seeking the ACA's legislative repeal, but legislative efforts to do so have previously failed to pass both chambers of Congress. Under President Trump's administration, a number of administrative actions were taken to materially weaken the ACA, including, without limitation, by permitting the use of less robust plans with lower coverage and eliminating "premium support" for insurers providing policies under the ACA. The Tax Cuts and Jobs Act enacted in 2017, 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, also effectively repealed the ACA's individual mandate by zeroing out the penalty for non-compliance. In the most recent ACA litigation, the federal Fifth Circuit Court of Appeals found the individual mandate to be unconstitutional, and returned the case to the District Court for the Northern District of Texas for consideration of whether the remainder of the ACA could survive the excision of the individual mandate. The Fifth Circuit's decision was appealed to the United States Supreme Court. The Supreme Court issued a decision on June 17, 2021. Without reaching the merits of the case, the Supreme Court held that the plaintiffs in the case did not have standing to challenge the ACA. Any outcomes of future cases that change the ACA, in addition to future legislation, regulation, guidance and/or Executive Orders that do the same, could have a significant impact on the U.S. healthcare industry. For instance, the American Rescue Plan Act of 2021 enhanced premium tax credits, which has resulted in an expansion of the number of people covered under the ACA. These changes are time-limited, with some enhancements in place for 2021 only and others available through the end of 2022.

An ACA provision, generally referred to as the Physician Payment Sunshine Act or Open Payments Program (the "Sunshine Act"), 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, teaching hospitals, physician assistants, nurse practitioners, clinical nurse specialists, certified

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registered nurse anesthetists, and certified nurse midwives), and for such manufacturers and distributors and for group purchasing organizations, with regard to certain ownership interests held by covered recipients in the reporting entity. The Centers for Medicare and Medicaid Services (“CMS”) publishes information from these reports on a publicly available website, including amounts transferred and physician, dentist, teaching hospital, and non-physician practitioner identities. The 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 Sunshine Act, and some of these state laws, as well as the federal law, can be unclear. We are also subject to foreign regulations requiring transparency of certain interactions between suppliers and their customers.

In the United States, government actions to seek to increase health-related price transparency may also affect our business. For example, hospitals are currently required to publish online a list of their standard charges for all items and services, including discounted cash prices and payer-specific and de-identified negotiated charges, in a publicly accessible online file. Hospitals are also required to publish a consumer-friendly list of standard charges for certain “shoppable” services (i.e., services that can be scheduled by a patient in advance) and associated ancillary services or, alternatively, maintain an online price estimator tool. CMS may impose civil monetary penalties for noncompliance with these price transparency requirements. Additionally, the No Surprises Act (“NSA”), generally effective January 1, 2022, imposes additional price transparency requirements. The NSA is intended to reduce the number of “out-of-network” patients. This will result in fewer out-of-network payments to physicians and other providers, which may cause financial stress to those providers who are dependent on higher out-of-network fees.

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, which modified 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, through which Medicare reimbursement to eligible clinicians includes both positive and negative payment adjustments that take into account quality, promoting interoperability, cost and improvement activities. Data collected in the first MIPS performance year (2017) determined payment adjustments that began January 1, 2019. MACRA standards and payment levels continue to evolve, and reflect 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. New state-level payment and delivery system reform programs, including those modeled after such federal programs, are also increasingly being rolled out through Medicaid administrators, as well as through the private sector, which may further alter the marketplace and impact our business.

Recently, in addition to other government efforts to control health care costs, there has been increased scrutiny on drug pricing and concurrent efforts to control or reduce drug costs by Congress, the President, executive branch agencies and various states. At the state level, several states have adopted laws that require drug manufacturers to provide advance notice of certain price increases and to report information relating to those price increases, while others have taken legislative or administrative action to establish prescription drug affordability boards or multi-payer purchasing pools to reduce the cost of prescription drugs. At the federal level, several related bills have been introduced and regulations proposed which, if enacted or finalized, respectively, would impact drug pricing and related costs.

As a result of political, economic and regulatory influences, the health care distribution industry in the United States is under intense scrutiny and subject to fundamental changes. We cannot predict what further reform proposals, if any, will be adopted, when they may be adopted, or what impact they may have on us.

### *EU Directive on the pricing and reimbursement of medicinal products*

EU law provides for the regulation of the pricing of medicinal products which are implemented by EU member states (Directive No. 89/105/EC of 21 December 1988 *relating to the transparency of measures regulating the pricing of medicinal products for human use and their inclusion in the scope of national health insurance systems*). Member states may, subject notably to transparency conditions and to the statement of reasons based upon objective and verifiable criteria, regulate the price charged (or its increases) for authorized medicines and their level

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of reimbursement, or they may freeze prices, place controls on the profitability of persons responsible for placing medicinal products on the market, and include or exclude the medicine on the list of products covered by national health insurance systems.

EU law does not expressly include provisions like those of the Sunshine Act in the United States, but a growing number of EU member states (such as France in 2011 and Italy in 2022) have enacted laws to increase the transparency of relationships in the healthcare sector. The scope of these laws varies from one member state to another and may, for example, include the relations between healthcare industry players and physicians or their associations, students preparing for medical professions or their associations, teachers, health establishments or publishers of prescription and dispensing assistance software.

*Regulated Software; Electronic Health Records*

The FDA has become increasingly active in addressing the regulation of computer software and digital health products intended for use in health care settings. The 21st Century Cures Act (the “Cures Act”), signed into law on December 13, 2016, among other things, amended the medical device definition to exclude certain software from FDA regulation, including clinical decision support software that meets certain criteria. On September 27, 2019, the FDA issued a suite of guidance documents on digital health products, which incorporated applicable Cures Act standards, including regarding the types of clinical decision support tools and other software that are exempt from regulation by the FDA as medical devices, and continues to issue new guidance in this area. 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, our businesses that involve physician and dental practice management products, and our specialty home medical supply business, include electronic information technology systems that store and process personal health, clinical, financial and other sensitive information of individuals. These information technology systems may be vulnerable to breakdown, wrongful intrusions, data breaches and malicious attack, which could require us to expend significant resources to eliminate these problems and address related security concerns and could involve claims against us by private parties and/or governmental agencies. For example, we are directly or indirectly subject to numerous and evolving federal, state, local and foreign laws and regulations that protect the privacy and security of personal information, such as the federal Health Insurance Portability and Accountability Act of 1996, as amended, and implementing regulations (“HIPAA”), the Controlling the Assault of Non-Solicited Pornography and Marketing Act, the Telephone Consumer Protection Act of 1991, Section 5 of the Federal Trade Commission Act, the California Privacy Act (“CCPA”), and the California Privacy Rights Act (“CPRA”) that became effective on January 1, 2023. Additionally, Virginia, Colorado, Connecticut and Utah recently passed comprehensive privacy legislation, and several privacy bills have been proposed both at the federal and state level that may result in additional legal requirements that impact our business. Laws and regulations relating to privacy and data protection are continually evolving and subject to potentially differing interpretations. These requirements may not be harmonized, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices. Our businesses’ failure to comply with these laws and regulations could expose us to breach of contract claims, substantial fines, penalties and other liabilities and expenses, costs for remediation and harm to our reputation. Also, evolving laws and regulations in this area could restrict the ability of our customers to obtain, use or disseminate patient information, or could require us to incur significant additional costs to re-design our products to reflect these legal requirements, which could have a material adverse effect on our operations.

Also, the European Parliament and the Council of the EU adopted the pan-European General Data Protection Regulation (“GDPR”), effective from May 25, 2018, which increased privacy rights for individuals (“Data Subjects”), including individuals who are our customers, suppliers and employees. The GDPR extended the scope of responsibilities for data controllers and data processors, and generally imposes increased requirements and potential penalties on companies, such as us, that are either established in the EU and process personal data of Data Subjects (regardless the Data Subject location), or that are not established in the EU but that offer goods or services to Data Subjects in the EU or monitor their behavior in the EU. Noncompliance can result in penalties of up to the greater of EUR 20 million, or 4% of global company revenues (sanction that may be public), and Data Subjects



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may seek damages. Member states may individually impose additional requirements and penalties regarding certain limited matters (for which the GDPR let some room of flexibility), such as employee personal data. With respect to the personal data it protects, the GDPR requires, among other things, controller accountability, consents from Data Subjects or another acceptable legal basis to process the personal data, notification within 72 hours of a personal data breach where required, data integrity and security, and fairness and transparency regarding the storage, use or other processing of the personal data. The GDPR also provides rights to Data Subjects relating notably to information, access, rectification, erasure of the personal data and the right to object to the processing.

On August 20, 2021, China promulgated the PRC Personal Information Protection Law (“PIPL”), which took effect on November 1, 2021. The PIPL imposes specific rules for processing personal information and it also specifies that the law shall also apply to personal information activities carried out outside China but for the purpose of providing products or services to PRC citizens. Any non-compliance with these laws and regulations may subject us to fines, orders to rectify or terminate any actions that are deemed illegal by regulatory authorities, other penalties, as well as reputational damage or legal proceedings against us, which may affect our business, financial condition or results of operations. The PIPL carries maximum penalties of CNY50 million or 5% of the annual revenue of entities that process personal data.

In the United States, the CCPA, which increases the privacy protections afforded California residents, became effective January 1, 2020. The CCPA generally requires companies, such as us, to institute additional protections regarding the collection, use and disclosure of certain personal information of California residents. Compliance with the obligations imposed by the CCPA depends in part on how particular regulators interpret and apply them. Regulations were released in August of 2020, but there remains some uncertainty about how the CCPA will be interpreted by the courts and enforced by the regulators. If we fail to comply with the CCPA or if regulators assert that we have failed to comply with the CCPA, we may be subject to certain fines or other penalties and litigation, any of which may negatively impact our reputation, require us to expend significant resources, and harm our business. Furthermore, California voters approved the CPRA on November 3, 2020, which amends and expands the CCPA, including by providing consumers with additional rights with respect to their personal information, and creating a new state agency, the California Privacy Protection Agency, to enforce the CCPA and the CPRA. The CPRA came into effect on January 1, 2023, applying to information collected by businesses on or after January 1, 2022.

Other states, as well as the federal government, have increasingly considered the adoption of similarly expansive personal privacy laws, backed by significant civil penalties for non-compliance. Virginia and Colorado were both successful in passing privacy legislation in 2021, becoming effective on January 1, 2023 and July 1, 2023, respectively. In 2022, privacy legislation passed in Connecticut, effective July 1, 2023, and Utah, effective December 31, 2023. While we believe we have substantially compliant programs and controls in place to comply with the GDPR, CCPA, PIPL, CPRA and state law requirements, our compliance with data privacy and cybersecurity laws 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 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 MIPS, to use EHR technology in accordance with certain evolving requirements, including regarding quality, promoting interoperability, cost and improvement activities. Qualification for the MIPS

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incentive payments requires the use of EHRs that are certified as having certain capabilities designated in evolving standards adopted by CMS and the Office of the National Coordinator for Health Information Technology of HHS (“ONC”). Certain of our businesses involve the manufacture and sale of such certified EHR systems and other products linked to government supported 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, we may be exposed to risk, such as under federal health care fraud and abuse laws, including the False Claims Act.

Moreover, in order to satisfy our customers, and comply with evolving legal requirements, our products may need to incorporate increasingly complex functionality, such as with respect to reporting and information blocking. 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. Failure to abide by these and other 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 to safely and effectively exchange and use exchanged information becomes increasingly important. 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 or regulatory 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 online presence and capabilities, including our online commerce offerings and our use of various social media outlets.

*International Transactions*

United States and foreign import and export laws and regulations require us to abide by certain standards relating to the importation and exportation of products. We also are subject to certain laws and regulations concerning the conduct of our foreign operations, including the U.S. Foreign Corrupt Practices Act, 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, as well as other types of foreign requirements similar to those imposed in the United States.

While we believe that we are substantially compliant with the foregoing laws and regulations promulgated thereunder and possess all material permits and licenses required for the conduct of our business, there can be no assurance that laws and regulations that impact our business or laws and regulations as they apply to our customers’ practices will not have a material adverse effect on our business.

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See “[Item 1A. Risk Factors](#),” for a discussion of additional burdens, risks and regulatory developments that may affect our results of operations and financial condition.

### **Proprietary Rights**

We hold trademarks relating to the “Henry Schein®” name and logo, as well as certain other trademarks. We intend to protect our trademarks to the fullest extent practicable.

### **Employees and Human Capital**

#### *Environment, Social and Governance*

Henry Schein has remained steadfastly committed over our nine-decade history to the core philosophy that our purpose-driven mission of "doing good" for our stakeholders is inextricably linked to our Company "doing well" in business through our stakeholder engagement model “our Mosaic of Success”. We balance the needs of our five key stakeholders – Team Schein Members (TSMs), our Customers, our Suppliers, our Stockholders, and Society – to continue to drive our sustainability and ESG efforts to foster a healthier planet and healthier people. Overseen by the Nominating and Governance Committee of our Board of Directors with the Compensation Committee also playing a role in ESG matters related to human capital engagement and executive compensation, key 2022 sustainability and ESG highlights included:

- With the backdrop of the ongoing COVID-19 pandemic and the humanitarian crises in Ukraine and other regions, we continued our efforts to drive an overall culture of wellness and engagement for our TSMs as we navigated a new hybrid work environment and ensure supply chain resiliency to support our customers and our communities. Henry Schein was named Chair of the Private Sector Roundtable on Global Health Security, and continued its work across sectors to support the creation of market intelligence platforms that enable the appropriate sharing of real-time supply chain data, including through the WHO's Pandemic Supply Chain Network and various national efforts, including the U.S. Supply Chain Control Tower.
- (i) Publishing our annual Corporate Social Responsibility and Sustainability Report according to the Global Reporting Initiative and Sustainability Accounting Standards Board reporting standards and issuing our first Taskforce for Climate-related Financial Disclosures report; (ii) committing to announcing our carbon reduction goal by the end of 2023; (iii) continued initiatives and programs to advance health equity efforts to promote access to care for underserved and underrepresented communities, investing in diversity for greater health equity in partnership with health care professionals, and increasing awareness of health equity needs globally; (iv) announced the top line findings of our pay equity analysis across the U.S., which reviews compensation across gender and ethnic groups; (v) expanding our Diversity and Inclusion (“D&I”) learning journey, such as by educating global directors and vice presidents on more advanced topics of D&I including privilege and equity, as well as offering education to all global TSMs below director level on the importance of D&I; and (vi) continuing to drive a culture of wellness for our TSMs by fostering an environment where they can feel engaged, included and psychologically safe.

At Henry Schein, our employees are our greatest asset. We employ more than 22,000 people, approximately 50% of our workforce is based in the United States and approximately 50% is based outside of the United States. Approximately 12% of our employees are subject to collective bargaining agreements. We believe that our relations with our employees are excellent.

We refer to our employees as Team Schein Members, or “TSMs.” Our TSMs are the cornerstone of the Company. We have a strong values-based culture that cultivates a meaningful employee experience that is centered around people. We know our business success is built on the engagement and commitment of our team, which is dedicated to meeting the needs of their fellow TSMs, our customers, supplier partners, stockholders and society. As part of this commitment, our highlights in 2022 included:

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- *Nurturing a connected community for a happier, more engaged, collaborative work environment.* We continue to adapt to the new way of working for our TSMs by listening to their needs. With TSMs working remotely, hybrid and in-person, our goal is to continue to create a collaborative community where every TSM feels connected to our culture. Through various virtual and in-person programming from our Employee Resource Groups, Wellness Committee and Team Schein Engagement team, we continue to bring TSMs together in a meaningful way through virtual education sessions and networking events. To help create a sense of connection and belonging amongst the team, we launched “TSM Experience Panels,” which feature TSMs who share their authentic experiences and offer advice and best practices on specific topics. We offer a variety of opportunities to volunteer for team-building and engaging in their local communities in which they live and work such as through the We Care Global Challenge, Back to School, and Holiday Cheer. In addition, they can “help health happen” by participating in key programs and initiatives (e.g., Gives Kids A Smile, Healthy Lifestyles, Healthy Communities and Release the Pressure) that partner with industry associations, customers, and suppliers to support access to quality health care for underserved and underrepresented communities. We continue to evaluate the engagement of our team through various listening mechanisms including roundtables, hosted by our CEO and Executive Management Committee (“EMC”), and various surveys, including The Pulse, our global culture survey that evaluates TSM engagement globally with results reviewed by senior leaders, reported to the Board of Directors (“BOD”). Throughout 2022, we held 10 solutions-focused roundtables hosted by our EMC members with over 100 TSMs to dive in deeper and influence our strategy on programs and processes designed to further enhance our culture.
- *Driving a culture of wellness for our team members and society.* In 2020, we launched a Mental Wellness Committee with a mission to drive a culture of wellness and empower every TSM to be their best self, mentally, emotionally and physically. The Committee provides resources, guidance and support, and works across our businesses to establish enhanced workplace norms to help improve and safeguard our TSMs’ wellness. We actively engage leadership, including our CEO, EMC, BOD and TSMs alike in conversations around the importance of wellness in the workplace. In 2022, we rolled-out an EMC video series that focused on being more intentional in the way we work across our business. These new workplace norms focused on meeting and technology etiquette, successful calendaring, establishing and communicating reasonable expectations and prioritization, the importance of taking and respecting time off, and the importance of making time for social connection. In addition to expanding education on key mental health topics in partnership with our employee assistance vendor, we also rolled-out manager-specific education to provide tips on how to identify signs of burnout and have conversations around wellness with their teams. With the rise of suicide rates around the world, the Wellness Committee held seminars for the team on suicide prevention and hosted in-person community walks that resulted in donations to local suicide prevention organizations globally.
- *Being committed to enhancing our D&I initiatives.* We believe a diverse workforce fosters innovation and cultivates an environment filled with unique perspectives. As a result, D&I helps us meet the needs of customers around the world and provide our TSMs an inclusive environment where they feel they belong. We measure our success in D&I through, among other things, our global culture survey, where results in 2021 showed D&I is our top strength out of 14 focus areas. To guide our efforts and education related to D&I, our Diversity and Inclusion Council, with engagement from our BOD and EMC, drives the Company’s overall D&I strategy. To deepen our commitment to D&I across the Company, Global Directors and Vice Presidents each have a goal tied to their compensation to champion D&I and attend education. We continue to expand our D&I learning journey, educating global Directors and Vice Presidents on key D&I topics including leading inclusively, bias and equity. We also continue to educate our global TSMs on the importance of D&I. Additionally, we promote engagement by utilizing our Employee Resource Groups (“ERGs”), which we continue to expand, as an inclusive and diverse vehicle for all TSMs to share, connect, learn and develop both personally and professionally. Each of our ERGs has a sponsor from our Executive Management Committee and our BOD and our CEO engages directly in many of our ERG programs. While inclusion continues to remain a top priority, we also understand the importance of ensuring our internal team reflects the diversity of our customers and society. In addition to our current gender parity by 2030 goal, we announced a new goal in 2022 with an enhanced focus on

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increasing the diversity of all underrepresented groups in senior leadership levels through our talent planning, compensation and recruitment processes, in alignment with our corporate strategic planning objectives to achieve concrete results. We continue to disclose additional diversity data, with frequent reporting to the EMC and BOD. In 2022, we published our United States Equal Employment Opportunity Commission (“EEOC”) EEO-1 data for the U.S. for the first time. We continue to enhance our recruiting strategy by developing and investing in strategic hires who complement our D&I mission. We believe that these efforts will serve as a critical steppingstone as we continue to strengthen our D&I initiatives in an effort to meet the evolving needs of our customers, supplier partners, TSMs, stockholders and society.

- *Understanding that growth, recognition and purpose are key pillars to TSM fulfillment.* Personal and professional development of our TSMs is important to us. As such, we invest in our employees by providing both formal and informal learning opportunities that are focused on growing and enhancing knowledge, skills and abilities. TSMs globally are offered a broad suite of professional development training programs targeted to specific learning opportunities based on their current and potential future role within the Company. We also offer over 50 organizational and development training courses designed to aid in the overall development and advancement of skills and competencies to enable organizational success. Executive education, mentorship and coaching programs also form an important part of our development and career support initiatives. Additionally, we continued to see an increase in participation in our Organizational Development initiatives in 2022 with our TSMs reporting a high utilization of skills learned. Talent planning efforts are also an integral part of our commitment to ensure a strong diverse leadership pipeline across the organization. Through a formal global process, we strategically identify and develop talent through targeted development opportunities and intentional succession plans. We continuously identify potential management successors as part of our succession planning process. Information derived from talent planning efforts informs curriculum design and content to help focus on the right capabilities and help ensure alignment of career development efforts with the future needs of the organization. Our BOD is provided with periodic updates regarding our talent and succession planning efforts and participates in professional development activities with our TSMs. We know recognition and purpose are also key pillars to TSM engagement, so we continue to find ways to recognize our TSMs through our annual performance review process, and various recognition opportunities including our Teddy Philson Team Schein Award, which highlights TSMs who exemplify our Team Schein Values. In addition, we continue to focus on ensuring every TSM understands the importance in the role they play within the organization, how they contribute to a larger purpose of creating a healthier world, as well as continue to provide opportunities for TSMs to engage in meaningful ways that connect back to their own personal purpose, such as helping the community through CSR activities.

**Available Information**

We make available free of charge through our Internet website, [www.henryschein.com](http://www.henryschein.com), our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, statements of beneficial ownership of securities on Forms 3, 4 and 5 and amendments to these reports and statements filed or furnished pursuant to Section 13(a) and Section 16 of the Securities Exchange Act of 1934 as soon as reasonably practicable after such materials are electronically filed with, or furnished to, the United States Securities and Exchange Commission, or SEC. Our principal executive offices are located at 135 Duryea Road, Melville, New York 11747, and our telephone number is (631) 843-5500. Unless the context specifically requires otherwise, the terms the “Company,” “Henry Schein,” “we,” “us” and “our” mean Henry Schein, Inc., a Delaware corporation, and its consolidated subsidiaries.

## Information about our Executive Officers

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

| Name                | Age | Position  |
|---------------------|-----|---|
| Stanley M. Bergman  | 73  | Chairman, Chief Executive Officer, Director                 |
| James P. Breslawski | 69  | Vice Chairman, President, Director                          |
| David Brous         | 54  | Chief Executive Officer, Strategic Business Group           |
| Brad Connett        | 64  | Chief Executive Officer, North America Distribution Group   |
| Michael S. Ettinger | 61  | Executive Vice President and Chief Operating Officer        |
| Lorelei McGlynn     | 59  | Senior Vice President, Chief Human Resources Officer        |
| Mark E. Mlotek      | 67  | Executive Vice President, Chief Strategic Officer, Director |
| Ronald N. South     | 61  | Senior Vice President, Chief Financial Officer              |
| Walter Siegel       | 63  | Senior Vice President and Chief Legal Officer               |

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

**James P. Breslawski** has been our Vice Chairman since 2018, President since 2005 and a director since 1992. Mr. Breslawski was the Chief Executive Officer of our Henry Schein Global Dental Group from 2005 to 2018. Mr. Breslawski held the position of Executive Vice President and President of U.S. Dental from 1990 to 2005, with primary responsibility for the North American Dental Group. Between 1980 and 1990, Mr. Breslawski held various positions with us, including Chief Financial Officer, Vice President of Finance and Administration and Corporate Controller.

**David Brous** has been our Chief Executive Officer, Strategic Business Group since 2021. Mr. Brous joined us in 2002 and has held many positions within the organization, including President, Strategic Business Units Group and Asia Pacific & Brazil Dental, leading and managing the Corporate Business Development Group and the International Healthcare Group (managing our International Animal Health business, International Medical business and Australia / New Zealand Dental business).

**Brad Connett** has been our Chief Executive Officer, North American Distribution Group since 2021. Previously Mr. Connett was the President of our U.S. Medical Group from 2018 to 2021. Mr. Connett joined us in 1997 and has held a number of roles of increasing responsibility at the Company. Throughout his career, he has received numerous industry honors, including the John F. Sasen Leadership Award from the Health Industry Distributors Association (HIDA), in recognition of his service to the industry, and induction into the Medical Distribution Hall of Fame by Repertoire Magazine.

**Michael S. Ettinger** has been our Executive Vice President and Chief Operating Officer since July 2022. Prior to his current position, Mr. Ettinger served as Senior Vice President, Corporate & Legal Affairs, Chief of Staff and Secretary from 2015 to July 2022, Senior Vice President, Corporate & Legal Affairs and Secretary from 2013 to 2015, Corporate Senior Vice President, General Counsel & Secretary from 2006 to 2013, Vice President, General Counsel and Secretary from 2000 to 2006, Vice President and Associate General Counsel from 1998 to 2000 and Associate General Counsel from 1994 to 1998. Before joining us, Mr. Ettinger served as a senior associate with Bower & Gardner and as a member of the Tax Department at Arthur Andersen.

**Lorelei McGlynn** has been our Senior Vice President, Chief Human Resources Officer since 2013. Since joining us in 1999, Ms. McGlynn has served as Vice President, Global Human Resources and Financial Operations from 2008 to 2013, Chief Financial Officer, International Group and Vice President of Global Financial Operations from 2002 to 2008 and Vice President, Finance, North America from 1999 to 2002. Prior to joining us, Ms. McGlynn served as Assistant Vice President of Finance at Adecco Corporation.

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**Mark E. Mlotek** has been our Executive Vice President and Chief Strategic Officer since 2012. Mr. Mlotek was Senior Vice President and subsequently Executive Vice President of the Corporate Business Development Group between 2000 and 2012. Prior to that, Mr. Mlotek was Vice President, General Counsel and Secretary from 1994 to 1999 and became a director in 1995. Prior to joining us, Mr. Mlotek was a partner in the law firm of Proskauer Rose LLP, counsel to us, specializing in mergers and acquisitions, corporate reorganizations and tax law from 1989 to 1994.

**Ronald N. South** has been our Senior Vice President and Chief Financial Officer (and principal financial officer and principal accounting officer) since April 2022. Prior to holding his current position, Mr. South was our Corporate Finance and Chief Accounting Officer from 2013 until April 2022. Prior to joining us in 2008 as our Vice President, Corporate Finance, Mr. South held leadership roles at Bristol-Myers Squibb, where he served as Vice President, Finance, for the Cardiovascular and Metabolic business lines, as well as Vice President, Controller, for its U.S. Pharmaceutical Division, and Vice President, Corporate General Auditor. Prior to Bristol-Myers Squibb, he served as North American Director of Corporate Audit at PepsiCo, and held several roles of increasing responsibility with PricewaterhouseCoopers LLP, where he advised clients located in the United States, Europe, and Latin America. Mr. South is a certified public accountant.

**Walter Siegel** has been our Senior Vice President and Chief Legal Officer since 2021. Previously, Mr. Siegel was our Senior Vice President and General Counsel from 2013 until 2021. Prior to joining us, Mr. Siegel was employed with Standard Microsystems Corporation, a publicly traded global semiconductor company from 2005 to 2012, holding positions of increasing responsibility, most recently as Senior Vice President, General Counsel and Secretary.

### Other Executive Management

The following table sets forth certain information regarding other Executive Management:

| Name                   | Age | Position  |
|------------------------|-----|---|
| Andrea Albertini       | 52  | Chief Executive Officer, International Distribution Group             |
| Leigh Benowitz         | 55  | Senior Vice President and Chief Global Digital Transformation Officer |
| Trinh Clark            | 49  | Senior Vice President and Chief Global Customer Experience Officer    |
| James Mullins          | 58  | Senior Vice President, Global Supply Chain                            |
| Kelly Murphy           | 42  | Senior Vice President and General Counsel                             |
| Christopher Pendergast | 60  | Senior Vice President and Chief Technology Officer                    |
| Michael Racioppi       | 68  | Senior Vice President, Chief Merchandising Officer                    |
| René Willi, Ph.D.      | 55  | Chief Executive Officer, Global Oral Reconstruction Group             |

**Andrea Albertini** has been Chief Executive Officer, International Distribution Group since 2023. Mr. Albertini joined us in 2013 and has held several positions within the organization including President, International Distribution Group, President of our EMEA Dental Distribution Group, and Vice-President of International Dental Equipment. Prior to joining Henry Schein, Mr. Albertini held leadership positions at Cefla Dental Group and Castellini.

**Leigh Benowitz** has been our Senior Vice President and Chief Global Digital Transformation Officer since August 2022. Ms. Benowitz joined us in 2017 and has held several key positions including Vice President Digital & Customer Experience and Global eCommerce Platform Digital Transformation Officer. Prior to joining Henry Schein, Ms. Benowitz held various positions with increasing responsibilities at Citi.

**Trinh Clark** has been our Senior Vice President and Chief Global Customer Experience Officer since August 2022. Ms. Clark joined us in 2007 and has served as Vice President, Technology Enablement, North American Distribution Group. Prior to joining Henry Schein, Ms. Clark held various positions of increasing responsibilities at eSurg.

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**James Mullins** has been our Senior Vice President of Global Supply Chain since 2018. Mr. Mullins joined us in 1988 and has held a number of key positions with increasing responsibility, including Global Chief Customer Service Officer.

**Kelly Murphy** has been our Senior Vice President and General Counsel since 2021. Since joining us in 2011, Ms. Murphy has held several key positions of increasing responsibility within the legal function, most recently serving as Deputy General Counsel.

**Christopher Pendergast** has been our Senior Vice President and Chief Technology Officer since 2018. Prior to joining us, Mr. Pendergast was employed by VSP Global from 2008 to 2018, most recently as the Chief Technology Officer and Chief Information Officer. Prior to VSP Global, Mr. Pendergast served in roles of increasing responsibility at Natural Organics, Inc., from 2006 to 2008, IdeaSphere Inc./Twinlab Corporation from 2000 to 2006, IBM Corporation from 1987 to 1994 and 1998 to 2000 and Rohm and Haas from 1994 to 1998.

**Michael Racioppi** has been our Senior Vice President, Chief Merchandising Officer since 2008. Prior to holding his current position, Mr. Racioppi was President of the Medical Division from 2000 to 2008 and Interim President from 1999 to 2000, and Corporate Vice President from 1994 to 2008, with primary responsibility for the Medical Group, Marketing and Merchandising departments. Mr. Racioppi served as Senior Director, Corporate Merchandising from 1992 to 1994. Before joining us in 1992, Mr. Racioppi was employed by Ketchum Distributors, Inc. as the Vice President of Purchasing and Marketing. He currently serves on the board of National Distribution and Contracting and previously served on the board of Health Distribution Management Association and Health Industry Distributors Association (HIDA).

**René Willi, Ph.D.** has been our Chief Executive Officer, Global Oral Reconstruction Group since 2021. Previously, Dr. Willi was the President of our Global Dental Surgical Group. Prior to joining Henry Schein, Dr. Willi held senior level roles with Institut Straumann AG as Executive Vice President, Surgical Business Unit from 2005 to 2013. Prior to Straumann, he held roles of increasing responsibility in Medtronic Plc's cardiovascular division from 2003 to 2005 and with McKinsey & Company as a management consultant from 2000 to 2003.



## ITEM 1A. Risk Factors

Our business operations could be affected by factors that are not presently known to us or that we currently consider not to be material to our operations, so you should not consider the risks disclosed in this section to necessarily represent a complete statement of all risks and uncertainties. The Company believes that the following risks could have a material adverse impact on our business, reputation, financial results, financial condition and/or the trading price of our common stock. The order in which these factors appear does not necessarily reflect their relative importance or priority.

### COMPANY RISKS

***Our business, results of operations, cash flows, financial condition and liquidity may be negatively impacted by the effects of disease outbreaks, epidemics, pandemics, or similar wide-spread public health concerns and other natural disasters. The COVID-19 pandemic and the responses of governments to it had, and may again have, a material adverse effect on our business, results of operations and cash flows and may result in a material adverse effect on our financial condition and liquidity.***

Our business, results of operations, cash flows, financial condition and liquidity may be negatively impacted by the effects of disease outbreaks, epidemics, pandemics, similar wide-spread public health concerns and other natural disasters. The COVID-19 pandemic has had, and continues to have, an unprecedented impact on society, worldwide economic activity, and the health care sector (particularly, the dental market). As a global healthcare solutions company, the COVID-19 pandemic and the governmental responses to it had, and may again have, a material adverse effect on our business, results of operations and cash flows and may result in a material adverse effect on our financial condition and liquidity. Even after the COVID-19 pandemic has begun to subside, we may again experience material adverse impacts to our business, results of operations and cash flows as a result of, among other things, its global economic impact, including any recession that may occur in the future, or a prolonged period of economic slowdown or the reluctance of patients to return for elective dental or medical care. The impacts and potential impacts from the COVID-19 pandemic include, but are not limited to:

- *Significant volatility in supply, demand and selling prices for personal protective equipment (PPE), COVID-19 tests and other COVID-19 related products.* Available supply, customer demand and selling prices for PPE, COVID-19 tests and other COVID-19 related products fluctuated in fiscal 2022 and we expect such volatility to continue for the duration of the COVID-19 pandemic. This has resulted in inventory reserves, fluctuating margins and increased revenue related to such products. The volatility in sales of COVID-19 test kits has moderated, albeit at a significantly lower level of sales compared with 2021, resulting in us recording an inventory obsolescence reserve of \$17 million for COVID-19 test kits during the year ended December 31, 2022 and we expect further declines in sales volumes. Our estimates for supply, demand and selling prices are inherently uncertain and if supply, demand, selling prices or other market dynamics significantly fluctuate in the future beyond our current assumptions, additional inventory reserves may be required, margins may be reduced and/or revenue may decline for such products, each which could materially adversely impact our business, results of operations and cash flows. Additionally, governmental policies designed to reduce the transmission of COVID-19 and variants thereof could once again lead to the closure of dental offices or deferral of elective procedures and wellness exams by medical and dental patients. Such previous closures and restrictions impacted our customers' spending with us and had, and if reinstated may again have, a material adverse effect on our business, results of operations and cash flows. Although we believe that most practices currently are able to access adequate supply, we still may be unable to supply our customers with the specific brand and/or quantity of certain PPE products, COVID-19 tests and other COVID-19 related products they demand, which may lead to our customers seeking alternative sources of supply. Healthcare professionals' inability to obtain a sufficient quantity and/or brand of certain PPE, COVID-19 tests and other COVID-19 related products would adversely impact our business, results of operations and cash flows, and could materially adversely affect our financial condition and liquidity;

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- *Reduction in Peoples' Ability and Willingness to be in Public.* Restrictions recommended by several public health organizations, and implemented, from time to time, by federal, state and local governments, to slow and limit the transmission of COVID-19 and variants thereof has caused and may in the future cause some people to be less willing to go to elective medical and dental appointments, which could again materially adversely affect demand for our products. A lengthened period of materially suppressed demand could again cause material adverse impacts on our business, results of operations and cash flows and could materially adversely affect our financial condition and liquidity;

- *Negative impact on our workforce and impact of adapted business practices.* The spread of COVID-19 and variants thereof caused us to modify our business practices (including employee travel, employee work locations, and physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or our customers or that we determine are in the best interests of our employees. As the COVID-19 pandemic continues to unfold, we continue to evaluate appropriate actions for our business. At the onset of the COVID-19 pandemic, many of our office-based workers shifted abruptly to working remotely. As the COVID-19 pandemic has evolved, we have modified our work arrangements to implement more flexible working arrangements for our office-based workers, including permanent work from home, hybrid and office-based arrangements. Implementing these modified business practices to include remote work arrangements could have a negative impact on employee morale, strain our business continuity plans, introduce operational risk (including but not limited to cybersecurity risks), and impair our ability to efficiently operate our business;

- *Significant changes in political conditions.* Significant changes in political conditions in markets in which we purchase and distribute our products have occurred and are expected to continue at least during the pendency of the pandemic, including quarantines, governmental or regulatory actions, closures or other restrictions that limit or close our operating facilities, restrict our employees' ability to travel or perform necessary business functions, or otherwise constrain the operations of our business partners, suppliers or customers, which may materially adversely affect our business, results of operations, cash flows, financial condition and liquidity;

- *Volatility in the financial markets.* Volatility in the financial markets may materially adversely affect the availability and cost of credit to us;

The impact of the COVID-19 pandemic may also exacerbate other risks discussed below, any of which could have a material adverse effect on us.

### ***We are dependent upon third parties for the manufacture and supply of a significant volume of our products.***

We obtain a significant volume of the products we distribute from third parties, with whom we generally do not have long-term contracts. While there is typically more than one source of supply, some key suppliers, in the aggregate, supply a significant portion of the products we sell. In 2022, our top 10 health care distribution suppliers and our single largest supplier accounted for approximately 28% and 4%, respectively, of our aggregate purchases. Because of our dependence upon such suppliers, our operations are subject to the suppliers' ability and willingness to supply products in the quantities that we require, and the risks include delays caused by interruption in production based on conditions outside of our control, including a supplier's failure to comply with applicable government requirements (which may result in product recalls and/or cessation of sales) or an interruption in the suppliers' manufacturing capabilities. In the event of any such interruption in supply, we would need to identify and obtain acceptable replacement sources on a timely basis. There is no guarantee that we would be able to obtain such alternative sources of supply on a timely basis, if at all, and an extended interruption in supply, particularly of a high sales volume product, could result in a significant disruption in our sales and operations, as well as damage to our relationships with customers and our reputation. In addition, certain of our suppliers have had their ability to service certain markets restricted or negatively impacted because of allegations of forced labor in their supply chain. Forced labor legislation affecting the supply chain has increased around the world, and the United States recently passed the Uyghur Forced Labor Prevention Act. Our supply chain could be materially disrupted if our suppliers fail to comply with, or are unable to satisfy our demand for products, as a result of applicable forced labor legislation and regulations.

***Our future growth (especially for our technology and value-added services segment) is dependent upon our ability to develop or acquire and maintain and protect new products and technologies that achieve market acceptance with acceptable margins.***

Our future success depends on our ability to timely develop (or obtain the right to sell) competitive and innovative (particularly for our technology and value-added services segment) products and services and to market them quickly and cost-effectively. Our ability to anticipate customer needs and emerging trends and develop or acquire new products, services and technologies at competitive prices requires significant resources, including employees with the requisite skills, experience and expertise, particularly in our technology segment, including dental practice management, patient engagement and demand creation software solutions. The failure to successfully address these challenges could materially disrupt our sales and operations. Additionally, our software and e-services products, like software products generally, may contain undetected errors or bugs when introduced or as new versions are released. Any such defective software may result in increased expenses related to the software and could adversely affect our relationships with customers as well as our reputation. With respect to certain software and e-services that we develop, we rely primarily upon copyright, trademark and trade secret laws, as well as contractual and common law protections and confidentiality obligations. We cannot provide assurance that such legal protections will be available, adequate or enforceable in a timely manner to protect our software or e-services products.

***Risks inherent in acquisitions, dispositions and joint ventures could offset the anticipated benefits.***

One of our business strategies has been to expand our domestic and international markets in part through acquisitions and joint ventures and we expect to continue to make acquisitions and enter into joint ventures in the future. Such transactions require significant management attention, may place significant demands on our operations, information systems, legal, regulatory, compliance-functions and financial resources, and there is risk that one or more may not succeed. We cannot be sure, for example, that we will achieve the benefits of revenue growth that we expect from these acquisitions or joint ventures or that we will avoid unforeseen additional costs, taxes or expenses. Our ability to successfully implement our acquisition and joint venture strategy depends upon, among other things, the following:

- the availability of suitable acquisition or joint venture candidates at acceptable prices;
- our ability to consummate such transactions, which could potentially be prohibited due to U.S. or foreign antitrust regulations;
- the liquidity of our investments and the availability of financing on acceptable terms;
- our ability to retain customers or product lines of the acquired businesses or joint ventures;
- our ability to retain, recruit and incentivize the management of the companies we acquire; and
- our ability to successfully integrate these companies' operations, services, products and personnel with our culture, management policies, legal, regulatory and compliance policies, cybersecurity systems and policies, internal procedures, working capital management, financial and operational controls and strategies.

Furthermore, some of our acquisitions and future acquisitions may give rise to an obligation to make contingent payments or to satisfy certain repurchase obligations, which payments could have material adverse impacts on our financial results individually or in the aggregate.

Additionally, when we decide to sell assets or a business, we may encounter difficulty in finding buyers or executing alternative exit strategies on acceptable terms in a timely manner, which could delay the accomplishment of our strategic objectives. Alternatively, we may dispose of assets or a business at a price or on terms that are less than we had anticipated. Dispositions may also involve continued financial involvement in a divested business, such as through transition service agreements, indemnities or other current or contingent financial obligations. Under these arrangements, performance by the acquired or divested business, or other conditions outside our control, could affect our future financial results.

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

The provisions of our certificate of incorporation and by-laws may make it more difficult for a third-party to acquire us, may discourage acquisition bids and may impact the price that certain investors might be willing to pay in the future for shares of our common stock. These provisions, among other things require (i) the affirmative vote of the holders of at least 60% of the shares of common stock entitled to vote to approve a merger, consolidation, or a sale, lease, transfer or exchange of all or substantially all of our assets; and (ii) the affirmative vote of the holders of at least 66 2/3% of our common stock entitled to vote to (a) remove a director; and (b) to amend or repeal our by-laws, with certain limited exceptions. In addition, certain of our employee incentive plans provide for accelerated vesting of stock options and other awards upon termination without cause within two years following a change in control, or grant the plan committee discretion to accelerate awards upon a change of control. Further, certain agreements between us and our executive officers provide for increased severance payments and certain benefits if those executive officers are terminated without cause by us or if they terminate for good reason, in each case within two years following a change in control or within ninety days prior to the effective date of the change in control or after the first public announcement of the pendency of the change in control.

***Adverse changes in supplier rebates or other purchasing incentives could negatively affect our business.***

The terms on which we purchase or sell products from many suppliers may entitle us to receive a rebate or other purchasing incentive based on the attainment of certain growth goals. Suppliers may reduce or eliminate rebates or incentives offered under their programs, or increase the growth goals or other conditions we must meet to earn rebates or incentives to levels that we cannot achieve. Increased competition either from generic or equivalent branded products could result in us failing to earn rebates or incentives that are conditioned upon achievement of growth goals. Additionally, factors outside of our control, such as customer preferences, consolidation of suppliers or supply issues, can have a material impact on our ability to achieve the growth goals established by our suppliers, which may reduce the amount of rebates or incentives we receive. The occurrence of any of these events could have an adverse impact on our business, financial condition or operating results.

***Sales of corporate brand products entail additional risks, including the risk that such sales could adversely affect our relationships with suppliers.***

We offer certain corporate brand products that are available exclusively from us. The sale of such products subjects us to the risks generally encountered by entities that source, market and sell corporate brand products, including but not limited to potential product liability risks, mandatory or voluntary product recalls, potential supply chain and distribution chain disruptions, and potential intellectual property infringement risks. Any failure to adequately address some or all of these risks could have an adverse effect on our business, financial condition or operating results.

In addition, an increase in the sales of our corporate brand products may negatively affect our sales of products owned by our suppliers which, consequently, could adversely impact certain of our supplier relationships. Our ability to locate qualified, economically stable suppliers who satisfy our requirements, and to acquire sufficient products in a timely and effective manner, is critical to ensuring, among other things, that customer confidence is not diminished. Any failure to develop sourcing relationships with a broad and deep supplier base could have an adverse effect on our business, financial condition or operating results.

## **INDUSTRY RISKS**

***The health care products distribution industry is highly competitive (including, without limitation, competition from third-party online commerce sites) and consolidating, and we may not be able to compete successfully.***

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

to interruptions in manufacturing supply, or the emergence of new competitors, also could increase competition. Consolidation has also increased among manufacturers of health care products, which could have a material adverse effect on our margins and product availability. We could be subject to charges and financial losses in the event we fail to satisfy minimum purchase commitments contained in some of our contracts. Additionally, traditional health care supply and distribution relationships are being challenged by electronic online commerce solutions. The continued advancement of online commerce by third parties will require us to cost-effectively adapt to changing technologies, to enhance existing services and to differentiate our business (including with additional value-added services) to address changing demands of consumers and our customers on a timely basis. The emergence of such potential competition and our inability to anticipate and effectively respond to changes on a timely basis could have a material adverse effect on our business.

***The repeal or judicial prohibition on implementation of the Affordable Care Act could materially adversely affect our business.***

The ACA greatly expanded health insurance coverage in the United States and has been the target of litigation and Congressional reform efforts since its adoption. The U.S. Supreme Court, in upholding the constitutionality of the ACA and its individual mandate provision in 2012, simultaneously limited ACA provisions requiring Medicaid expansion, making such expansion a state-by-state decision. In 2017, the U.S. Congress effectively repealed the ACA's individual mandate provision by eliminating the financial penalty for non-compliance. In the most recent ACA litigation, a federal appeals court found the individual mandate to be unconstitutional, and returned the case to a lower federal court for consideration of whether the remainder of the ACA could survive the excision of the individual mandate. This decision was appealed to the U.S. Supreme Court, and the Supreme Court issued a decision on June 17, 2021. Without reaching the merits of the case, the Supreme Court held that the plaintiffs in the case did not have standing to challenge the ACA. Any outcome of future cases that change the ACA, in addition to future legislation, regulation, guidance and/or Executive Orders that do the same, could have a significant impact on the U.S. healthcare industry. For instance, the American Rescue Plan Act of 2021 enhanced premium tax credits, which has resulted in an expansion of the number of people covered under the ACA. These changes are time-limited, with some enhancements in place for 2021 only and others available through the end of 2022.

***The health care industry is experiencing changes due to political, economic and regulatory influences that could materially adversely affect our business.***

The health care industry is highly regulated and subject to changing political, economic and regulatory influences. In recent years, the health care industry has undergone, and is in the process of undergoing, significant changes driven by various efforts to reduce costs, including, among other factors: trends toward managed care; collective purchasing arrangements and consolidation among office-based health care practitioners; and changes in reimbursements to customers, including increased attention to value-based payment arrangements, as well as growing enforcement activities (and related monetary recoveries) by governmental officials. Both our profitability and the profitability of our customers may be materially adversely affected by laws and regulations reducing reimbursement rates for pharmaceuticals, medical supplies and devices, and/or medical treatments or services, or changes to the methodology by which reimbursement levels are determined. If we are unable to react effectively to these and other changes in the health care industry, our business could be materially adversely affected.

***Expansion of group purchasing organizations (“GPO”), dental support organizations (“DSO”) or provider networks and the multi-tiered costing structure may place us at a competitive disadvantage.***

The health care products industry is subject to a multi-tiered costing structure, which can vary by manufacturer and/or product. Under this structure, certain institutions can obtain more favorable prices for health care products than we are able to obtain. The multi-tiered costing structure continues to expand as many large integrated health care providers and others with significant purchasing power, such as GPOs and DSOs, demand more favorable pricing terms. Additionally, the formation of provider networks, GPOs and DSOs may shift purchasing decisions to entities or persons with whom we do not have a historical relationship and may threaten our ability to compete effectively, which could in turn negatively impact our financial results. Although we are seeking to obtain similar terms from manufacturers to access lower prices demanded by GPO and DSO contracts or other contracts, and to

develop relationships with existing and emerging provider networks, GPOs and DSOs, we cannot guarantee that such terms will be obtained or contracts executed.

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

Our ability to meet our customers' expedited delivery expectations is an integral component of our business strategy for which our customers rely. Shipping is a significant expense in the operation of our business. We ship almost all of our orders through third-party delivery services, and typically bear the cost of shipment. Accordingly, any significant increase in shipping rates could have a material adverse effect on our business, financial condition or operating results. While we have recently experienced increases in the cost of shipping, we do not expect these additional expenses to be material to our results. However, it is possible that such costs could be material in the future. Similarly, strikes or other service interruptions by those shippers, including at transportation centers or shipping ports, could cause our operating expenses to rise and materially adversely affect our ability to deliver products on a timely basis.

**MACRO ECONOMIC AND POLITICAL RISKS**

***Uncertain global and domestic macro-economic and political conditions could materially adversely affect our results of operations and financial condition.***

Uncertain global and domestic macro-economic and political conditions that affect the economy and the economic outlook of the United States, Europe, Asia and other parts of the world could materially adversely affect our results of operations and financial condition. These uncertainties, include, among other things:

- election results;
- changes to laws and policies governing foreign trade (including, without limitation, the United States-Mexico-Canada Agreement (USMCA), the EU-UK Trade and Cooperation Agreement of December 2020 (that went into effect in 2021) and other international trade agreements);
- greater restrictions on imports and exports;
- supply chain disruptions;
- changes in laws and policies governing health care or data privacy;
- tariffs and sanctions;
- changes to the relationship between the United States and China;
- sovereign debt levels;
- the inability of political institutions to effectively resolve actual or perceived economic, currency or budgetary crises or issues;
- consumer confidence;
- unemployment levels (and a corresponding increase in the uninsured and underinsured population);
- changes in regulatory and tax regulations;
- interest rate fluctuations, and strengthening of the dollar, which have and will continue to impact our results of operations;
- availability of capital;
- increases in fuel and energy costs;
- the effect of inflation on our ability to procure products and our ability to increase prices over time and pass through to our customers price increases we may receive;
- changes in tax rates and the availability of certain tax deductions;
- increases in labor costs;
- increases in health care costs;
- our aspirations, goals and disclosures related to environmental, social and governance (ESG) matters;
- the threat or outbreak of war, terrorism or public unrest (including, without limitation, the war in Ukraine and the possibility of a wider European or global conflict); and
- changes in laws and policies governing manufacturing, development and investment in territories and countries where we do business.

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Additionally, changes in government, government debt and/or budget crises may lead to reductions in government spending in certain countries, which could reduce overall health care spending, and/or higher income or corporate taxes, which could depress spending overall. Recessionary or inflationary conditions and depressed levels of consumer and commercial spending may also cause customers to reduce, modify, delay or cancel plans to purchase our products and may cause suppliers to reduce their output or change their terms of sale. We have experienced inflationary pressures, including higher freight costs and interest expense. Although inflation impacts both our revenues and costs, the depth and breadth of our product portfolio often allows us to offer lower-cost national brand solutions or corporate brand alternatives to our more price-sensitive customers who are unable to absorb price increases, thus positioning us to protect our gross profit. The strengthening of the dollar, likewise, has impacted our revenues and costs, but neither inflation nor exchange rates have materially impacted our results of operations in fiscal year 2022. We generally sell products to customers with payment terms. If customers' cash flow or operating and financial performance deteriorate, or if they are unable to make scheduled payments or obtain credit, they may not be able to, or may delay, payment to us. Likewise, for similar reasons suppliers may restrict credit or impose different payment terms.

## **REGULATORY AND LITIGATION RISKS**

### ***Failure to comply with existing and future regulatory requirements could materially adversely affect our business.***

We strive to be compliant with the applicable laws, regulations and guidance described below in all material respects, and believe we have effective compliance programs and other controls in place to ensure substantial compliance. However, compliance is not guaranteed either now or in the future as certain laws, regulations and guidance may be subject to varying and evolving interpretations that could affect our ability to comply, as well as, future changes, additions and enforcement approaches, including in light of political changes. When we discover situations of non-compliance we seek to remedy them and bring the affected area back into compliance. The Biden Administration has indicated that it will be more aggressive in its pursuing alleged violations of law, and it has revoked certain guidance that would have limited governmental use of informal agency guidance to pursue such violations, as well as indicating it was more prepared to pursue individuals for corporate law violations, including an aggressive approach to anti-corruption activities. Changes with respect to the applicable laws, regulations and guidance described below may require us to update or revise our operations, services, marketing practices, and compliance programs and controls, and may impose additional and unforeseen costs on us, pose new or previously immaterial risks to us, or may otherwise have a material adverse effect on our business. There can be no assurance that current and future government regulations will not adversely affect our business, and we cannot predict new regulatory priorities, the form, content or timing of regulatory actions, and their impact on the health care industry and on our business and operations.

Global efforts toward healthcare cost containment continue to exert pressure on product pricing. In the United States, in addition to other government efforts to control health care costs, there has been increased scrutiny on drug pricing and concurrent efforts to control or reduce drug costs by Congress, the President, executive branch agencies and various states. At the state level, several states have adopted laws that require drug manufacturers to provide advance notice of certain price increases and to report information relating to those price increases, while others have taken legislative or administrative action to establish prescription drug affordability boards or multi-payer purchasing pools to reduce the cost of prescription drugs. At the federal level, several related bills have been introduced and regulations proposed which, if enacted or finalized, respectively, would impact drug pricing and related costs.

Under the Sunshine Act, we are required to collect and report detailed information regarding certain financial relationships we have with covered recipients, including physicians, dentists, teaching hospitals, and certain other non-physician practitioners. We and our subsidiaries may be required to report information under certain state transparency laws that address circumstances not covered by the Sunshine Act, and some of these state laws, as well as the federal law, can be unclear. 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 satisfying the above laws and requirements, such compliance imposes additional costs on us and the requirements are sometimes unclear. In the United States, government actions to seek to increase health-related price transparency may also affect our business.

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Our business is subject to additional requirements under various local, state, federal and international laws and regulations applicable to the sale and distribution of, and third-party payment for, pharmaceuticals and medical devices and HCT/P products. Among the federal laws with which we must comply are the Controlled Substances Act, the FDC Act, the Federal Drug Quality and Security Act, including DSCSA, Section 361 of the Public Health Services Act and Section 401 of the Consolidated Appropriations Act of the Social Security Act. Among other things, such laws, and the regulations promulgated thereunder:

- regulate the introduction, manufacture, advertising, marketing and promotion, sampling, pricing and reimbursement, labeling, packaging, storage, handling, returning or recalling, reporting, and distribution of, and record keeping for drugs, HCT/P products and medical devices, including requirements with respect to unique medical device identifiers;
- subject us to inspection by the FDA and DEA and similar state authorities;
- regulate the storage, transportation and disposal of certain of our products that are considered hazardous materials;
- require us to advertise and promote our drugs and devices in accordance with applicable FDA requirements;
- require us to report average sales price (ASP) for drugs or biologicals payable under Medicare Part B to CMS with or without a Medicaid drug rebate agreement;
- require registration with the FDA and the DEA and various state agencies;
- require record keeping and documentation of transactions involving drug products;
- require us to design and operate a system to identify and report suspicious orders of controlled substances to the DEA and certain states;
- require us to manage returns of products that have been recalled and subject us to inspection of our recall procedures and activities;
- impose on us reporting requirements if a pharmaceutical, HCT/P product or medical device causes serious illness, injury or death;
- require manufacturers, wholesalers, repackagers and dispensers of prescription drugs to identify and trace certain prescription drugs as they are distributed;
- require the licensing of prescription drug wholesalers and third-party logistics providers; and
- mandate compliance with standards for the recordkeeping, storage and handling of prescription drugs, and associated reporting requirements.

The FDA has become increasingly active in addressing the regulation of computer software and digital health products intended for use in health care settings. The Cures Act, signed into law on December 13, 2016, among other things, amended the medical device definition to exclude certain software from FDA regulation, including certain clinical decision support software. On September 27, 2019, the FDA issued a suite of guidance documents on digital health products, which incorporated applicable Cures Act standards, and on September 28, 2022, the FDA subsequently finalized certain of these guidance documents, including regarding the types of clinical decision support tools and other software that are exempt from regulation by the FDA as medical devices, and the FDA continues to issue new guidance in this area. 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 subject to regulation as a medical device, which could subject us or one or more of our businesses to substantial additional requirements, costs and potential enforcement actions or liabilities for noncompliance with respect to these products.

Applicable federal, state, local and foreign laws and regulations also may require us to meet various standards relating to, among other things, licensure or registration, program eligibility, procurement, third-party reimbursement, sales and marketing practices, product integrity and supply tracking to product manufacturers, product labeling, personnel, privacy and security of health or other personal information, installation, maintenance and repair of equipment and the importation and exportation of products. The FDA and DEA, as well as CMS (including with respect to complex Medicare reimbursement requirements applicable to our specialty home medical supplies business), have recently increased their regulatory and enforcement activities and, in particular, the DEA has heightened enforcement activities due to the opioid crisis in the United States. One of our businesses was



suspended in October 2021 by CMS from receiving payments from Medicare, although it was permitted to continue to perform and bill for Medicare services. On September 30, 2022, CMS terminated the suspension of Medicare payments. As a result of the termination of the suspension, we recognized \$4 million of previously deferred revenue during the year ended December 31, 2022. Our business is also subject to requirements of similar and other foreign governmental laws and regulations affecting our operations abroad.

The failure to comply with any of these laws or regulations, or new interpretations of existing laws and regulations, or the imposition of any additional laws and regulations, could materially adversely affect our business. The costs to us associated with complying with the various applicable statutes and regulations, as they now exist and as they may be modified, could be material. Allegations by a governmental body that we have not complied with these laws could have a material adverse effect on our businesses. While we believe that we are substantially compliant with applicable laws and regulations, and believe we have adequate compliance programs and controls in place to ensure substantial compliance, if it is determined that we have not complied with these laws, we are potentially subject to warning letters, substantial civil and criminal penalties, mandatory recall of product, seizure of product and injunction, consent decrees and suspension or limitation of payments to us, product sale and distribution. If we enter into settlement agreements to resolve allegations of non-compliance, we could be required to make settlement payments or be subject to civil and criminal penalties, including fines and the loss of licenses. Non-compliance with government requirements could also adversely affect our ability to participate in important federal and state government health care programs, such as Medicare and Medicaid, and damage our reputation.

***The EU Medical Device Regulation may adversely affect our business.***

The EU MDR, applicable since May 26, 2021, significantly modifies and intensifies the regulatory compliance requirements for the medical device industry as a whole. Among other things, the EU MDR:

- strengthens the rules on placing devices on the market and reinforce surveillance once they are available;
- establishes explicit provisions on manufacturers' responsibilities for the follow-up of the quality, performance and safety of devices placed on the market;
- improves the traceability of medical devices throughout the supply chain to the end-user or patient through a unique identification number;
- sets up a central database to provide patients, healthcare professionals and the public with comprehensive information on products available in the EU;
- strengthens rules for the assessment of certain high-risk devices, such as implants, which may have to undergo an additional check by experts before they are placed on the market; and
- identifies importers and distributors and medical device products through registration in a database (EUDAMED not due until 2024 and after as mentioned above).

In particular, the EU MDR imposes strict requirements for the confirmation that a product meets the regulatory requirements, including regarding a product's clinical evaluation and a company's quality systems, and for the distribution, marketing and sale of medical devices, including post-market surveillance. Medical devices that have been assessed and/or certified under the EU Medical Device Directive may continue to be placed on the market until 2024 (or until the expiry of their certificates, if applicable and earlier). However, on January 6, 2023, the EU Commission submitted a proposed amendment to extend the MDR transitional periods until December 31, 2028, for certain medical devices to ensure continued access to medical devices for patients and to allow medical devices already placed on the market in accordance with the current legal framework to remain on the market. We continue to monitor developments and whether the proposed amendment and new deadlines will be approved by the European Parliament and Council. Nevertheless, EU MDR requirements regarding the distribution, marketing and sale including quality systems and post-market surveillance have to be observed by manufacturers, importers and distributors as of the application date (i.e., May 26, 2021).

The modifications created by the EU MDR may have an impact on the way we design and manufacture products and the way we conduct our business in the European Economic Area.

***If we fail to comply with laws and regulations relating to health care fraud or other laws and regulations, we could suffer penalties or be required to make significant changes to our operations, which could materially adversely affect our business.***

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. Certain additional state and federal laws, such as the federal Physician Self-Referral Law, commonly known as the “Stark Law,” prohibit physicians and other health professionals from referring a patient to an entity with which the physician (or family member) has a financial relationship, for the furnishing of certain designated health services (for example, durable medical equipment and medical supplies), unless an exception applies. Violations of Anti-Kickback statutes or the Stark Law may be enforced as violations of the federal False Claims Act.

The fraud and abuse laws and regulations have been subject to 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 applicable false claims laws, and who may receive up to 30% of total government recoveries. Penalties under fraud and abuse laws may be severe, including treble damages and substantial civil penalties under the federal False Claims Act, as well as potential loss of licenses and the ability to participate in federal and state health care programs, criminal penalties, or imposition of a corporate compliance monitor, which 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. 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, as well as other fraud and abuse laws.

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, dentists and other health care providers, on the other. As a result, we regularly review and revise our marketing practices as necessary to facilitate compliance.

In the EU, the Directive No. 2019/1937 of October 23, 2019, *on the protection of persons who report breaches of Union law*, organizes the legal protection of whistleblowers. This Directive covers whistleblowers reporting breaches of certain EU laws, in particular as regards public health, the above-mentioned Directive No. 2001/83, Regulation No. 726/2004 or, as regards data protection, the GDPR. The Directive protects a wide range of people and includes former employees. All private companies with 50 or more employees are required to create effective internal reporting channels. Though it was required before December 17, 2021, at the latest, the implementation of this Directive by EU member states is still underway for some of them. At the end of January 2023 and according to information available on public sources, sixteen EU member states have fully implemented it (France, Belgium, Denmark, Finland, Latvia, The Netherlands, Ireland, Croatia, Cyprus, Greece, Lithuania, Romania, Malta, Portugal, Sweden and Bulgaria) while the process is ongoing in the others with varying degrees of progress.

We also are subject to the requirements of the new Directive No. 2022/2464 on corporate sustainability reporting (“CSR Directive”) adopted on December 14, 2022 and has to be implemented by EU members states by July 6, 2024, at the latest. By amending Directives No. 2004/109, No. 2006/43, No. 2013/34 and Regulation No. 537/2014, the CSR Directive strengthens the existing rules on non-financial reporting by setting new requirements for large companies to publish sustainability-related information and, in particular, disclose details about their risks and impacts on environmental matters.

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

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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. Our businesses are generally subject to numerous other laws and regulations that could impact our financial results, including, without limitation, securities, antitrust, consumer protection, and marketing laws and regulations.

In the EU, both active and passive bribery are criminalized. The EU Council Framework Decision 2003/568/JHA of 22 July 2003 *on combating corruption in the private sector* establishes more detailed rules on the liability of legal persons and deterrent sanctions. However, the liability of legal persons is regulated at a national level.

Failure to comply with fraud and abuse laws and regulations, and other 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. We may determine to enter into settlements, make payments, agree to consent decrees or enter into other arrangements to resolve such matters. Intentional or unintentional failure to comply with consent decrees could materially adversely affect our business.

While we believe that we are substantially compliant with applicable fraud and abuse and other laws and regulations, and believe 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 services or marketing practices in response to changes in applicable law or interpretation of laws, could have a material adverse effect on our business.

***If we fail to comply with laws and regulations relating to the collection, storage and processing of sensitive personal information or standards in electronic health records or transmissions, we could be required to make significant changes to our products, or incur substantial fines, penalties or other liabilities.***

Our businesses that involve physician and dental practice management products, and our specialty home medical supply business, include electronic information technology systems that store and process personal health, clinical, financial and other sensitive information of individuals. These information technology systems may be vulnerable to breakdown, wrongful intrusions, data breaches and malicious attack, which could require us to expend significant resources to eliminate these problems and address related security concerns, and could involve claims against us by private parties and/or governmental agencies.

We are directly or indirectly subject to numerous and evolving federal, state, local and foreign laws and regulations that protect the privacy and security of personal information, such as HIPAA, the Controlling the Assault of Non-Solicited Pornography and Marketing Act, the Telephone Consumer Protection Act of 1991, Section 5 of the Federal Trade Commission Act, the CCPA, and the CPRA that becomes effective on January 1, 2023. Laws and regulations relating to privacy and data protection are continually evolving and subject to potentially differing interpretations. These requirements may not be harmonized, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or our practices. Our businesses' failure to comply with these laws and regulations could expose us to breach of contract claims, substantial fines, penalties and other liabilities and expenses, costs for remediation and harm to our reputation. Also, evolving laws and regulations in this area could restrict the ability of our customers to obtain, use or disseminate patient information, or could require us to incur significant additional costs to re-design our products to reflect these legal requirements, which could have a material adverse effect on our operations.

In addition, the European Parliament and the Council of the EU adopted the GDPR effective from May 25, 2018, which increased privacy rights for individuals ("Data Subjects"), including individuals who are our customers, suppliers and employees. The GDPR extended the scope of responsibilities for data controllers and data processors, and generally imposes increased requirements and potential penalties on companies, such as us, that are either established in the EU and process personal data of Data Subjects (regardless the Data Subject location), or that are not established in the EU but that offer goods or services to Data Subjects in the EU or monitor their behavior in the EU. Noncompliance can result in penalties of up to the greater of EUR 20 million, or 4% of global company revenues (sanction that may be public), and Data Subjects may seek damages. Member states may individually impose additional requirements and penalties regarding certain limited matters (for which the GDPR left some room of flexibility), such as employee personal data. With respect to the personal data it protects, the

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GDPR requires, among other things, controller accountability, consents from Data Subjects or another acceptable legal basis to process the personal data, notification within 72 hours of a personal data breach where required, data integrity and security, and fairness and transparency regarding the storage, use or other processing of the personal data. The GDPR also provides rights to Data Subjects relating notably to information, access, rectification, erasure of the personal data and the right to object to the processing.

On August 20, 2021, China promulgated the PIPL, which took effect on November 1, 2021. The PIPL imposes specific rules for processing personal information and it also specifies that the law shall also apply to personal information activities carried out outside China but for the purpose of providing products or services to PRC citizens. Any non-compliance with these laws and regulations may subject us to fines, orders to rectify or terminate any actions that are deemed illegal by regulatory authorities, other penalties, as well as reputational damage or legal proceedings against us, which may affect our business, financial condition or results of operations. The PIPL carries maximum penalties of CNY50 million or 5% of the annual revenue of entities that process personal data.

In the United States, the CCPA, which increases the privacy protections afforded California residents, became effective January 1, 2020. The CCPA generally requires companies, such as us, to institute additional protections regarding the collection, use and disclosure of certain personal information of California residents. Compliance with the obligations imposed by the CCPA depends in part on how particular regulators interpret and apply them. Regulations were released in August of 2020, but there remains some uncertainty about how the CCPA will be interpreted by the courts and enforced by the regulators. If we fail to comply with the CCPA or if regulators assert that we have failed to comply with the CCPA, we may be subject to certain fines or other penalties and litigation, any of which may negatively impact our reputation, require us to expend significant resources, and harm our business. Furthermore, California voters approved the CPRA on November 3, 2020, which will amend and expand the CCPA, including by providing consumers with additional rights with respect to their personal information, and creating a new state agency to enforce CCPA and CPRA. The CPRA came into effect on January 1, 2023, applying to information collected by businesses on or after January 1, 2022.

Other states, as well as the federal government, have increasingly considered the adoption of similarly expansive personal privacy laws, backed by significant civil penalties for non-compliance. Virginia and Colorado were both successful in passing privacy legislation in 2021, becoming effective on January 1, 2023 and July 1, 2023, respectively. Connecticut and Utah also passed comprehensive privacy laws that will go into effect in July 1, 2023 and December 31, 2023. While we believe we have substantially compliant programs and controls in place to comply with the GDPR, CCPA, PIPL and CPRA requirements, our compliance with data privacy and cybersecurity laws 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 HIPAA and the Payment Card Industry Data Security Standards, which require the protection of the privacy and security of those records. Our products or services may be used as part of these customers' comprehensive data security programs, including in connection with their efforts to comply with applicable data privacy and security laws and contractual requirements. 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.

Under the GDPR, health data belong to the category of "sensitive data" and benefit from specific protections. Processing of such data is generally prohibited, except for specific exceptions.

Certain of our businesses involve the manufacture and sale of EHR systems and other products linked to government supported incentive programs, where the EHR systems must be certified as having certain capabilities designated in evolving standards, such as those adopted by CMS and ONC. In order to maintain certification of our EHR products, we must satisfy the 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, we may be

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exposed to risk, such as under federal health care fraud and abuse laws, including 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 that 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 resulting changes in our, could have a material adverse effect on our business.

Moreover, in order to satisfy our customers and comply with evolving legal requirements, our products may need to incorporate increasingly complex functionality, such as with respect to reporting and information blocking. 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.

Additionally, as electronic medical devices are increasingly connected to each other and to other technology, the ability of these connected systems to safely and effectively exchange and use exchanged information becomes increasingly important. As a medical device manufacturer, we must manage risks including those associated with an electronic interface that is incorporated into a medical device.

***Tax legislation could materially adversely affect our financial results and tax liabilities.***

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

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

Our business involves a risk of product liability, intellectual property infringement and other claims in the ordinary course of business, and from time to time we are named as a defendant in cases as a result of our distribution of products. Additionally, we own interests in companies that manufacture certain dental products. As a result, we could be subject to the potential risk of product liability, intellectual property infringement or other claims relating to the manufacture and distribution of products by those entities. In addition, as our corporate brand business continues to grow, purchasers of such products may increasingly seek recourse directly from us, rather than the ultimate product manufacturer, for product-related claims. Another potential risk we face in the distribution of our products is liability resulting from counterfeit or tainted products infiltrating the supply chain. In addition, some of the products that we transport and sell are considered hazardous materials. The improper handling of such materials or accidents involving the transportation of such materials could subject us to liability or at least legal action that could harm our reputation.

***Customs policies or legislative import restrictions could hinder the Company's ability to import goods necessary to our operations on a timely basis and result in government enforcement actions and/or sanctions.***

Government-imposed import policies and legislation regulating the import of goods and prohibiting the use of forced labor or human trafficking could result in delays or the inability to import goods in a timely manner that are necessary to our operations, and such policies or legislation could also result in financial penalties, other sanctions, government enforcement actions and reputational harm. While the Company has policies against and seeks to avoid the import of goods that are manufactured in whole or in part by forced labor or through human trafficking, as a result of legislative and governmental policy initiatives, we may be subject to increasing potential delays, added costs, supply chain disruption and other restrictions.

## **GENERAL RISKS**

***Security risks generally associated with our information systems and our technology products and services could materially adversely affect our business, and our results of operations could be materially adversely affected if such products, services or systems (or third-party systems we rely on) are interrupted, damaged by unforeseen events, are subject to cyberattacks or fail for any extended period of time.***

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

- maintain and manage worldwide systems to facilitate the purchase and distribution of thousands of inventory items from numerous distribution centers;
- receive, process and ship orders on a timely basis;
- manage the accurate billing and collections for thousands of customers;
- process payments to suppliers; and
- provide products and services that maintain certain of our customers' electronic medical or dental records (including protected health information of their patients).

Information security risks have generally increased in recent years, and a cyberattack that bypasses our IS security systems (including third-party systems we rely on) causing an IS security breach may lead to a material disruption of our IS business systems (including third-party systems we rely on) and/or the loss of business information, as well as claims against us by affected parties and/or governmental agencies, and involve fines and penalties, costs for remediation, and substantial defense and settlement expenses. In addition, we develop products and provide services to our customers that are technology-based, and a cyberattack that bypasses the IS security systems of our products or services causing a security breach and/or perceived security vulnerabilities in our products or services could also cause significant loss of business and reputational harm, and actual or perceived vulnerabilities may lead to claims against us by our customers and/or governmental agencies. In particular, certain of our practice management products and services purchased by health care providers, such as physicians and dentists, are used to store and manage patient medical or dental records. These customers are subject to laws and regulations which require that they protect the privacy and security of those records, and our products may 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 to comply with applicable legal requirements, may not only cause reputational harm and loss of business, but may also lead to claims against us by our customers and/or governmental agencies and involve damages, fines and penalties, costs for remediation, and substantial defense and settlement expenses. In addition, a cyberattack on a third-party that we use to manage a portion of our information systems could result in the same effects. Additionally, legislative or regulatory action related to cybersecurity may increase our costs to develop or implement new technology products and services.

From time to time, we have had to address immaterial security incidents ("security incidents"). There can be no assurance that we will not experience material security incidents in the future. Security incidents can be difficult to detect and any delay in identifying them could increase their harm. While we have implemented measures to protect our IS systems, such measures may not prevent these events. Any such security incidents could disrupt our operations, harm our reputation or otherwise have a material adverse effect on our business. We have various insurance policies, including cybersecurity insurance, covering risks and in amounts that we consider adequate. There can be no assurance that the insurance coverage we maintain is sufficient or will be available in adequate amounts or at a reasonable cost to cover costs and expenses related to security incidents.

Furthermore, procedures and safeguards must continually evolve to meet new IS challenges, and enhancing protections, and conducting investigations and remediation, may impose additional costs on us.

Finally, our business may be interrupted by shortfalls of IS systems providers engaged by our customers, such as Internet-based services upon which our customers depend to access certain of our products.

***Our global operations are subject to inherent risks that could materially adversely affect our business.***

Our global operations are subject to risks that could materially adversely affect our business. The risks that our global operations are subject to include, among other things:

- difficulties and costs relating to staffing and managing foreign operations;
- difficulties and delays inherent in sourcing products, establishing channels of distribution and contract manufacturing in foreign markets;
- fluctuations in the value of foreign currencies (including, without limitation, in connection with Brexit);
- uncertainties relating to the EU-UK Trade and Cooperation Agreement of December 2020, which went into effect in 2021, including for example potential implementation issues, potential disputes over the interpretation of the provisions of the Agreement and possible changes to the Agreement restricting the free movement of goods between the U.K. and the European Union;
- longer payment cycles of foreign customers and difficulty of collecting receivables in foreign jurisdictions;
- repatriation of cash from our foreign operations to the United States;
- regulatory requirements, including, without limitation, anti-bribery, anti-corruption and laws pertaining to the accuracy of our internal books and records;
- litigation risks, new or unanticipated litigation developments and the status of litigation matters;
- unexpected difficulties in importing or exporting our products and import/export tariffs, quotas, sanctions or penalties;
- limitations on our ability under local laws to protect our intellectual property;
- unexpected regulatory, legal, economic and political changes in foreign markets;
- changes in tax regulations that influence purchases of capital equipment;
- civil disturbances, geopolitical turmoil, including terrorism, war or political or military coups;
- risks associated with climate change, including physical risks such as impacts from extreme weather events and other potential physical consequences, regulatory and technological requirements, market developments, stakeholder expectations and reputational risk; and
- public health emergencies, including COVID-19.

***Our future success is substantially dependent upon our senior management, and our revenues and profitability depend on our relationships with capable sales personnel as well as customers, suppliers and manufacturers of the products that we distribute.***

Our future success is substantially dependent upon the efforts and abilities of members of our existing senior management, particularly Stanley M. Bergman, Chairman and Chief Executive Officer. The loss of the services of Mr. Bergman could have a material adverse effect on our business. We have an employment agreement with Mr. Bergman. We do not currently have “key man” life insurance policies on any of our employees. Competition for senior management is intense, burnout and turn-over rates are increasing workplace concerns during and after the COVID-19 pandemic, and we may not be successful in attracting and retaining key personnel. Additionally, our future revenues and profitability depend on our ability to maintain satisfactory relationships with qualified sales personnel as well as customers, suppliers and manufacturers. If we fail to maintain our existing relationships with such persons or fail to acquire relationships with such key persons in the future, our business may be materially adversely affected.

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

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

**Item 1B. Unresolved Staff Comments**

We have no unresolved comments from the staff of the SEC that were issued 180 days or more preceding the end of our 2022 fiscal year.

**ITEM 2. Properties**

Within our health care distribution segment (for properties with more than 100,000 square feet) we lease and/or own approximately 5.8 million square feet of properties, consisting of distribution, office, showroom, manufacturing and sales space, in locations 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, Mexico, the Netherlands, New Zealand, Poland, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, United Arab Emirates and the United Kingdom. Lease expirations range from 2023 to 2041.

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

**ITEM 3. Legal Proceedings**

For a discussion of Legal Proceedings, see [Note 15 – Commitments and Contingencies](#) of the Notes to the Consolidated Financial Statements included under Item 8.

**ITEM 4. Mine Safety Disclosures**

Not applicable.



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

Our common stock is traded on the Nasdaq Global Select Market tier of the Nasdaq Stock Market, or Nasdaq, under the symbol HSIC.

On February 7, 2023, there were approximately 88,000 holders of record of our common stock and the last reported sales price was \$87.14. A substantially greater number of holders of our common stock are “street name” or beneficial holders, whose shares are held by banks, brokers and other financial institutions.

**Purchases of Equity Securities by the Issuer**

Our share repurchase program, announced on March 3, 2003, originally allowed us to repurchase up to two million shares pre-stock splits (eight million shares post-stock splits) of our common stock, which represented approximately 2.3% of the shares outstanding at the commencement of the program. Subsequent additional increases totaling \$4.5 billion, authorized by our Board of Directors, to the repurchase program provide for a total of \$4.6 billion (including \$400 million authorized on August 17, 2022) of shares of our common stock to be repurchased under this program.

As of December 31, 2022, we had repurchased approximately \$4.5 billion of common stock (87,180,669 shares) under these initiatives, with \$115 million available for future common stock share repurchases.

On February 8, 2023, our Board of Directors authorized the repurchase of up to an additional \$400 million in shares of our common stock.

The following table summarizes repurchases of our common stock under our stock repurchase program during the fiscal quarter ended December 31, 2022:

| <b>Fiscal Month</b>           | <b>Total Number of Shares Purchased (1)</b> | <b>Average Price Paid Per Share</b> | <b>Total Number of Shares Purchased as Part of Our Publicly Announced Program</b> | <b>Maximum Number of Shares that May Yet Be Purchased Under Our Program (2)</b> |
|-------------------------------|---|-------------------------------------|---|---|
| 9/25/2022 through 10/29/2022  | -   | -                                   | -   | 5,703,693   |
| 10/30/2022 through 11/26/2022 | 1,249,083                                   | \$ 76.29                            | 1,249,083   | 3,741,485   |
| 11/27/2022 through 12/31/2022 | 2,333,467                                   | 81.30                               | 2,333,467   | 1,439,841   |
|                               | <u>3,582,550</u>                            |                                     | <u>3,582,550</u>  |   |

- (1) All repurchases were executed in the open market under our existing publicly announced authorized program.
- (2) The maximum number of shares that may yet be purchased under this program is determined at the end of each month based on the closing price of our common stock at that time. This table excludes shares withheld from employees to satisfy minimum tax withholding requirements for equity-based transactions.

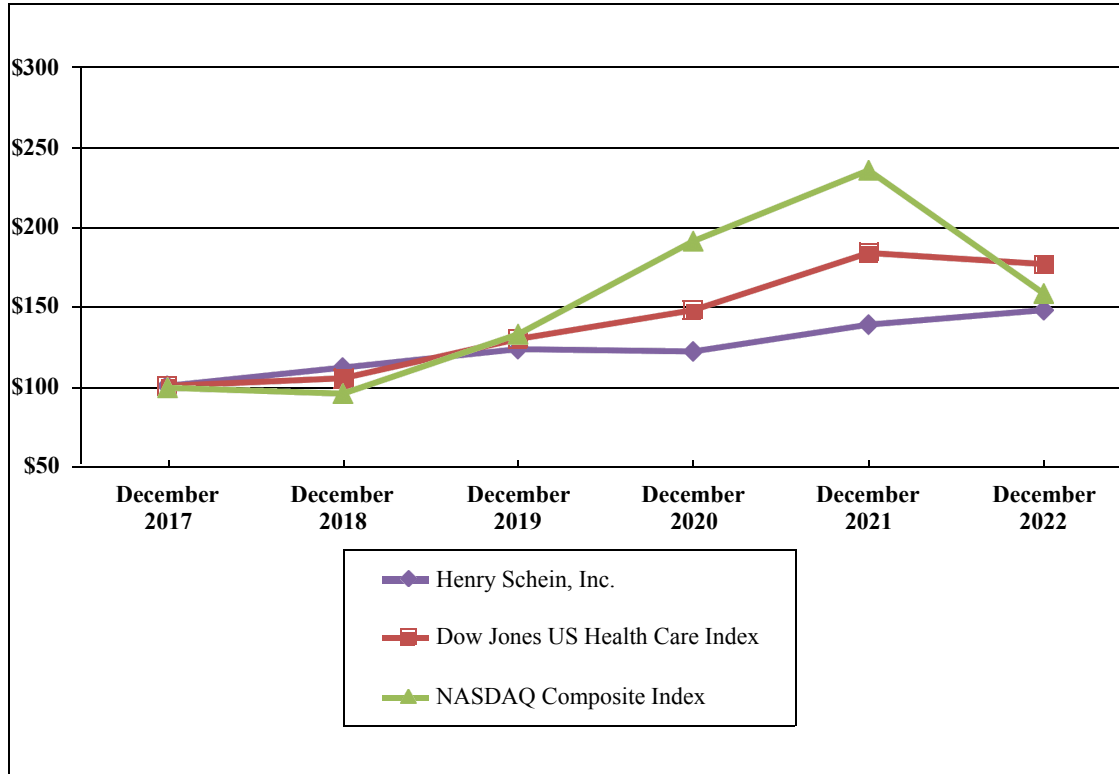
**Dividend Policy**

We have not declared any cash or stock dividends on our common stock during fiscal years 2022 or 2021. We currently do not anticipate declaring any cash or stock dividends on our common stock in the foreseeable future. We intend to retain earnings to finance the expansion of our business and for general corporate purposes, including our share repurchase program. Any declaration of dividends will be at the discretion of our Board of Directors and will depend upon the earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends and other factors.

**Stock Performance Graph**

The graph below compares the cumulative total stockholder return on \$100 invested, assuming the reinvestment of all dividends, on December 30, 2017, the last trading day before the beginning of our 2018 fiscal year, through the end of our 2022 fiscal year with the cumulative total return on \$100 invested for the same period in the Dow Jones U.S. Health Care Index and the Nasdaq Stock Market Composite Index.

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



**ASSUMES \$100 INVESTED ON DECEMBER 30, 2017  
ASSUMES DIVIDENDS REINVESTED**

|  | December 30,<br>2017 | December 29,<br>2018 | December 28,<br>2019 | December 26,<br>2020 | December 25,<br>2021 | December 31,<br>2022 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Henry Schein, Inc.                     | \$ 100.00            | \$ 111.49            | \$ 122.98            | \$ 121.58            | \$ 138.37            | \$ 147.48            |
| Dow Jones U.S. Health<br>Care Index    | 100.00               | 104.72               | 129.31               | 147.48               | 183.33               | 176.40               |
| NASDAQ Stock Market<br>Composite Index | 100.00               | 96.41                | 133.30               | 191.21               | 235.27               | 158.65               |

**ITEM 6.**

[Reserved]

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

### Cautionary Note Regarding Forward-Looking Statements

In accordance with the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995, we provide the following cautionary remarks regarding important factors that, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or implied herein. All forward-looking statements made by us are subject to risks and uncertainties and are not guarantees of future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance and achievements or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are generally identified by the use of such terms as "may," "could," "expect," "intend," "believe," "plan," "estimate," "forecast," "project," "anticipate," "to be," "to make" or other comparable terms. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Annual Report on Form 10-K, and in particular the risks discussed under the caption "Risk Factors" in Item 1A of this report and those that may be discussed in other documents we file with the Securities and Exchange Commission (SEC). Forward looking statements include the overall impact of the Novel Coronavirus Disease 2019 (COVID-19) on us, our results of operations, liquidity and financial condition (including any estimates of the impact on these items), the rate and consistency with which dental and other practices resume or maintain normal operations in the United States and internationally, expectations regarding personal protective equipment ("PPE") products and COVID-19 related product sales and inventory levels, whether additional resurgences or variants of the virus will adversely impact the resumption of normal operations, whether supply chain disruptions will adversely impact our business, the impact of integration and restructuring programs as well as of any future acquisitions, general economic conditions including exchange rates, inflation and recession, and more generally current expectations regarding performance in current and future periods. Forward looking statements also include the (i) our ability to have continued access to a variety of COVID-19 test types, expectations regarding COVID-19 test sales, demand and inventory levels, as well as the efficacy or relative efficacy of the test results given that the test efficacy has not been, or will not have been, independently verified under normal FDA procedures and (ii) potential for us to distribute the COVID-19 vaccines and ancillary supplies.

Risk factors and uncertainties that could cause actual results to differ materially from current and historical results include, but are not limited to: risks associated with COVID-19 and any variants thereof, as well as other disease outbreaks, epidemics, pandemics, or similar wide-spread public health concerns and other natural disasters; our dependence on third parties for the manufacture and supply of our products; our ability to develop or acquire and maintain and protect new products (particularly technology products) and technologies that achieve market acceptance with acceptable margins; transitional challenges associated with acquisitions, dispositions and joint ventures, including the failure to achieve anticipated synergies/benefits; legal, regulatory, compliance, cybersecurity, financial and tax risks associated with acquisitions, dispositions and joint ventures; certain provisions in our governing documents that may discourage third-party acquisitions of us; adverse changes in supplier rebates or other purchasing incentives; risks related to the sale of corporate brand products; effects of a highly competitive (including, without limitation, competition from third-party online commerce sites) and consolidating market; the repeal or judicial prohibition on implementation of the Affordable Care Act; changes in the health care industry; 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 and domestic macro-economic and political conditions, including inflation, deflation, recession, fluctuations in energy pricing and the value of the U.S. dollar as compared to foreign currencies, and changes to other economic indicators, international trade agreements, potential trade barriers and terrorism; failure to comply with existing and future regulatory requirements; risks associated with the EU Medical Device Regulation; failure to comply with laws and regulations relating to health care fraud or other laws and regulations; failure to comply with laws and regulations relating to the collection, storage and processing of sensitive personal information or standards in electronic health records or transmissions; changes in tax legislation; risks related to product liability, intellectual property and other claims; litigation risks; new or unanticipated litigation developments and the status of litigation matters; risks associated with customs policies or legislative import restrictions; cyberattacks or other privacy or data security breaches; risks associated with our global operations; our dependence on our senior management, employee hiring and retention, and our relationships with customers, suppliers and manufacturers; and disruptions in financial markets. The order in which these factors appear should not be construed to indicate their relative importance or priority.

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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 except as required by law.

### **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](http://www.henryschein.com)) and the social media channels identified on the Newsroom page of our website.

### **Recent Developments**

The COVID-19 pandemic negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of global financial markets in 2020 and 2021. The impact of COVID-19 had a material adverse effect on our business, results of operations and cash flows in 2020. During the year ended December 25, 2021, patient traffic levels returned to levels approaching pre-pandemic levels. Demand for dental products and certain medical products throughout 2021 was driven by sales of PPE and COVID-19 test kits. During the year ended December 31, 2022 we experienced a decrease in the sales volume of PPE and COVID-19 test kits. The volatility in sales of COVID-19 test kits has moderated, albeit at a significantly lower level of sales compared with 2021, resulting in us recording an inventory obsolescence reserve of \$17 million for COVID-19 test kits during the year ended December 31, 2022.

While the U.S. economy has recently experienced inflationary pressures and strengthening of the U.S dollar, their impacts have not been material to our results of operations in the fourth quarter or full year ended December 31, 2022, and we currently expect moderating of inflation and foreign currency fluctuations. Though inflation impacts both our revenues and costs, the depth and breadth of our product portfolio often allows us to offer lower-cost national brand solutions or corporate brand alternatives to our more price-sensitive customers who are unable to absorb price increases, thus positioning us to protect our gross profit.

Our consolidated financial statements reflect estimates and assumptions made by us that affect, among other things, our goodwill, long-lived asset and definite-lived intangible asset valuation; inventory valuation; equity investment valuation; assessment of the annual effective tax rate; valuation of deferred income taxes and income tax contingencies; the allowance for doubtful accounts; hedging activity; supplier rebates; measurement of compensation cost for certain share-based performance awards and cash bonus plans; and pension plan assumptions. Due to the significant uncertainty surrounding the future impact of COVID-19, our judgments regarding estimates and impairments could change in the future. There is an ongoing risk that the COVID-19 pandemic may again have a material adverse effect on our business, results of operations and cash flows and may result in a material adverse effect on our financial condition and liquidity. However, the extent of the potential impact cannot be reasonably estimated at this time.

## Executive-Level Overview

Henry Schein, Inc. is a solutions company for health care professionals powered by a network of people and technology. We believe we are the world's largest provider of health care products and services primarily to office-based dental and medical practitioners, as well as alternate sites of care. We serve more than one million customers worldwide including dental practitioners, laboratories, physician practices, and ambulatory surgery centers, 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 90 years of experience distributing health care products.

We are headquartered in Melville, New York, employ approximately 22,000 people (of which approximately 10,700 are based outside of the United States) and have operations or affiliates in 32 countries and territories. Our broad global footprint has evolved over time through our organic success as well as through contribution from strategic acquisitions.

We have established strategically located distribution centers around the world 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.

While our primary go-to-market strategy is in our capacity as a distributor, we also market and sell under our own corporate brand portfolio of cost-effective, high-quality consumable merchandise products, and manufacture certain dental specialty products in the areas of implants, orthodontics and endodontics. We have achieved scale in these global businesses primarily through acquisitions as manufacturers of these products typically do not utilize a distribution channel to serve customers.

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. Our global dental businesses serve office-based dental practitioners, dental laboratories, schools, government and other institutions. Our medical businesses serve physician offices, urgent care centers, ambulatory care sites, emergency medical technicians, dialysis centers, home health, federal and state governments and large enterprises, such as group practices and integrated delivery networks, among other providers across a wide range of specialties.

The health care distribution reportable segment, combining our global dental and medical operating segments, distributes consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, dental specialty products (including implant, orthodontic and endodontic products), diagnostic tests, infection-control products, PPE products and vitamins.

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

A key element to grow closer to our customers is our One Schein initiative, which is a unified go-to-market approach that enables practitioners to work synergistically with our supply chain, equipment sales and service and other value-added services, allowing our customers to leverage the combined value that we offer through a single program. Specifically, One Schein provides customers with streamlined access to our comprehensive offering of national brand products, our corporate brand products and proprietary specialty products and solutions (including implant, orthodontic and endodontic products). In addition, customers have access to a wide range of services, including software and other value-added services.

### *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 COVID-19 pandemic, the current economic environment and continued economic and public health uncertainty. Since the onset of the COVID-19 pandemic in early 2020, we have been carefully monitoring its impact on our global operations and have taken appropriate steps to minimize the risk to our employees. We have seen and expect to continue to see changes in demand trends for some of our products and services, supply chain challenges and labor challenges, as rates of infection fluctuate, new strains or variants of COVID-19 emerge and spread, governments adapt their approaches to combatting the virus, and local conditions change across geographies. As a result, we expect to see continued volatility.

### *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 approach 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

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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 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 Database, between 2022 and 2032, the 45 and older population is expected to grow by approximately 11%. Between 2022 and 2042, this age group is expected to grow by approximately 21%. This compares with expected total U.S. population growth rates of approximately 6% between 2022 and 2032 and approximately 12% between 2022 and 2042.

According to the U.S. Census Bureau's International Database, in 2022 there are approximately seven 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 by approximately 27% during the same 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 Data" indicating that total national health care spending reached approximately \$4.3 trillion in 2021, or 18.3% 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 \$6.2 trillion in 2028, or 19.7% of the nation's projected gross domestic product.

### *Government*

Our businesses are generally subject to numerous laws and regulations that could impact our financial performance, and failure to comply with such laws or regulations could have a material adverse effect on our business.

See "[Item 1. Business – Governmental Regulations](#)" for a discussion of laws, regulations and governmental activity that may affect our results of operations and financial condition.

## Results of Operations

Refer to Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations in our 2021 Annual Report on Form 10-K for management's discussion and analysis of financial condition and results of operations for the fiscal year 2021 compared to fiscal year 2020.

The following tables summarize the significant components of our operating results and cash flows from continuing operations:

|   | Years Ended          |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
| <b>Operating results:</b>                       |                      |                      |                      |
| Net sales                                       | \$ 12,647            | \$ 12,401            | \$ 10,119            |
| Cost of sales                                   | 8,816                | 8,727                | 7,303                |
| Gross profit                                    | 3,831                | 3,674                | 2,816                |
| <b>Operating expenses:</b>                      |                      |                      |                      |
| Selling, general and administrative             | 2,771                | 2,634                | 2,086                |
| Depreciation and amortization                   | 182                  | 180                  | 163                  |
| Restructuring and integration costs             | 131                  | 8                    | 32                   |
| Operating income                                | <u>\$ 747</u>        | <u>\$ 852</u>        | <u>\$ 535</u>        |
| Other expense, net                              | \$ (26)              | \$ (21)              | \$ (35)              |
| Gain on sale of equity investments, net of tax  | -                    | 7                    | 2                    |
| Net income from continuing operations           | 566                  | 660                  | 419                  |
| Income from discontinued operations, net of tax | -                    | -                    | 1                    |
| Net income attributable to Henry Schein, Inc.   | 538                  | 631                  | 404                  |

|  | Years Ended          |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
| <b>Cash flows:</b>   |                      |                      |                      |
| Net cash provided by operating activities from continuing operations | \$ 602               | \$ 710               | \$ 594               |
| Net cash used in investing activities from continuing operations     | (276)                | (677)                | (115)                |
| Net cash used in financing activities from continuing operations     | (315)                | (333)                | (182)                |



## **Plans of Restructuring and Integration Costs**

On August 1, 2022, we committed to a restructuring plan focused on funding the priorities of the strategic plan and streamlining operations and other initiatives to increase efficiency. We expect this initiative to extend through 2023. We are currently unable in good faith to make a determination of an estimate of the amount or range of amounts expected to be incurred in connection with these activities, both with respect to each major type of cost associated therewith and with respect to the total cost, or an estimate of the amount or range of amounts that will result in future cash expenditures.

During the year ended December 31, 2022, we recorded restructuring charges of \$128 million primarily related to severance and employee-related costs, accelerated amortization of right-of-use lease assets, impairment of other long-lived assets and lease exit costs.

During the three months ended December 31, 2022, in connection with our restructuring plan, we vacated one of the buildings at our corporate headquarters in Melville NY, which resulted in an accelerated amortization of right-of-use lease asset of \$34 million. We also initiated the disposal of a non-profitable US business and recorded related costs of \$49 million which primarily consisted of impairment of intangible assets and goodwill, inventory impairment, and severance and employee-related costs. These expenses are included in the \$128 million of restructuring charges discussed above. The disposal is expected to be completed in the first quarter of 2023.

On August 26, 2022, we acquired Midway Dental Supply. In connection with this acquisition, during the year ended December 31, 2022, we recorded integration costs of \$3 million related to one-time employee and other costs, as well as restructuring charges of \$9 million, which are included in the \$128 million of restructuring charges discussed above.

On November 20, 2019, we committed to a contemplated restructuring initiative intended to mitigate stranded costs associated with the spin-off of our animal health business and to rationalize operations and provide expense efficiencies. These activities were originally expected to be completed by the end of 2020 but we extended them to the end of 2021 in light of the changes to the business environment brought on by the COVID-19 pandemic. The restructuring activities under this prior initiative were completed in 2021.

## 2022 Compared to 2021

### Net Sales

Net sales were as follows:

|  | 2022      |            | 2021      |            | Increase / (Decrease) |        |
|--|-----------|------------|-----------|------------|-----------------------|--------|
|  |           | % of Total |           | % of Total | \$                    | %      |
| Health care distribution <sup>(1)</sup>            |           |            |           |            |                       |        |
| Dental   | \$ 7,473  | 59.1%      | \$ 7,544  | 60.8%      | \$ (71)               | (0.9)% |
| Medical  | 4,451     | 35.2       | 4,210     | 34.0       | 241                   | 5.7    |
| Total health care distribution                     | 11,924    | 94.3       | 11,754    | 94.8       | 170                   | 1.4    |
| Technology and value-added services <sup>(2)</sup> | 723       | 5.7        | 647       | 5.2        | 76                    | 11.8   |
| Total  | \$ 12,647 | 100.0      | \$ 12,401 | 100.0      | \$ 246                | 2.0    |

The components of our sales growth were as follows:

|  | Total Sales Growth | Foreign Exchange Impact | Total Local Currency Growth | Local Currency Growth |                   |                       |
|--|--------------------|-------------------------|-----------------------------|-----------------------|-------------------|-----------------------|
|  |                    |                         |                             | Acquisition Growth    | Extra Week Impact | Local Internal Growth |
| Health care distribution <sup>(1)</sup>            |                    |                         |                             |                       |                   |                       |
| Dental Merchandise                                 | (2.6)%             | (3.5)%                  | 0.9 %                       | 1.3 %                 | 1.0 %             | (1.4)%                |
| Dental Equipment                                   | 4.7                | (4.6)                   | 9.3                         | 0.6                   | 2.3               | 6.4                   |
| Total Dental                                       | (0.9)              | (3.7)                   | 2.8                         | 1.2                   | 1.2               | 0.4                   |
| Medical  | 5.7                | (0.3)                   | 6.0                         | 2.4                   | 1.5               | 2.1                   |
| Total Health Care Distribution                     | 1.4                | (2.5)                   | 3.9                         | 1.6                   | 1.3               | 1.0                   |
| Technology and value-added services <sup>(2)</sup> | 11.8               | (1.5)                   | 13.3                        | 5.4                   | 0.8               | 7.1                   |
| Total  | 2.0                | (2.4)                   | 4.4                         | 1.8                   | 1.3               | 1.3                   |

Note: Percentages for Net Sales; Gross Profit; Selling, General and Administrative; Other Expense, Net; and Income Taxes are based on actual values and may not recalculate due to rounding.

- (1) Consists of consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, dental specialty products (including implant, orthodontic and endodontic products), diagnostic tests, infection-control products, PPE products and vitamins.
- (2) Consists of practice management software and other value-added products, which are distributed primarily to health care providers, practice consultancy, education, revenue cycle management and financial services on a non-recourse basis, e-services, continuing education services for practitioners, consulting and other services.

### Global Sales

Global net sales for the year ended December 31, 2022 increased 2.0% based upon the components presented in the table above. We estimate that sales for the year ended December 31, 2022 of PPE products and COVID-19 test kits were approximately \$1,245 million, an estimated decrease of 34.7% versus the prior year. Excluding PPE products and COVID-19 test kits, the estimated increase in internally generated local currency sales was 6.7%.

### Dental

Dental net sales for the year ended December 31, 2022 decreased 0.9% based upon the components presented in the table above. Our sales growth in local currency for dental merchandise decreased primarily due to a decrease in PPE product sales. We estimate that global dental sales for the year ended December 31, 2022 of PPE products were approximately \$447 million, an estimated decrease of 32.5% versus the prior year. Excluding PPE products, the estimated increase in internally generated local currency dental sales was 3.8%. Dental equipment sales in local currency increased in both our North American and international markets, primarily due to increased demand.

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*Medical*

Medical net sales for the year ended December 31, 2022 increased 5.7% based upon the components presented in the table above. Globally, we estimate our medical business recorded sales of approximately \$798 million of sales of PPE products and COVID-19 test kits for the year ended December 31, 2022, an estimated decrease of approximately 27.4% compared to the prior year. Excluding PPE products and COVID-19 test kits, the estimated increase in internally generated local currency medical sales was 2.1%.

*Technology and value-added services*

Technology and value-added services net sales for the year ended December 31, 2022 increased 11.8% based upon the components presented in the table above. During the year ended December 31, 2022, the trend for transactional software sales improved as we increased the number of users, generating demand for our sales cycle management solutions, and also from cloud-based solutions that drive practice efficiency and patient engagement.

**Gross Profit**

Gross profit and gross margin percentages by segment and in total were as follows:

|                                     | 2022            | Gross<br>Margin % | 2021            | Gross<br>Margin % | Increase      |      |
|-------------------------------------|-----------------|-------------------|-----------------|-------------------|---------------|------|
|                                     |                 |                   |                 |                   | \$            | %    |
| Health care distribution            | \$ 3,357        | 28.2%             | \$ 3,239        | 27.6%             | \$ 118        | 3.6% |
| Technology and value-added services | 474             | 65.5              | 435             | 67.2              | 39            | 9.0  |
| Total                               | <u>\$ 3,831</u> | 30.3              | <u>\$ 3,674</u> | 29.6              | <u>\$ 157</u> | 4.3  |

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.

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 corporate brand products achieve gross profit margins that are higher than average total gross profit margins of all products. 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.

Health care distribution gross profit increased primarily due to the increase in net sales discussed above. The overall increase in our health care distribution gross profit was attributable to \$67 million of gross profit from acquisitions and gross margin expansion, mainly as a result of increased sales mix of higher-margin products.

Technology and value-added services gross profit increased as a result of an increase in gross profit from internally generated sales and gross profit from acquisitions, partially offset by a decrease in gross margin rates. Gross margin rates decreased primarily due to lower gross margins of recently acquired companies in the business services sector and our continued investment in product development and customer service.

### Operating Expenses

Operating expenses (consisting of selling, general and administrative expenses; depreciation and amortization, restructuring and integration costs) by segment and in total were as follows:

|                                     | 2022            | % of<br>Respective<br>Net Sales | 2021            | % of<br>Respective<br>Net Sales | Increase      |            |
|-------------------------------------|-----------------|---------------------------------|-----------------|---------------------------------|---------------|------------|
|                                     |                 |                                 |                 |                                 | \$            | %          |
| Health care distribution            | \$ 2,738        | 23.0%                           | \$ 2,512        | 21.4%                           | \$ 226        | 9.0%       |
| Technology and value-added services | 346             | 47.8                            | 310             | 48.0                            | 36            | 11.4       |
| Total                               | <u>\$ 3,084</u> | <u>24.4</u>                     | <u>\$ 2,822</u> | <u>22.8</u>                     | <u>\$ 262</u> | <u>9.3</u> |

The net increase in operating expenses is attributable to the following:

|                                     | Change in                              |                                | Acquisitions | Total         |
|-------------------------------------|--|--------------------------------|--------------|---------------|
|                                     | Restructuring and<br>Integration Costs | Increase in<br>Operating Costs |              |               |
| Health care distribution            | \$ 121                                 | \$ 39                          | \$ 66        | \$ 226        |
| Technology and value-added services | 2                                      | 20                             | 14           | 36            |
| Total                               | <u>\$ 123</u>                          | <u>\$ 59</u>                   | <u>\$ 80</u> | <u>\$ 262</u> |

The increase in restructuring and integration costs is attributable to our disposal of an unprofitable business, acceleration of amortization of right-of-use lease assets related to the exit from one of the properties at our corporate headquarters, severance costs, and other costs relating to the exit of some facilities. The increase in operating costs includes a \$20 million intangible assets impairment charge within our health care distribution segment, and increases in payroll and payroll related costs and travel and convention expenses in both of our reportable segments. While the U.S. economy has recently experienced inflationary pressures and strengthening of the U.S. dollar, their impacts have not been material to our results of operations.

### Other Expense, Net

Other expense, net was as follows:

|                    | 2022           | 2021           | Variance      |               |
|--------------------|----------------|----------------|---------------|---------------|
|                    |                |                | \$            | %             |
| Interest income    | \$ 17          | \$ 7           | \$ 10         | 158.9%        |
| Interest expense   | (44)           | (28)           | (16)          | (59.1)        |
| Other, net         | 1              | -              | 1             | n/a           |
| Other expense, net | <u>\$ (26)</u> | <u>\$ (21)</u> | <u>\$ (5)</u> | <u>(26.0)</u> |

Interest income increased primarily due to increased interest rates. Interest expense increased primarily due to increased borrowings and increased interest rates.

### Income Taxes

For the year ended December 31, 2022, our effective tax rate was 23.5% compared to 23.8% for the prior year period. In 2022, the difference between our effective tax rate and the federal statutory tax rate primarily relates to state and foreign income taxes and interest expense. In 2021, the difference between our effective tax rate and the federal statutory tax rate was primarily due to state and foreign income taxes and interest expense.

### Gain on Sale of Equity Investment

In the third quarter of 2021, we received contingent proceeds of \$10 million from the 2019 sale of Hu-Friedy resulting in the recognition of an additional after-tax gain of \$7 million. No further proceeds are expected from this sale.

## Liquidity and Capital Resources

Our principal capital requirements have included 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 second half of the year 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. Please see [Note 12 – Debt](#) for further information. 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.

Net cash provided by operating activities was \$602 million for the year ended December 31, 2022, compared to net cash from continuing operations provided by operating activities of \$710 million for the prior year. The net change of \$108 million was primarily due to unfavorable net cash used by our working capital accounts, net of acquisitions, driven by an impact of timing of payments which resulted in an increase in other current assets and relative decreases in accounts payable and accrued expenses, partially offset by the relative year over year impact of inventory increases (2021 increase was more significant than the 2022 increase).

Net cash used in investing activities was \$276 million for the year ended December 31, 2022, compared to \$677 million for the prior year. The net change of \$401 million was primarily attributable to decreased payments for equity investments and business acquisitions.

Net cash used in financing activities was \$315 million for the year ended December 31, 2022, compared to net cash used in financing activities of \$333 million for the prior year. The net change of \$18 million was primarily due to increased net borrowings from debt, partially offset by increased repurchases of common stock.

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The following table summarizes selected measures of liquidity and capital resources:

|   | December 31,<br>2022 | December 25,<br>2021 |
|---|----------------------|----------------------|
| Cash and cash equivalents               | \$ 117               | \$ 118               |
| Working capital <sup>(1)</sup>          | 1,764                | 1,537                |
| Debt:                                   |                      |                      |
| Bank credit lines                       | \$ 103               | \$ 51                |
| Current maturities of long-term debt    | 6                    | 11                   |
| Long-term debt                          | 1,040                | 811                  |
| Total debt                              | <u>\$ 1,149</u>      | <u>\$ 873</u>        |
| Leases:                                 |                      |                      |
| Current operating lease liabilities     | \$ 73                | \$ 76                |
| Non-current operating lease liabilities | 275                  | 268                  |

(1) Includes \$327 million and \$138 million of certain accounts receivable which serve as security for U.S. trade accounts receivable securitization at December 31, 2022 and December 25, 2021, 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 41.9 days as of December 31, 2022 from 41.8 days as of December 25, 2021. During the years ended December 31, 2022 and December 25, 2021, we wrote off approximately \$10 million and \$8 million, respectively, of fully reserved accounts receivable against our trade receivable reserve. Our inventory turns from operations was 4.7 as of December 31, 2022 and 5.2 as of December 25, 2021. Our working capital accounts may be impacted by current and future economic conditions.

*Contractual obligations*

The following table summarizes our contractual obligations related to fixed and variable rate long-term debt and finance lease obligations, including interest (assuming a weighted average interest rate of 4.3%), as well as inventory purchase commitments and operating lease obligations as of December 31, 2022:

|   | Payments due by period |               |               |               |                 |
|---|------------------------|---------------|---------------|---------------|-----------------|
|   | < 1 year               | 2 - 3 years   | 4 - 5 years   | > 5 years     | Total           |
| Contractual obligations:                      |                        |               |               |               |                 |
| Long-term debt, including interest            | \$ 41                  | \$ 508        | \$ 134        | \$ 538        | \$ 1,221        |
| Inventory purchase commitments                | 5                      | 8             | 8             | -             | 21              |
| Operating lease obligations                   | 82                     | 122           | 79            | 98            | 381             |
| Transition tax obligations                    | 19                     | 23            | -             | -             | 42              |
| Finance lease obligations, including interest | 5                      | 4             | 1             | 1             | 11              |
| Total   | <u>\$ 152</u>          | <u>\$ 665</u> | <u>\$ 222</u> | <u>\$ 637</u> | <u>\$ 1,676</u> |

For information relating to our debt please see [Note 12 – Debt](#).

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*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 approximately 19 years, some of which may include options to extend the leases for up to 15 years. As of December 31, 2022, our right-of-use assets related to operating leases were \$284 million and our current and non-current operating lease liabilities were \$73 million and \$275 million, respectively. Please see [Note 6 – Leases](#) for further information.

*Stock Repurchases*

On March 8, 2021, we announced the reinstatement of our share repurchase program, which had been temporarily suspended in April of 2020.

From March 3, 2003 through December 31, 2022, we repurchased \$4.5 billion, or 87,180,669 shares, under our common stock repurchase programs, with \$115 million available as of December 31, 2022 for future common stock share repurchases.

On February 8, 2023, our Board of Directors authorized the repurchase of up to an additional \$400 million in shares of our common stock.

*Redeemable Noncontrolling Interests*

Some minority stockholders in certain of our consolidated subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities. Accounting Standards Codification (“ASC”) Topic 480-10 is applicable for noncontrolling interests where we are or may be required to purchase all or a portion of the outstanding interest in a consolidated subsidiary from the noncontrolling interest holder under the terms of a put option contained in contractual agreements. As of December 31, 2022 and December 25, 2021, our balance for redeemable noncontrolling interests was \$576 million and \$613 million, respectively. Please see [Note 18 – Redeemable Noncontrolling Interests](#) for further information.

*Unrecognized tax benefits*

As more fully disclosed in [Note 13 – Income Taxes](#) of “Notes to Consolidated Financial Statements,” we cannot reasonably estimate the timing of future cash flows related to the unrecognized tax benefits, including accrued interest, of \$94 million as of December 31, 2022.

**Critical Accounting Policies and Estimates**

Our accounting policies are more fully described in [Note 1 – Basis of Presentation and Significant Accounting Policies](#) of the consolidated financial statements. The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. We base our estimates on historical data, when available, experience, industry and market trends, and on various other assumptions that are believed to be reasonable under the circumstances, the combined results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. However, by their nature, estimates are subject to various assumptions and uncertainties. Therefore, reported results may differ from estimates and any such differences may be material to our consolidated financial statements.

We believe that the following critical accounting estimates, which have been discussed with the Audit Committee of our Board of Directors, affect the significant estimates and judgments used in the preparation of our financial statements:

### *Inventories and Reserves*

Inventories consist primarily of finished goods and are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method for merchandise or actual cost for large equipment and high tech equipment. In estimating carrying value of inventory, we consider many factors including the condition and salability of the inventory by reviewing on-hand quantities, historical sales, forecasted sales and market and economic trends. Certain of our products, specifically PPE and COVID-19 test kits, have experienced changes in net realizable value, due to volatility of pricing and changes in demand for these products.

### *Business Combinations*

The estimated fair value of acquired identifiable intangible assets (trademarks and trade names, customer relationships and lists, non-compete agreements and product development) is based on critical estimates, judgments and assumptions derived from: analysis of market conditions; discount rates; projected cash flows; customer retention rates; and estimated useful lives. Please see [Note 4 – Business Acquisitions and Divestitures](#) for further discussion of our acquisitions.

### *Goodwill*

Goodwill is subject to impairment analysis at least once annually as of the first day of our fourth quarter, or if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. Such impairment analyses for goodwill require a comparison of the fair value to the carrying value of reporting units. We regard our reporting units to be our operating segments: global dental, global medical, and technology and value-added services. Goodwill is allocated to such reporting units, for the purposes of preparing our impairment analyses, based on a specific identification basis.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities that are considered shared services to the reporting units, and ultimately the determination of the fair value of each reporting unit. The fair value of each reporting unit is calculated by applying the discounted cash flow methodology and confirming with a market approach. There are inherent uncertainties, however, related to fair value models, the inputs and our judgments in applying them to this analysis. The most significant inputs include estimation of detailed future cash flows based on budget expectations, and determination of comparable companies to develop a weighted average cost of capital for each reporting unit.

On an annual basis, we prepare annual and medium-term financial projections. These projections are based on input from our leadership and are presented annually to our Board of Directors. Influences on this year's forecasted financial information and the fair value model include: the impact of planned strategic initiatives, the continued integration of recent acquisitions and overall market conditions. The estimates used to calculate the fair value of a reporting unit change from year to year based on operating results, market conditions, and other factors.

Our third-party valuation specialists provide inputs into our determination of the discount rate. The rate is dependent on a number of underlying assumptions, including the risk-free rate, tax rate, equity risk premium, debt to equity ratio and pre-tax cost of debt.

Long-term growth rates are applied to our estimation of future cash flows. The long-term growth rates are tied to growth rates we expect to achieve beyond the years for which we have forecasted operating results. We also consider external benchmarks, and other data points which we believe are applicable to our industry and the composition of our global operations.

Based on our quantitative assessment for the year ended December 31, 2022, we recorded a \$20 million impairment of goodwill relating to the disposal of an unprofitable business whose estimated fair value was lower than its carrying value. As part of our analysis for the rest of the goodwill balance, we performed a sensitivity analysis on the discount rate and long-term growth rate assumptions. The sensitivities did not result in any additional impairment charges.



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### *Definite-Lived Intangible Assets*

Annually, definite-lived intangible assets such as non-compete agreements, trademarks, trade names, customer relationships and lists, and product development are reviewed for impairment indicators. If any impairment indicators exist, quantitative testing is performed on the asset.

The quantitative impairment model is a two-step test under which we first calculate the recoverability of the carrying value by comparing the undiscounted, probability-weighted value of the projected cash flows associated with the asset or asset group, including its estimated residual value, to the carrying amount. If the cash flows associated with the asset or asset group are less than the carrying value, we would perform a fair value assessment of the asset, or asset group. If the carrying amount is found to be greater than the fair value, we record an impairment loss for the excess of book value over the fair value. In addition, in all cases of an impairment review, we re-evaluate the remaining useful lives of the assets and modify them, as appropriate. Although we believe our judgments, estimates and/or assumptions used in estimating cash flows and determining fair value are reasonable, making material changes to such judgments, estimates and/or assumptions could materially affect such impairment analyses and our financial results.

During the years ended December 31, 2022, December 25, 2021 and December 26, 2020, we recorded total impairment charges on intangible assets of approximately \$49 million (\$34 million related to impairment of customer lists and relationships attributable to customer attrition rates being higher than expected in certain businesses and \$15 million due to the disposal of an unprofitable business), \$1 million and \$20 million, respectively. For the year ended December 31, 2022 impairment charges were recorded within our health care distribution segment. For the years ended December 25, 2021 and December 26, 2020, impairment charges were recorded within our health care distribution and technology and value-added services segments.

### *Income Tax*

When determining if the realization of the deferred tax asset is likely by assessing the need for a valuation allowance, estimates and judgement are required. We consider all available evidence, both positive and negative, including estimated future taxable earnings, ongoing planning strategies, future reversals of existing temporary differences and historical operating results. Additionally, changes to tax laws and statutory tax rates can have an impact on our determination. Our intention is to evaluate the realizability of our deferred tax assets quarterly.

ASC Topic 740 prescribes the accounting for uncertainty in income taxes recognized in the financial statements in accordance with other provisions contained within this guidance. This topic prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by the taxing authorities. The amount recognized is measured as the largest amount of benefit that has a greater than 50% likely of being realized upon ultimate audit settlement. In the normal course of business, our tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing authorities for uncertain tax positions taken in respect of certain tax matters. Please see [Note 13 – Income Taxes](#) for further discussion.

The FASB Staff Q&A, Topic 740 No. 5, Accounting for Global Intangible Low-Taxed Income (“GILTI”), 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.

### **Accounting Standards Update**

For a discussion of accounting standards updates that have been adopted or will be adopted in the future, please see [Note 1 – Basis of Presentation and Significant Accounting Policies](#) included under Item 8.

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

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

### *Foreign Currency Agreements*

The value of certain foreign currencies as compared to the U.S. dollar and the value of certain underlying functional currencies of the Company, including its foreign subsidiaries, may affect our financial results. Fluctuations in exchange rates may positively or negatively affect our revenues, gross margins, operating expenses and retained earnings, all of which are expressed in U.S. dollars. Where we deem it prudent, we engage in hedging programs using primarily foreign currency forward contracts aimed at limiting the impact of foreign currency exchange rate fluctuations on earnings. We purchase short-term (i.e., generally 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 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. A hypothetical 5% change in the average value of the U.S. dollar in 2022 compared to foreign currencies would have changed our 2022 reported Net income attributable to Henry Schein, Inc. by approximately \$7 million.

As of December 31, 2022, we had forward foreign currency exchange agreements, which expire through November 16, 2023, with a fair value of \$23 million as determined by quoted market prices. Included in the forward foreign currency exchange agreements, Henry Schein, Inc. had net investment designated EUR/USD forward contracts with notional values of approximately €200 million, with a reported fair value of these contracts of \$20 million. A 5% increase in the value of the Euro to the USD from December 31, 2022, with all other variables held constant, would have had an unfavorable effect on the fair value of these forward contracts by decreasing the value of these instruments by \$10 million.

### *Total Return Swaps*

On March 20, 2020, we entered into a total return swap for the purpose of economically hedging our unfunded non-qualified supplemental retirement plan (“SERP”) and our deferred compensation plan (“DCP”). This swap will offset changes in our SERP and DCP liabilities. At the inception, the notional value of the investments in these plans was \$43 million. At December 31, 2022, the notional value of the investments in these plans was \$78 million. At December 31, 2022, the financing blended rate for this swap was based on LIBOR of 4.03% plus 0.55%, for a combined rate of 4.58%. For the years ended December 31, 2022 ended and December 25, 2021, we have recorded a gain/(loss), within the selling, general and administrative line item in our consolidated statement of income, of approximately \$(17) million and \$12 million, respectively, net of transaction costs, related to this undesignated swap. This swap is expected to be renewed on an annual basis after its current expiration date of March 31, 2023, and is expected to result in a neutral impact to our results of operations.

### *Short-Term Investments*

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

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*Variable Interest Rate Debt*

As of December 31, 2022, we had variable interest rate exposure for certain of our revolving credit facilities and our U.S. trade accounts receivable securitization.

Our revolving credit facility which we entered into on August 20, 2021 and expires on August 20, 2026, has an interest rate that is based on the U.S. Dollar LIBOR plus a spread based on our leverage ratio at the end of each financial reporting quarter. As of December 31, 2022, there was \$0 million outstanding under this revolving credit facility. During the year ended December 31, 2022, we had no borrowings under this revolving credit facility.

Our U.S. trade accounts receivable securitization, which we entered into on April 17, 2013 and expires on December 15, 2025, has an interest rate that is based upon the asset-backed commercial paper rate. As of December 31, 2022, the commercial paper rate was 4.58% plus 0.75%, for a combined rate of 5.33%. At December 31, 2022 the outstanding balance was \$330 million under this securitization facility. During the year ended December 31, 2022, the average outstanding balance under this securitization facility was approximately \$166 million. Based upon our average outstanding balance for this securitization facility, for each hypothetical increase of 25 basis points, our interest expense thereunder would have increased by \$0.4 million.

**ITEM 8. Financial Statements and Supplementary Data**

**INDEX TO FINANCIAL STATEMENTS  
HENRY SCHEIN, INC.**

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

## **Report Of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors  
Henry Schein, Inc.  
Melville, NY

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated balance sheets of Henry Schein, Inc. (the “Company”) as of December 31, 2022 and December 25, 2021, the related consolidated statements of income, comprehensive income, stockholders’ equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and December 25, 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) and our report dated February 21, 2023, expressed an unqualified opinion thereon.

### **Basis for Opinion**

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Revenue growth rates utilized in the determination of the fair value of acquired customer relationships for a certain acquisition**

As described in Note 4 of the consolidated financial statements, the Company acquired several companies in the current year. As a result of the acquisitions, management was required to determine estimated fair values of the assets acquired and liabilities assumed, including certain identifiable intangible assets. In some instances, management utilized third-party valuation specialists to assist in the preparation of the valuation of certain identifiable intangible assets. Management exercised judgment to develop and select revenue growth rates in the measurement of the fair value of the customer relationships.

We identified the revenue growth rates utilized in the determination of the fair value of acquired customer relationships for a certain acquisition, as a critical audit matter. The principal considerations for our determination included the subjectivity and judgment required to determine the revenue growth rates used in the fair value measurement of acquired customer relationships for a certain acquisition. Auditing these revenue growth rates involved especially subjective auditor judgment due to the nature and extent of audit effort required.

The primary procedures we performed to address this critical audit matter included:

- Evaluating the reasonableness of the revenue growth rates by i) reviewing the historical performance of the acquired company using its audited financial statements and (ii) assessing revenue projections against industry metrics and peer-group companies.

/s/ BDO USA, LLP

We have served as the Company's auditor since 1984.

New York, NY  
February 21, 2023

**HENRY SCHEIN, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in millions, except share data)

|  | <u>December 31,</u><br><u>2022</u> | <u>December 25,</u><br><u>2021</u> |
|--|------------------------------------|------------------------------------|
| <b>ASSETS</b>  |                                    |                                    |
| Current assets:  |                                    |                                    |
| Cash and cash equivalents  | \$ 117                             | \$ 118                             |
| Accounts receivable, net of reserves of \$65 and \$67  | 1,442                              | 1,452                              |
| Inventories, net   | 1,963                              | 1,861                              |
| Prepaid expenses and other   | 466                                | 413                                |
| Total current assets   | 3,988                              | 3,844                              |
| Property and equipment, net  | 383                                | 366                                |
| Operating lease right-of-use assets  | 284                                | 325                                |
| Goodwill   | 2,893                              | 2,854                              |
| Other intangibles, net   | 587                                | 668                                |
| Investments and other  | 472                                | 424                                |
| Total assets   | \$ 8,607                           | \$ 8,481                           |
| <b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY</b>   |                                    |                                    |
| Current liabilities:   |                                    |                                    |
| Accounts payable   | \$ 1,004                           | \$ 1,054                           |
| Bank credit lines  | 103                                | 51                                 |
| Current maturities of long-term debt   | 6                                  | 11                                 |
| Operating lease liabilities  | 73                                 | 76                                 |
| Accrued expenses:  |                                    |                                    |
| Payroll and related  | 314                                | 385                                |
| Taxes  | 132                                | 137                                |
| Other  | 592                                | 593                                |
| Total current liabilities  | 2,224                              | 2,307                              |
| Long-term debt   | 1,040                              | 811                                |
| Deferred income taxes  | 36                                 | 42                                 |
| Operating lease liabilities  | 275                                | 268                                |
| Other liabilities  | 361                                | 377                                |
| Total liabilities  | 3,936                              | 3,805                              |
| Redeemable noncontrolling interests  | 576                                | 613                                |
| Commitments and contingencies  |                                    |                                    |
| Stockholders' equity:  |                                    |                                    |
| Preferred stock, \$0.01 par value, 1,000,000 shares authorized,<br>none outstanding  | -                                  | -                                  |
| Common stock, \$0.01 par value, 480,000,000 shares authorized,<br>131,792,817 outstanding on December 31, 2022 and<br>137,145,558 outstanding on December 25, 2021 | 1                                  | 1                                  |
| Additional paid-in capital   | -                                  | -                                  |
| Retained earnings  | 3,678                              | 3,595                              |
| Accumulated other comprehensive loss   | (233)                              | (171)                              |
| Total Henry Schein, Inc. stockholders' equity  | 3,446                              | 3,425                              |
| Noncontrolling interests   | 649                                | 638                                |
| Total stockholders' equity   | 4,095                              | 4,063                              |
| Total liabilities, redeemable noncontrolling interests and stockholders' equity  | \$ 8,607                           | \$ 8,481                           |

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

|   | Years Ended          |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
| Net sales   | \$ 12,647            | \$ 12,401            | \$ 10,119            |
| Cost of sales   | 8,816                | 8,727                | 7,303                |
| Gross profit  | 3,831                | 3,674                | 2,816                |
| Operating expenses:   |                      |                      |                      |
| Selling, general and administrative   | 2,771                | 2,634                | 2,086                |
| Depreciation and amortization   | 182                  | 180                  | 163                  |
| Restructuring and integration costs   | 131                  | 8                    | 32                   |
| Operating income  | 747                  | 852                  | 535                  |
| Other income (expense):   |                      |                      |                      |
| Interest income   | 17                   | 7                    | 10                   |
| Interest expense  | (44)                 | (28)                 | (41)                 |
| Other, net  | 1                    | -                    | (4)                  |
| Income from continuing operations before taxes, equity in earnings of affiliates and noncontrolling interests | 721                  | 831                  | 500                  |
| Income taxes  | (170)                | (198)                | (95)                 |
| Equity in earnings of affiliates  | 15                   | 20                   | 12                   |
| Gain on sale of equity investment   | -                    | 7                    | 2                    |
| Net income from continuing operations   | 566                  | 660                  | 419                  |
| Income from discontinued operations, net of tax   | -                    | -                    | 1                    |
| Net Income  | 566                  | 660                  | 420                  |
| Less: Net income attributable to noncontrolling interests   | (28)                 | (29)                 | (16)                 |
| Net income attributable to Henry Schein, Inc.   | \$ 538               | \$ 631               | \$ 404               |
| Amounts attributable to Henry Schein, Inc.:   |                      |                      |                      |
| Continuing operations   | \$ 538               | \$ 631               | \$ 403               |
| Discontinued operations   | -                    | -                    | 1                    |
| Net income attributable to Henry Schein, Inc.   | \$ 538               | \$ 631               | \$ 404               |
| <b>Earnings per share from continuing operations attributable to Henry Schein, Inc.:</b>                      |                      |                      |                      |
| Basic   | \$ 3.95              | \$ 4.51              | \$ 2.83              |
| Diluted   | \$ 3.91              | \$ 4.45              | \$ 2.81              |
| <b>Earnings per share from discontinued operations attributable to Henry Schein, Inc.:</b>                    |                      |                      |                      |
| Basic   | \$ -                 | \$ -                 | \$ 0.01              |
| Diluted   | \$ -                 | \$ -                 | \$ 0.01              |
| <b>Earnings per share attributable to Henry Schein, Inc.:</b>   |                      |                      |                      |
| Basic   | \$ 3.95              | \$ 4.51              | \$ 2.83              |
| Diluted   | \$ 3.91              | \$ 4.45              | \$ 2.82              |
| Weighted-average common shares outstanding:   |                      |                      |                      |
| Basic   | 136,064,221          | 140,090,889          | 142,504,193          |
| Diluted   | 137,755,670          | 141,772,781          | 143,403,682          |



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

|   | Years Ended          |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
| Net income  | \$ 566               | \$ 660               | \$ 420               |
| Other comprehensive income, net of tax:                         |                      |                      |                      |
| Foreign currency translation gain (loss)                        | (88)                 | (84)                 | 63                   |
| Unrealized gain (loss) from foreign currency hedging activities | 7                    | 9                    | (7)                  |
| Pension adjustment gain   | 12                   | 6                    | -                    |
| Other comprehensive income (loss), net of tax                   | (69)                 | (69)                 | 56                   |
| Comprehensive income  | 497                  | 591                  | 476                  |
| Comprehensive income attributable to noncontrolling interests:  |                      |                      |                      |
| Net income  | (28)                 | (29)                 | (16)                 |
| Foreign currency translation loss                               | 7                    | 6                    | 3                    |
| Comprehensive income attributable to noncontrolling interests   | (21)                 | (23)                 | (13)                 |
| Comprehensive income attributable to Henry Schein, Inc.         | \$ 476               | \$ 568               | \$ 463               |

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

|   | Common Stock |        | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Noncontrolling<br>Interests | Total<br>Stockholders'<br>Equity |
|---|--------------|--------|----------------------------------|----------------------|--|-----------------------------|----------------------------------|
|   | Shares       | Amount |                                  |                      |  |                             |                                  |
| Balance, December 28, 2019  | 143,353,459  | \$ 1   | \$ 48                            | \$ 3,116             | \$ (167)   | \$ 632                      | \$ 3,630                         |
| Net income (excluding \$14 attributable to Redeemable noncontrolling interests from continuing operations)    | -            | -      | -                                | 404                  | -  | 2                           | 406                              |
| Foreign currency translation gain (excluding loss of \$4 attributable to Redeemable noncontrolling interests) | -            | -      | -                                | -                    | 66   | 1                           | 67                               |
| Unrealized loss from foreign currency hedging activities, net of tax benefit of \$3                           | -            | -      | -                                | -                    | (7)  | -                           | (7)                              |
| Dividends paid  | -            | -      | -                                | -                    | -  | (1)                         | (1)                              |
| Purchase of noncontrolling interests  | -            | -      | (2)                              | -                    | -  | (1)                         | (3)                              |
| Change in fair value of redeemable securities   | -            | -      | (33)                             | -                    | -  | -                           | (33)                             |
| Noncontrolling interests and adjustments related to business acquisitions                                     | -            | -      | -                                | -                    | -  | 3                           | 3                                |
| Repurchase and retirement of common stock   | (1,200,000)  | -      | (11)                             | (63)                 | -  | -                           | (74)                             |
| Stock-based compensation expense  | 545,864      | -      | 9                                | -                    | -  | -                           | 9                                |
| Shares withheld for payroll taxes   | (236,752)    | -      | (15)                             | -                    | -  | -                           | (15)                             |
| Separation of Animal Health business  | -            | -      | 2                                | -                    | -  | -                           | 2                                |
| Transfer of charges in excess of capital  | -            | -      | 2                                | (2)                  | -  | -                           | -                                |
| Balance, December 26, 2020  | 142,462,571  | 1      | -                                | 3,455                | (108)  | 636                         | 3,984                            |
| Net income (excluding \$23 attributable to Redeemable noncontrolling interests from continuing operations)    | -            | -      | -                                | 631                  | -  | 6                           | 637                              |
| Foreign currency translation loss (excluding loss of \$6 attributable to Redeemable noncontrolling interests) | -            | -      | -                                | -                    | (78)   | -                           | (78)                             |
| Unrealized gain from foreign currency hedging activities, net of tax of \$3                                   | -            | -      | -                                | -                    | 9  | -                           | 9                                |
| Pension adjustment gain, including tax of \$2   | -            | -      | -                                | -                    | 6  | -                           | 6                                |
| Dividends paid  | -            | -      | -                                | -                    | -  | (11)                        | (11)                             |
| Change in fair value of redeemable securities   | -            | -      | (160)                            | -                    | -  | -                           | (160)                            |
| Noncontrolling interests and adjustments related to business acquisitions                                     | -            | -      | -                                | -                    | -  | 7                           | 7                                |
| Repurchase and retirement of common stock   | (5,505,704)  | -      | (53)                             | (348)                | -  | -                           | (401)                            |
| Stock-based compensation expense  | 303,643      | -      | 78                               | -                    | -  | -                           | 78                               |
| Shares withheld for payroll taxes   | (114,952)    | -      | (8)                              | -                    | -  | -                           | (8)                              |
| Transfer of charges in excess of capital  | -            | -      | 143                              | (143)                | -  | -                           | -                                |
| Balance, December 25, 2021  | 137,145,558  | 1      | -                                | 3,595                | (171)  | 638                         | 4,063                            |
| Net income (excluding \$21 attributable to Redeemable noncontrolling interests from continuing operations)    | -            | -      | -                                | 538                  | -  | 7                           | 545                              |
| Foreign currency translation loss (excluding loss of \$6 attributable to Redeemable noncontrolling interests) | -            | -      | -                                | -                    | (81)   | (1)                         | (82)                             |
| Unrealized gain from foreign currency hedging activities, net of tax of \$3                                   | -            | -      | -                                | -                    | 7  | -                           | 7                                |
| Pension adjustment gain, including tax of \$4   | -            | -      | -                                | -                    | 12   | -                           | 12                               |
| Dividends paid  | -            | -      | -                                | -                    | -  | (1)                         | (1)                              |
| Purchase of noncontrolling interests  | -            | -      | -                                | -                    | -  | (7)                         | (7)                              |
| Change in fair value of redeemable securities   | -            | -      | 4                                | -                    | -  | -                           | 4                                |
| Noncontrolling interests and adjustments related to business acquisitions                                     | -            | -      | -                                | -                    | -  | 13                          | 13                               |
| Repurchase and retirement of common stock   | (6,111,676)  | -      | (65)                             | (420)                | -  | -                           | (485)                            |
| Stock issued upon exercise of stock options   | 35,792       | -      | 2                                | -                    | -  | -                           | 2                                |
| Stock-based compensation expense  | 1,102,108    | -      | 54                               | -                    | -  | -                           | 54                               |
| Shares withheld for payroll taxes   | (376,034)    | -      | (32)                             | -                    | -  | -                           | (32)                             |
| Settlement of stock-based compensation awards   | (2,931)      | -      | 2                                | -                    | -  | -                           | 2                                |
| Transfer of charges in excess of capital  | -            | -      | 35                               | (35)                 | -  | -                           | -                                |
| Balance, December 31, 2022  | 131,792,817  | \$ 1   | \$ -                             | \$ 3,678             | \$ (233)   | \$ 649                      | \$ 4,095                         |

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

|   | Years Ended          |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
| <b>Cash flows from operating activities:</b>  |                      |                      |                      |
| Net income  | \$ 566               | \$ 660               | \$ 420               |
| Income from discontinued operations   | -                    | -                    | 1                    |
| Income from continuing operations   | 566                  | 660                  | 419                  |
| Adjustments to reconcile net income to net cash provided by operating activities:       |                      |                      |                      |
| Depreciation and amortization   | 212                  | 210                  | 186                  |
| Impairment charge on intangible assets  | 34                   | 1                    | 20                   |
| Non-cash restructuring charges  | 93                   | -                    | -                    |
| Gain on sale of equity investment   | -                    | (10)                 | (2)                  |
| Stock-based compensation expense  | 54                   | 78                   | 9                    |
| Provision for (benefits from) losses on trade and other accounts receivable             | 5                    | (8)                  | 35                   |
| Benefit from deferred income taxes  | (73)                 | (11)                 | (53)                 |
| Equity in earnings of affiliates  | (15)                 | (20)                 | (12)                 |
| Distributions from equity affiliates  | 15                   | 18                   | 16                   |
| Changes in unrecognized tax benefits  | 12                   | (2)                  | (25)                 |
| Other   | (20)                 | (10)                 | 32                   |
| Changes in operating assets and liabilities, net of acquisitions:                       |                      |                      |                      |
| Accounts receivable   | (7)                  | 4                    | (189)                |
| Inventories   | (126)                | (295)                | (32)                 |
| Other current assets  | (52)                 | 9                    | (6)                  |
| Accounts payable and accrued expenses   | (96)                 | 86                   | 196                  |
| Net cash provided by operating activities from continuing operations                    | 602                  | 710                  | 594                  |
| Net cash provided by operating activities from discontinued operations                  | -                    | -                    | 5                    |
| Net cash provided by operating activities   | 602                  | 710                  | 599                  |
| <b>Cash flows from investing activities:</b>  |                      |                      |                      |
| Purchases of fixed assets   | (96)                 | (79)                 | (49)                 |
| Payments related to equity investments and business acquisitions, net of cash acquired  | (158)                | (571)                | (60)                 |
| Proceeds from sale of equity investment   | -                    | 10                   | 14                   |
| Proceeds from (repayments to) loan to affiliate   | 11                   | (4)                  | (1)                  |
| Other   | (33)                 | (33)                 | (19)                 |
| Net cash used in investing activities   | (276)                | (677)                | (115)                |
| <b>Cash flows from financing activities:</b>  |                      |                      |                      |
| Net change in bank borrowings   | 48                   | (18)                 | 45                   |
| Proceeds from issuance of long-term debt  | 270                  | 305                  | 501                  |
| Principal payments for long-term debt   | (59)                 | (122)                | (611)                |
| Debt issuance costs   | -                    | (3)                  | (4)                  |
| Proceeds from issuance of stock upon exercise of stock options                          | 2                    | -                    | -                    |
| Payments for repurchases of common stock  | (485)                | (401)                | (74)                 |
| Payments for taxes related to shares withheld for employee taxes                        | (32)                 | (8)                  | (14)                 |
| Distributions to noncontrolling shareholders  | (21)                 | (26)                 | (8)                  |
| Acquisitions of noncontrolling interests in subsidiaries                                | (38)                 | (60)                 | (19)                 |
| Proceeds from Henry Schein Animal Health Business                                       | -                    | -                    | 2                    |
| Net cash used in financing activities from continuing operations                        | (315)                | (333)                | (182)                |
| Net cash used in financing activities from discontinued operations                      | -                    | -                    | (5)                  |
| Net cash used in financing activities   | (315)                | (333)                | (187)                |
| Effect of exchange rate changes on cash and cash equivalents from continuing operations | (12)                 | (3)                  | 18                   |
| Net change in cash and cash equivalents from continuing operations                      | (1)                  | (303)                | 315                  |
| Cash and cash equivalents, beginning of period  | 118                  | 421                  | 106                  |
| Cash and cash equivalents, end of period  | \$ 117               | \$ 118               | \$ 421               |

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

**Note 1 –Basis of Presentation and Significant Accounting Policies**

*Nature of Operations*

We distribute health care products and services primarily to office-based dental and medical practitioners, across dental practices, laboratories, physician practices, and ambulatory surgery centers, as well as government, institutional health care clinics and alternate care clinics. We also provide software, technology and other value-added services to health care practitioners. Our dental businesses serve office-based dental practitioners, dental laboratories, schools, government and other institutions. Our medical businesses serve physician offices, urgent care centers, ambulatory care sites, emergency medical technicians, dialysis centers, home health, federal and state governments and large enterprises, such as group practices and integrated delivery networks, among other providers across a wide range of specialties.

We have operations or affiliates in 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, Mexico, the Netherlands, New Zealand, Poland, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, United Arab Emirates and the United Kingdom.

*Basis of Presentation*

Our consolidated financial statements include the accounts of Henry Schein, Inc. and all of our controlled subsidiaries. All intercompany accounts and transactions are eliminated in consolidation. Investments in unconsolidated affiliates in which we have the ability to influence the operating or financial decisions are accounted for under the equity method. Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications, individually and in the aggregate, did not have a material impact on our consolidated financial condition, results of operations or cash flows.

We consolidate the results of operations and financial position of a trade accounts receivable securitization which we consider a Variable Interest Entity (“VIE”) because we are the primary beneficiary, and 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. For this 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 December 31, 2022 and December 25, 2021, certain trade accounts receivable that can only be used to settle obligations of this VIE were \$327 million and \$138 million, respectively, and the liabilities of this VIE where the creditors have recourse to us were \$255 million and \$105 million, respectively.

*Use of Estimates*

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

In March 2020, the World Health Organization declared the Novel Coronavirus Disease 2019 (“COVID-19”) a pandemic. The COVID-19 pandemic negatively impacted the global economy, disrupted global supply chains and created significant volatility and disruption of global financial markets. In response, many countries implemented business closures and restrictions, stay-at-home and social distancing ordinances and similar measures to combat the pandemic, which significantly impacted global business and dramatically reduced demand for dental products and certain medical products in the second quarter of 2020. Demand for these non-PPE products increased in the second half of 2020 and continued throughout the years ended December 25, 2021 and December 31, 2022, resulting in growth over the prior years. Demand for PPE products declined during the year ended December 31, 2022.

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Our consolidated financial statements reflect estimates and assumptions made by us that affect, among other things, our goodwill, long-lived asset and definite-lived intangible asset valuation; inventory valuation; equity investment valuation; assessment of the annual effective tax rate; valuation of deferred income taxes and income tax contingencies; the allowance for doubtful accounts; hedging activity; supplier rebates; measurement of compensation cost for certain share-based performance awards and cash bonus plans; and pension plan assumptions. Due to the significant uncertainty surrounding the future impact of COVID-19, our judgments regarding estimates and impairments could change in the future. There is an ongoing risk that the COVID-19 pandemic may again have a material adverse effect on our business, results of operations and cash flows and may result in a material adverse effect on our financial condition and liquidity. However, the extent of the potential impact cannot be reasonably estimated at this time.

*Fiscal Year*

We report our results of operations and cash flows on a 52-53 week basis ending on the last Saturday of December. The year ended December 31, 2022 consisted of 53 weeks, and the years ended, December 25, 2021 and December 26, 2020 consisted of 52 weeks.

*Revenue Recognition*

Revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration that we expect to receive for those goods or services. To recognize revenue, we do the following:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognize revenue when, or as, the entity satisfies a performance obligation.

We generate revenue from the sale of dental and medical consumable products, equipment (Health care distribution revenues), software products and services and other sources (Technology and value-added services revenues). Provisions for discounts, rebates to customers, customer returns and other contra revenue adjustments are included in the transaction price at contract inception by estimating the most likely amount based upon historical data and estimates and are provided for in the period in which the related sales are recognized.

Revenue derived from the sale of consumable products is recognized at a point in time when control transfers to the customer. Such sales typically entail high-volume, low-dollar orders shipped using third-party common carriers. We believe that the shipment date is the most appropriate point in time indicating control has transferred to the customer because we have no post-shipment obligations and this is when legal title and risks and rewards of ownership transfer to the customer and the point at which we have an enforceable right to payment.

Revenue derived from the sale of equipment is recognized when control transfers to the customer. This occurs when the equipment is delivered. Such sales typically entail scheduled deliveries of large equipment primarily by equipment service technicians. Most equipment requires minimal installation, which is typically completed at the time of delivery. Our product generally carries standard warranty terms provided by the manufacturer, however, in instances where we provide warranty labor services, the warranty costs are accrued in accordance with Accounting Standards Codification (“ASC”) 460 “Guarantees”. At December 31, 2022 and December 25, 2021, we had accrued approximately \$8 million and \$8 million, respectively, for warranty costs.

**HENRY SCHEIN, INC.**  
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Revenue derived from the sale of software products is recognized when products are delivered to customers or made available electronically. Such software is generally installed by customers and does not require extensive training due to the nature of its design. Revenue derived from post-contract customer support for software, including annual support and/or training, is generally recognized over time using time elapsed as the input method that best depicts the transfer of control to the customer. Revenue derived from software sold on Software-as-a-Service basis is recognized ratably over the subscription period as control is transferred to the customer.

Revenue derived from other sources, including freight charges, equipment repairs and financial services, is recognized when the related product revenue is recognized or when the services are provided. We apply the practical expedient to treat shipping and handling activities performed after the customer obtains control as fulfillment activities, rather than a separate performance obligation in the contract.

Sales, value-add and other taxes we collect concurrent with revenue-producing activities are excluded from revenue.

Certain of our revenue is derived from bundled arrangements that include multiple distinct performance obligations, which are accounted for separately. When we sell software products together with related services (i.e., training and technical support), we allocate revenue to software using the residual method, using an estimate of the standalone selling price to estimate the fair value of the undelivered elements. Bundled arrangements that include elements that are not considered software consist primarily of equipment and the related installation service. We allocate revenue for such arrangements based on the relative selling prices of the goods or services. If an observable selling price is not available (i.e., we do not sell the goods or services separately), we use one of the following techniques to estimate the standalone selling price: adjusted market approach; cost-plus approach; or the residual method. There is no specific hierarchy for the use of these methods, but the estimated selling price reflects our best estimate of what the selling prices of each deliverable would be if it were sold regularly on a standalone basis taking into consideration the cost structure of our business, technical skill required, customer location and other market conditions.

See [Note 2 – Revenue from Contracts with Customers](#) for additional disclosures of disaggregated net sales and [Note 3 – Segment and Geographic Data](#) for disclosures of net sales by segment and geographic data.

#### *Sales Returns*

Sales returns are recognized as a reduction of revenue by the amount of expected returns and are recorded as refund liability within current liabilities. We estimate the amount of revenue expected to be reversed to calculate the sales return liability based on historical data for specific products, adjusted as necessary for new products. The allowance for returns is presented gross as a refund liability and we record an inventory asset (and a corresponding adjustment to cost of sales) for any products that we expect to be returned.

#### *Cost of Sales*

The primary components of cost of sales include the cost of the product (net of purchase discounts, supplier chargebacks and rebates) and inbound and outbound freight charges.

Costs related to purchasing, receiving, inspections, warehousing, internal inventory transfers and other costs of our distribution network are included in selling, general and administrative expenses along with other operating costs. Total distribution network costs were \$103 million, \$89 million and \$72 million for the years ended December 31, 2022, December 25, 2021 and December 26, 2020.

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*Supplier Rebates*

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

*Direct Shipping and Handling Costs*

Freight and other direct shipping costs are included in cost of sales. Direct handling costs, which represent primarily direct compensation costs of employees who pick, pack and otherwise prepare, if necessary, merchandise for shipment to our customers are reflected in selling, general and administrative expenses. Direct handling costs were \$96 million, \$97 million and \$79 million for the years ended December 31, 2022, December 25, 2021 and December 26, 2020.

*Advertising and Promotional Costs*

We generally expense advertising and promotional costs as incurred. Total advertising and promotional expenses were \$47 million, \$48 million and \$32 million for the years ended December 31, 2022, December 25, 2021 and December 26, 2020.

*Stock Compensation Costs*

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 for time-based restricted stock units and on a graded vesting basis for the option awards. For performance-based awards, at each reporting date, we reassess whether achievement of the performance condition is probable and accrue compensation expense when achievement of the performance condition is probable. Our stock-based compensation expense is reflected in selling, general and administrative expenses.

*Employment Benefit Plans and other Postretirement Benefit Plans*

Certain of our employees in our international markets participate in various noncontributory defined benefit plans. We recognize the funded status, measured as the difference between the fair value of plan assets and the benefit obligation, of each applicable plan, within accumulated other comprehensive income in the consolidated balance sheets, whereby each unfunded plan is recognized as a liability and each funded plan is recognized as either an asset or liability based on its funded status. We measure our plan assets and liabilities at the end of our fiscal year.

Net periodic pension costs and valuations are dependent on assumptions used by third-party actuaries in calculating those amounts. These assumptions include discount rates, expected return on plan assets, rate of future compensation levels, retirement rates, mortality rates, and other factors. We record the service cost component of net pension cost in selling, general and administrative expenses within our consolidated statements of income.

*Cash and Cash Equivalents*

We consider all highly liquid short-term investments with an original maturity of three months or less to be cash equivalents. Due to the short-term maturity of such investments, the carrying amounts are a reasonable estimate of fair value. Outstanding checks in excess of funds on deposit of \$54 million and \$2 million, primarily related to payments for inventory, were classified as accounts payable as of December 31, 2022 and December 25, 2021.

**HENRY SCHEIN, INC.**  
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*Contract Balances*

Contract balances represent amounts presented in our consolidated balance sheets when either we have transferred goods or services to the customer or the customer has paid consideration to us under the contract. These contract balances include accounts receivable, contract assets and contract liabilities.

*Accounts Receivable and Allowance for Credit Losses*

Accounts receivable are generally recognized when health care distribution and technology and value-added services revenues are recognized. In accordance with the “expected credit loss” model, the carrying amount of accounts receivable is reduced by a valuation allowance that reflects our best estimate of the amounts that we do not expect to collect. In addition to reviewing delinquent accounts receivable, we consider many factors in estimating our reserve, including types of customers and their credit worthiness, experience and historical data adjusted for current conditions and reasonable supportable forecasts.

We record allowances for credit losses based upon a specific review of all significant outstanding invoices. For those invoices not specifically reviewed, provisions are provided at differing rates, based upon the age of the receivable, the collection history associated with the geographic region that the receivable was recorded in, current economic trends and reasonable supportable forecasts. We write-off a receivable and charge it against its recorded allowance when we deem them uncollectible.

Our allowance for doubtful accounts was \$65 million, \$67 million and \$88 million as of December 31, 2022, December 25, 2021 and December 26, 2020, respectively. Additions to the allowance for the years ended December 31, 2022, December 25, 2021 and December 26, 2020 were \$8 million, \$0 million and \$36 million. Deductions to the allowance for the years ended December 31, 2022, December 25, 2021 and December 26, 2020 were \$10 million, \$21 million and \$8 million.

*Contract Assets*

Contract assets include amounts related to any conditional right to consideration for work completed but not billed as of the reporting date, and generally represent amounts owed to us by customers, but not yet billed. Contract assets are transferred to accounts receivable when the right becomes unconditional. The contract assets primarily relate to our bundled arrangements for the sale of equipment and consumables and sales of term software licenses. Current contract assets are included in Prepaid expenses and other and the non-current contract assets are included in investments and other within our consolidated balance sheets. Current and non-current contract asset balances as of December 31, 2022 and December 25, 2021 were not material.

*Contract Liabilities*

Contract liabilities are comprised of advance payments and upfront payments for service arrangements provided over time that are accounted for as deferred revenue amounts. Contract liabilities are transferred to revenue once the performance obligation has been satisfied. Current contract liabilities are included in accrued expenses: Other and the non-current contract liabilities are included in other liabilities within our consolidated balance sheets. At December 25, 2021, the current portion of contract liabilities of \$89 million was reported in accrued expenses: Other, and \$10 million related to non-current contract liabilities was reported in other liabilities. During the year ended December 31, 2022, we recognized substantially all of the current contract liability amounts that were previously deferred at December 25, 2021. At December 31, 2022, the current and non-current portion of contract liabilities were \$86 million and \$8 million, respectively.



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*Inventories and Reserves*

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

*Property and Equipment*

Property and equipment are stated at cost, net of accumulated depreciation or amortization. Depreciation is computed primarily under the straight-line method (see [Note 5 – Property and Equipment, Net](#) for estimated useful lives). Amortization of leasehold improvements is computed using the straight-line method over the lesser of the useful life of the assets or the lease term.

*Capitalized Software Development Costs*

Capitalized internal-use software costs consist of costs to purchase and develop software. For software to be used solely to meet internal needs and cloud-based applications used to deliver our services, we capitalize costs incurred during the application development stage and include such costs within property and equipment, net within our consolidated balance sheets. For software to be sold, leased, or marketed to external users, we capitalize software development costs when technological feasibility is reached and include such costs in Investments and other within our consolidated balance sheets.

*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, operating lease liabilities, and non-current operating lease liabilities in our consolidated balance sheets. Finance leases are included in property and equipment, current maturities of long-term debt, and long-term debt in our consolidated balance sheets.

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 generally use our incremental borrowing rate based on the estimated rate of interest for fully collateralized and fully amortizing borrowings over a similar term of the lease payments 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. Expenses associated with operating leases and finance leases are included in “selling, general and administrative” and “interest expense”, respectively within our consolidated statement of income. Short-term leases with a term of 12 months or less are not capitalized. During the years ended December 31, 2022, December 25, 2021 and December 26, 2020, such short-term lease expense was \$7 million, \$4 million, and \$2 million, respectively.

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.

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*Goodwill*

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired, including the amount assigned to identifiable intangible assets. Goodwill is subject to impairment analysis annually or more frequently if needed. Such impairment analyses for goodwill requires a comparison of the fair value to the carrying value of reporting units. We regard our reporting units to be our operating segments: global dental; global medical; and technology and value-added services. Goodwill was allocated to such reporting units, for the purposes of preparing our impairment analyses, based on a specific identification basis.

For the years ended December 31, 2022 and December 25, 2021, we tested goodwill for impairment, on the first day of the fourth quarter, using a quantitative analysis comparing the carrying value of our reporting units, including goodwill, to the estimated fair value of our reporting units using a discounted cash flow methodology. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not impaired. Conversely, impairment loss would be equivalent to the excess of a reporting unit's carrying value over its fair value limited to the total amount of goodwill allocated to that reporting unit.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities that are considered shared services to the reporting units, and ultimately the determination of the fair value of each reporting unit. The fair value of each reporting unit is calculated by applying the discounted cash flow methodology and confirming with a market approach. There are inherent uncertainties related to fair value models, the inputs and our judgments in applying them to this analysis. The most significant inputs include estimation of future cash flows based on budget expectations, and determination of comparable companies to develop a weighted average cost of capital for each reporting unit.

For the year ended December 31, 2022, we recorded a \$20 million impairment of goodwill relating to the disposal of an unprofitable business whose estimated fair value was lower than its carrying value. The disposal of this business is part of our restructuring initiative as more fully discussed in [Note 14 – Plans of Restructuring and Integration Costs](#). For the year ended December 25, 2021, the results of our goodwill impairment analysis did not result in any impairments.

*Intangible Assets*

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

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

During the years ended December 31, 2022, December 25, 2021 and December 26, 2020, we recorded total impairment charges on intangible assets of \$34 million, \$1 million and \$20 million, respectively, as more fully discussed in [Note 7 – Goodwill and Other Intangibles, Net](#).

*Income Taxes*

We account for income taxes under an asset and liability approach that requires the recognition of deferred income tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. In estimating future tax consequences, we generally consider all expected future

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events other than enactments of changes in tax laws or rates. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized as income or expense in the period that includes the enactment date. We file a consolidated U.S. federal income tax return with our 80% or greater owned U.S. subsidiaries.

*Redeemable Noncontrolling Interests*

Some minority stockholders in certain of our consolidated subsidiaries have the right, at certain times, to require us to acquire their ownership interest in those entities at fair value. Their interests in these subsidiaries are classified outside permanent equity on our consolidated balance sheets and are carried at the estimated redemption amounts. The redemption amounts have been estimated based on expected future earnings and cash flow and, if such earnings and cash flow are not achieved, the value of the redeemable noncontrolling interests might be impacted. Changes in the estimated redemption amounts of the noncontrolling interests subject to put options are reflected 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. Adjustments to the carrying amount of noncontrolling interests to reflect a fair value redemption feature do not impact the calculation of earnings per share. Our net income is reduced by the portion of the subsidiaries' net income that is attributable to redeemable noncontrolling interests.

*Noncontrolling Interests*

Non-controlling interest represents the ownership interests of certain minority owners of our consolidated subsidiaries. Our net income is reduced by the portion of the subsidiaries net income that is attributable to noncontrolling interests.

*Comprehensive Income*

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

*Risk Management and Derivative Financial Instruments*

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

Foreign currency forward agreements related to forecasted inventory purchase commitments with foreign suppliers and foreign currency swaps related to foreign currency denominated debt are designated as cash flow hedges. For derivatives that are designated and qualify as cash flow hedges, the changes in the fair value of the derivative is recorded as a component of Accumulated other comprehensive income in stockholders' equity and subsequently reclassified into earnings in the period(s) during which the hedged transaction affects earnings. We classify the cash flows related to our hedging activities in the same category on our consolidated statements of cash flows as the cash flows related to the hedged item.

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Foreign currency forward contracts related to our euro-denominated foreign operations are designated as net investment hedges. For derivatives that are designated and qualify as net investment hedges, the changes in the fair value of the derivative is recorded in the foreign currency translation gain (loss) component of Accumulated other comprehensive income in stockholders' equity until the net investment is sold or substantially liquidated.

Our foreign currency forward agreements related to foreign currency balance sheet exposure provide economic hedges but are not designated as hedges for accounting purposes.

For agreements not designated as hedges, changes in the value of the derivative, along with the transaction gain or loss on the hedged item, are recorded in other, net, within our consolidated statements of income.

Total return swaps are entered into for the purpose of economically hedging our unfunded non-qualified supplemental retirement plan ("SERP") and our deferred compensation plan ("DCP"). This swap will offset changes in our SERP and DCP liabilities. This swap is expected to be renewed on an annual basis and is recorded in selling, general, and administrative expenses within our consolidated statements of income.

*Foreign Currency Translation and Transactions*

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

*Accounting Pronouncements Adopted*

On December 26, 2021 we adopted Accounting Standards Update ("ASU") No. 2021 – 08, "Accounting for Contract Assets and Contract Liabilities from Contracts with Customers" (Subtopic 805). ASU 2021 – 08 requires an acquirer to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASU No. 2014 - 09, "Revenue from Contracts with Customers" (Topic 606). At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. To achieve this, an acquirer may assess how the acquiree applied Topic 606 to determine what to record for the acquired revenue contracts. Generally, this should result in an acquirer recognizing and measuring the acquired contract assets and contract liabilities consistent with how they were recognized and measured in the acquiree's financial statements. Our adoption of ASU 2021 - 08 did not have a material impact on our consolidated financial statements.

On December 27, 2020 we adopted ASU No. 2019-12, "Income Taxes" (Topic 740): Simplifying the Accounting for Income Taxes ("ASU 2019-12"). ASU 2019-12 simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify U.S. GAAP for other areas of Topic 740 by clarifying and amending existing guidance. Our adoption of ASU 2019-12 did not have a material impact on our consolidated financial statements.

*Recently Issued Accounting Standards*

In September 2022, the FASB issued ASU No. 2022-04, "Liabilities – Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations" which will increase transparency of supplier finance programs by requiring entities that use such programs in connection with the purchase of goods and services to disclose certain qualitative and quantitative information about such programs. ASU 2022-04 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for amended

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rollforward information, which is effective for fiscal years beginning after December 15, 2023. We do not expect that the requirements of this guidance will have a material impact on our consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting” which provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by the discontinuation of the London Interbank Offered Rate (“LIBOR”) or by another reference rate expected to be discontinued because of reference rate reform. The guidance was effective beginning March 12, 2020 and can be applied prospectively through December 31, 2022. In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848): Scope (“ASU 2021-01”). ASU 2021-01 provides temporary optional expedients and exceptions to certain guidance in U.S. GAAP to ease the financial reporting burdens related to the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. The guidance became effective upon issuance, on January 7, 2021, and can be applied through December 31, 2022. In December 2022, the FASB issued ASU No. 2022-06, “Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848,” which extends the period of application of temporary optional expedients from December 31, 2022 to December 31, 2024. We do not expect that the requirements of this guidance will have a material impact on our consolidated financial statements.

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**Note 2 – Net Sales from Contracts with Customers**

Net sales is recognized in accordance with policies disclosed in [Note 1 – Basis of Presentation and Significant Accounting Policies](#).

*Disaggregation of Net sales*

The following table disaggregates our Net sales by reportable segment and geographic area:

|                                     | Year Ended<br>December 31, 2022 |                 |                  |
|-------------------------------------|---------------------------------|-----------------|------------------|
|                                     | North America                   | International   | Global           |
| <b>Net Sales:</b>                   |                                 |                 |                  |
| Health care distribution            |                                 |                 |                  |
| Dental                              | \$ 4,628                        | \$ 2,845        | \$ 7,473         |
| Medical                             | 4,375                           | 76              | 4,451            |
| Total health care distribution      | 9,003                           | 2,921           | 11,924           |
| Technology and value-added services | 633                             | 90              | 723              |
| Net sales                           | <u>\$ 9,636</u>                 | <u>\$ 3,011</u> | <u>\$ 12,647</u> |

|                                     | Year Ended<br>December 25, 2021 |                 |                  |
|-------------------------------------|---------------------------------|-----------------|------------------|
|                                     | North America                   | International   | Global           |
| <b>Net Sales:</b>                   |                                 |                 |                  |
| Health care distribution            |                                 |                 |                  |
| Dental                              | \$ 4,506                        | \$ 3,038        | \$ 7,544         |
| Medical                             | 4,107                           | 103             | 4,210            |
| Total health care distribution      | 8,613                           | 3,141           | 11,754           |
| Technology and value-added services | 560                             | 87              | 647              |
| Net sales                           | <u>\$ 9,173</u>                 | <u>\$ 3,228</u> | <u>\$ 12,401</u> |

|  | Year Ended<br>December 26, 2020 |                 |                  |
|--|---------------------------------|-----------------|------------------|
|  | North America                   | International   | Global           |
| <b>Net Sales:</b>                                      |                                 |                 |                  |
| Health care distribution                               |                                 |                 |                  |
| Dental   | \$ 3,472                        | \$ 2,441        | \$ 5,913         |
| Medical  | 3,515                           | 102             | 3,617            |
| Total health care distribution                         | 6,987                           | 2,543           | 9,530            |
| Technology and value-added services                    | 447                             | 67              | 514              |
| Total excluding Corporate TSA net sales <sup>(1)</sup> | 7,434                           | 2,610           | 10,044           |
| Corporate TSA net sales <sup>(1)</sup>                 | -                               | 75              | 75               |
| Net sales  | <u>\$ 7,434</u>                 | <u>\$ 2,685</u> | <u>\$ 10,119</u> |

(1) Corporate TSA net sales 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 ended in December 2020.

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**Note 3 – Segment and Geographic 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. Our global dental businesses serve office-based dental practitioners, dental laboratories, schools, government and other institutions. Our medical businesses serve physician offices, urgent care centers, ambulatory care sites, emergency medical technicians, dialysis centers, home health, federal and state governments and large enterprises, such as group practices and integrated delivery networks, among other providers across a wide range of specialties. Our global dental and medical groups serve practitioners in 32 countries worldwide.

The health care distribution reportable segment aggregates our global dental and medical operating segments. This segment distributes consumable products, dental specialty products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, diagnostic tests, infection-control products, PPE and vitamins.

Our global technology and value-added services reportable segment provides software, technology and other value-added services to health care practitioners. Our technology offerings include practice management software systems for dental and medical practitioners. Our value-added practice solutions include practice consultancy, education, revenue cycle management and 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:

|  | <b>Years Ended</b>           |                              |                              |
|--|------------------------------|------------------------------|------------------------------|
|  | <b>December 31,<br/>2022</b> | <b>December 25,<br/>2021</b> | <b>December 26,<br/>2020</b> |
| <b>Net Sales:</b>                                  |                              |                              |                              |
| Health care distribution <sup>(1)</sup>            |                              |                              |                              |
| Dental   | \$ 7,473                     | \$ 7,544                     | \$ 5,913                     |
| Medical  | 4,451                        | 4,210                        | 3,617                        |
| Total health care distribution                     | 11,924                       | 11,754                       | 9,530                        |
| Technology and value-added services <sup>(2)</sup> | 723                          | 647                          | 514                          |
| Total excluding Corporate TSA net sales            | 12,647                       | 12,401                       | 10,044                       |
| Corporate TSA net sales <sup>(3)</sup>             | -                            | -                            | 75                           |
| Total  | <u>\$ 12,647</u>             | <u>\$ 12,401</u>             | <u>\$ 10,119</u>             |

- (1) Consists of consumable products, small equipment, laboratory products, large equipment, equipment repair services, branded and generic pharmaceuticals, vaccines, surgical products, dental specialty products (including implant, orthodontic and endodontic products), diagnostic tests, infection-control products, PPE and vitamins.
- (2) Consists of practice management software and other value-added products, which are distributed primarily to health care providers, practice consultancy, education, revenue cycle management and financial services on a non-recourse basis, e-services, continuing education services for practitioners, consulting and other services.
- (3) Corporate TSA net sales represents sales of certain products to Covetrus under the transition services agreement entered into in connection with the Animal Health Spin-off, which ended in December 2020. See [Note-23 Related Party Transactions](#) for further information.

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|   | Years ended                  |                              |                              |
|---|------------------------------|------------------------------|------------------------------|
|   | December 31,<br>2022         | December 25,<br>2021         | December 26,<br>2020         |
| <b>Operating Income:</b>  |                              |                              |                              |
| Health care distribution  | \$ 619                       | \$ 727                       | \$ 436                       |
| Technology and value-added services   | 128                          | 125                          | 99                           |
| Total   | <u>\$ 747</u>                | <u>\$ 852</u>                | <u>\$ 535</u>                |
| <b>Income from continuing operations before taxes and equity in earnings of affiliates:</b> |                              |                              |                              |
| Health care distribution  | \$ 592                       | \$ 706                       | \$ 400                       |
| Technology and value-added services   | 129                          | 125                          | 100                          |
| Total   | <u>\$ 721</u>                | <u>\$ 831</u>                | <u>\$ 500</u>                |
| <b>Depreciation and Amortization:</b>   |                              |                              |                              |
| Health care distribution  | \$ 160                       | \$ 157                       | \$ 143                       |
| Technology and value-added services   | 52                           | 53                           | 43                           |
| Total   | <u>\$ 212</u>                | <u>\$ 210</u>                | <u>\$ 186</u>                |
| <b>Interest Income:</b>   |                              |                              |                              |
| Health care distribution  | \$ 16                        | \$ 7                         | \$ 10                        |
| Technology and value-added services   | 1                            | -                            | -                            |
| Total   | <u>\$ 17</u>                 | <u>\$ 7</u>                  | <u>\$ 10</u>                 |
| <b>Interest Expense:</b>  |                              |                              |                              |
| Health care distribution  | \$ 44                        | \$ 28                        | \$ 41                        |
| Total   | <u>\$ 44</u>                 | <u>\$ 28</u>                 | <u>\$ 41</u>                 |
| <b>Income Tax Expense:</b>  |                              |                              |                              |
| Health care distribution  | \$ 141                       | \$ 168                       | \$ 71                        |
| Technology and value-added services   | 29                           | 30                           | 24                           |
| Total   | <u>\$ 170</u>                | <u>\$ 198</u>                | <u>\$ 95</u>                 |
| <b>Purchases of Fixed Assets:</b>   |                              |                              |                              |
| Health care distribution  | \$ 86                        | \$ 74                        | \$ 44                        |
| Technology and value-added services   | 10                           | 5                            | 5                            |
| Total   | <u>\$ 96</u>                 | <u>\$ 79</u>                 | <u>\$ 49</u>                 |
|   | <b>As of</b>                 |                              |                              |
|   | <b>December 31,<br/>2022</b> | <b>December 25,<br/>2021</b> | <b>December 26,<br/>2020</b> |
| <b>Total Assets:</b>  |                              |                              |                              |
| Health care distribution  | \$ 7,287                     | \$ 7,157                     | \$ 6,503                     |
| Technology and value-added services   | 1,320                        | 1,324                        | 1,270                        |
| Total   | <u>\$ 8,607</u>              | <u>\$ 8,481</u>              | <u>\$ 7,773</u>              |



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The following table presents information about our operations by geographic area as of and for the three years ended December 31, 2022. Net sales by geographic area are based on the respective locations of our subsidiaries. No country, except for the United States, generated net sales greater than 10% of consolidated net sales. There were no material amounts of sales or transfers among geographic areas and there were no material amounts of export sales.

|                    | 2022             |                   | 2021             |                   | 2020             |                   |
|--------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|
|                    | Net Sales        | Long-Lived Assets | Net Sales        | Long-Lived Assets | Net Sales        | Long-Lived Assets |
| United States      | \$ 9,190         | \$ 2,891          | \$ 8,722         | \$ 2,981          | \$ 7,090         | \$ 2,363          |
| Other              | 3,457            | 1,256             | 3,679            | 1,232             | 3,029            | 1,252             |
| Consolidated total | <u>\$ 12,647</u> | <u>\$ 4,147</u>   | <u>\$ 12,401</u> | <u>\$ 4,213</u>   | <u>\$ 10,119</u> | <u>\$ 3,615</u>   |

#### Note 4 – Business Acquisitions and Divestiture

##### *Acquisitions*

We account for business acquisitions and combinations under the acquisition method of accounting, where the net assets of acquired businesses are recorded at their fair value at the acquisition date and our consolidated financial statements include their results of operations from that date. Any excess of acquisition consideration over the fair value of identifiable net assets acquired is recorded as goodwill. Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized, such as future customers and technology, as well as the assembled workforce. Excluding goodwill, the major classes of assets and liabilities to which we generally allocate acquisition consideration include identifiable intangible assets (i.e., customer relationships and lists, trademarks and trade names, product development, and non-compete agreements), inventory and accounts receivable. The estimated fair value of identifiable intangible assets is based on critical judgments and assumptions derived from analysis of market conditions, including discount rates, projected revenue growth rates (which are based on historical trends and assessment of financial projections), estimated customer attrition and projected cash flows. These assumptions are forward-looking and could be affected by future economic and market conditions.

Some prior owners of acquired subsidiaries are eligible to receive additional purchase price cash consideration, or we may be entitled to recoup a portion of 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, using the income approach, including a probability-weighted discounted cash flow method or an option pricing method, where applicable. Any adjustments to these accrual amounts are recorded in selling, general and administrative expenses within our consolidated statements of income.

While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, within 12 months following the date of acquisition, or the measurement period, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill within our consolidated balance sheets. At the end of the measurement period or final determination of the values of such assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recognized in our consolidated statements of operations.

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*2022 Acquisitions*

We completed several acquisitions during the year ended December 31, 2022, which were immaterial to our consolidated financial statements. Our acquired ownership interest ranged between 55% to 100%. Acquisitions within our health care distribution segment included companies that specialize in the distribution of dental products. Within our technology and value-added services segment, we acquired a company that educates and connects dental office managers, practice administrators and dental business leaders across North America.

The following table aggregates the estimated fair value, as of the date of acquisition, of consideration paid and net assets acquired for acquisitions during the year ended December 31, 2022. Approximately half of the acquired goodwill is deductible for tax purposes.

|  | <u>2022</u>   |
|--|---------------|
| Acquisition consideration:                             |               |
| Cash   | \$ 158        |
| Deferred consideration                                 | 2             |
| Fair value of previously held equity method investment | 16            |
| Redeemable noncontrolling interests                    | 17            |
| <b>Total consideration</b>                             | <b>\$ 193</b> |
| Identifiable assets acquired and liabilities assumed:  |               |
| Current assets   | \$ 41         |
| Intangible assets                                      | 96            |
| Other noncurrent assets                                | 13            |
| Current liabilities                                    | (29)          |
| Deferred income taxes                                  | (6)           |
| Other noncurrent liabilities                           | (8)           |
| Total identifiable net assets                          | 107           |
| Goodwill   | 86            |
| <b>Total net assets acquired</b>                       | <b>\$ 193</b> |

The following table summarizes the identifiable intangible assets acquired during the year ended December 31, 2022 and their estimated useful lives as of the date of the acquisition:

|                                  | <u>2022</u>  | Estimated<br>Useful Lives<br>(in years) |
|----------------------------------|--------------|---|
| Customer relationships and lists | 81           | 8-12                                    |
| Trademark / Tradename            | 9            | 5                                       |
| Non-compete agreements           | 3            | 2-5                                     |
| Other                            | 3            | 10                                      |
|                                  | <b>\$ 96</b> |   |

The accounting for certain of our acquisitions during the year ended December 31, 2022 had not been completed in several areas, including but not limited to pending assessments of accounts receivable, inventory, intangible assets, right-of-use lease assets, accrued liabilities and income and non-income based taxes.

The pro forma financial information has not been presented because the impact of the acquisitions during the year ended December 31, 2022 to our consolidated financial statements was immaterial.

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*2021 Acquisitions*

We completed several acquisitions during the year ended December 25, 2021, which were immaterial to our financial statements. Our acquired ownership interests ranged from between approximately 51% to 100%. Acquisitions within our health care distribution segment included companies that specialize in the distribution and manufacturing of dental and medical products, a provider of home medical supplies, and a provider of product kitting and sterile packaging. Within our technology and value-added services segment, we acquired companies that focus on dental marketing and website solutions, practice transition services, revenue cycle management, and business analytics and intelligence software. Approximately half of the acquired goodwill is deductible for tax purposes.

The following table aggregates the estimated fair value, as of the date of acquisition, of consideration paid and net assets acquired for acquisitions during the year ended December 25, 2021.

|   | <u>2021</u>   |
|---|---------------|
| Acquisition consideration:                                  |               |
| Cash  | \$ 579        |
| Deferred consideration                                      | 11            |
| Estimated fair value of contingent consideration receivable | (5)           |
| Fair value of previously held equity method investment      | 8             |
| Redeemable noncontrolling interests                         | 181           |
| Total consideration   | <u>\$ 774</u> |
| Identifiable assets acquired and liabilities assumed:       |               |
| Current assets  | \$ 195        |
| Intangible assets   | 317           |
| Other noncurrent assets                                     | 51            |
| Current liabilities   | (93)          |
| Deferred income taxes                                       | (26)          |
| Other noncurrent liabilities                                | (46)          |
| Total identifiable net assets                               | <u>398</u>    |
| Goodwill  | 376           |
| Total net assets acquired                                   | <u>\$ 774</u> |

The following table summarizes the identifiable intangible assets acquired during the year ended December 25, 2021 and their estimated useful lives as of the date of the acquisition:

|                                  | <u>2021</u>   | Estimated<br>Useful Lives<br>(in years) |
|----------------------------------|---------------|---|
| Customer relationships and lists | \$ 220        | 5-12                                    |
| Trademark / Tradename            | 58            | 5-12                                    |
| Product development              | 19            | 5-10                                    |
| Non-compete agreements           | 5             | 3-5                                     |
| Other                            | 15            | 18                                      |
|                                  | <u>\$ 317</u> |   |

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*2020 Acquisitions*

We completed several acquisitions during the year ended December 26, 2020, which were immaterial to our financial statements. Our acquired ownership interests ranged from between approximately 51% to 100%. Acquisitions within our health care distribution segment included companies that manufacture endodontic files and companies that distribute dental supplies. Within our technology and value-added services segment, we acquired companies that focus on practice management software and provide software as a solution for dental practices. Approximately half of the acquired goodwill is deductible for tax purposes.

The following table aggregates the estimated fair value, as of the date of acquisition, of consideration paid and net assets acquired for acquisitions during the year ended December 26, 2020:

|  | <u>2020</u>  |
|--|--------------|
| Acquisition consideration:                             |              |
| Cash   | \$ 52        |
| Deferred consideration                                 | 6            |
| Fair value of previously held equity method investment | 9            |
| Redeemable noncontrolling interests                    | 26           |
| Total consideration                                    | <u>\$ 93</u> |
| Identifiable assets acquired and liabilities assumed:  |              |
| Current assets   | \$ 36        |
| Intangible assets                                      | 38           |
| Other noncurrent assets                                | 22           |
| Current liabilities                                    | (21)         |
| Deferred income taxes                                  | (4)          |
| Other noncurrent liabilities                           | (1)          |
| Total identifiable net assets                          | 70           |
| Goodwill   | 23           |
| Total net assets acquired                              | <u>\$ 93</u> |

The following table summarizes the identifiable intangible assets acquired during the year ended December 26, 2020 and their estimated useful lives as of the date of the acquisition:

|                                  | <u>2020</u>  | Estimated<br>Useful Lives<br>(in years) |
|----------------------------------|--------------|---|
| Customer relationships and lists | \$ 23        | 10-12                                   |
| Product development              | 9            | 7-10                                    |
| Trademark / Tradename            | 4            | 5                                       |
| Non-compete agreements           | 2            | 5                                       |
|                                  | <u>\$ 38</u> |   |

For the years ended December 31, 2022, December 25, 2021 and December 26, 2020, there were no material adjustments recorded in our consolidated balance sheets relating to accounting for acquisitions incomplete in prior periods. At December 25, 2021 we recorded an estimated contingent consideration receivable of \$5 million, which was subsequently increased by additional \$5 million during 2022 based on delays in timing of government approval of a certain product.

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During the years ended December 31, 2022, December 25, 2021 and December 26, 2020 we incurred \$9 million, \$7 million and \$6 million in acquisition costs reported within income from continuing operations.

*Divestiture*

In the third quarter of 2021 we received contingent proceeds of \$10 million from the 2019 sale of Hu-Friedy, resulting in the recognition of an additional after-tax gain of \$7 million. During the fourth quarter of 2020 we received contingent proceeds of \$2 million from the 2019 sale of Hu-Friedy, resulting in the recognition of an additional after-tax gain of \$2 million. We do expect to receive any additional proceeds from the sale of Hu-Friedy.

**Note 5 – Property and Equipment, Net**

Property and equipment, including related estimated useful lives, consisted of the following:

|                                      | December 31,<br>2022 | December 25,<br>2021 |
|--------------------------------------|----------------------|----------------------|
| Land                                 | \$ 20                | \$ 21                |
| Buildings and permanent improvements | 135                  | 140                  |
| Leasehold improvements               | 94                   | 98                   |
| Machinery and warehouse equipment    | 169                  | 153                  |
| Furniture, fixtures and other        | 127                  | 119                  |
| Computer equipment and software      | 411                  | 385                  |
|                                      | <u>956</u>           | <u>916</u>           |
| Less accumulated depreciation        | (573)                | (550)                |
| Property and equipment, net          | <u>\$ 383</u>        | <u>\$ 366</u>        |

|                                      | Estimated Useful<br>Lives (in years) |
|--------------------------------------|--------------------------------------|
| Buildings and permanent improvements | 40                                   |
| Machinery and warehouse equipment    | 5-10                                 |
| Furniture, fixtures and other        | 3-10                                 |
| Computer equipment and software      | 3-10                                 |

Amortization of leasehold improvements is computed using the straight-line method over the lesser of the useful life of the assets or the lease term.

Property and equipment related depreciation expense for the years ended December 31, 2022, December 25, 2021 and December 26, 2020 was \$68 million, \$71 million and \$64 million, respectively. Please see [Note 6 – Leases](#) for finance lease amounts included in property and equipment, net within our consolidated balance sheets.

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**Note 6 – 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 approximately 19 years, some of which may include options to extend the leases for up to 15 years. The components of lease expense were as follows:

|   | Years Ended          |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
| Operating lease cost: <sup>(1)(2)</sup> | \$ 150               | \$ 103               | \$ 87                |
| Finance lease cost:                     |                      |                      |                      |
| Amortization of right-of-use assets     | 3                    | 3                    | 2                    |
| Total finance lease cost                | \$ 3                 | \$ 3                 | \$ 2                 |

(1) Includes variable lease expenses.

(2) Operating lease cost for the years ended December 31, 2022, December 25, 2021, and December 26, 2020, include accelerated amortization of right-of-use assets of \$42 million, \$0 million and \$0 million, respectively, related to facility leases recorded in “Restructuring and integration costs” within our consolidated statements of income.

Further, for the years ended December 31, 2022, December 25, 2021 and December 26, 2020, we recognized impairment of right-of-use assets of \$3 million, \$0 million, and \$4 million respectively, related to facility leases recorded in “Restructuring and integration costs” within our consolidated statement of income.

Supplemental balance sheet information related to leases is as follows:

|   | Years Ended          |                      |
|---|----------------------|----------------------|
|   | December 31,<br>2022 | December 25,<br>2021 |
| <b>Operating Leases:</b>                                |                      |                      |
| Operating lease right-of-use assets                     | \$ 284               | \$ 325               |
| Current operating lease liabilities                     | 73                   | 76                   |
| Non-current operating lease liabilities                 | 275                  | 268                  |
| Total operating lease liabilities                       | \$ 348               | \$ 344               |
| <b>Finance Leases:</b>                                  |                      |                      |
| Property and equipment, at cost                         | \$ 16                | \$ 13                |
| Accumulated depreciation                                | (6)                  | (5)                  |
| Property and equipment, net of accumulated depreciation | \$ 10                | \$ 8                 |
| Current maturities of long-term debt                    | \$ 4                 | \$ 3                 |
| Long-term debt  | 6                    | 4                    |
| Total finance lease liabilities                         | \$ 10                | \$ 7                 |
| <b>Weighted Average Remaining Lease Term in Years:</b>  |                      |                      |
| Operating leases  | 6.7                  | 7.3                  |
| Finance leases  | 3.1                  | 3.6                  |
| <b>Weighted Average Discount Rate:</b>                  |                      |                      |
| Operating leases  | 2.8%                 | 2.4%                 |
| Finance leases  | 3.3%                 | 1.7%                 |

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Supplemental cash flow information related to leases is as follows:

|   | <b>Years Ended</b>           |                              |
|---|------------------------------|------------------------------|
|   | <b>December 31,<br/>2022</b> | <b>December 25,<br/>2021</b> |
| Cash paid for amounts included in the measurement of lease liabilities: |                              |                              |
| Operating cash flows for operating leases                               | \$ 87                        | 85                           |
| Financing cash flows for finance leases                                 | 3                            | 3                            |
| Right-of-use assets obtained in exchange for lease obligations:         |                              |                              |
| Operating leases  | \$ 88                        | 121                          |
| Finance leases  | 6                            | 4                            |

Maturities of lease liabilities are as follows:

|                             | <b>December 31, 2022</b>    |                           |
|-----------------------------|-----------------------------|---------------------------|
|                             | <b>Operating<br/>Leases</b> | <b>Finance<br/>Leases</b> |
| 2023                        | \$ 82                       | \$ 5                      |
| 2024                        | 66                          | 3                         |
| 2025                        | 56                          | 1                         |
| 2026                        | 46                          | 1                         |
| 2027                        | 33                          | -                         |
| Thereafter                  | 98                          | 1                         |
| Total future lease payments | 381                         | 11                        |
| Less imputed interest       | (33)                        | (1)                       |
| Total                       | <u>\$ 348</u>               | <u>\$ 10</u>              |

As of December 31, 2022, we have additional operating leases with total lease payments of \$8 million for buildings and vehicles that have not yet commenced. These operating leases will commence subsequent to December 31, 2022, with lease terms of two years to five years.

Certain of our facilities related to our acquisitions are leased from employees and minority shareholders. These leases are classified as operating leases and have a remaining lease term ranging from 4 months to 9 years. As of December 31, 2022, current and non-current liabilities associated with related party operating leases were \$4 million and \$14 million, respectively. Related party leases represented 5.0% and 5.3% of the total current and non-current operating lease liabilities, respectively. The present value of lease payments under these related party leases is not material to our consolidated financial statements.

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**Note 7 – Goodwill and Other Intangibles, Net**

The changes in the carrying amount of goodwill for the years ended December 31, 2022 and December 25, 2021 were as follows:

|                                 | <b>Health Care<br/>Distribution</b> | <b>Technology and<br/>Value-Added<br/>Services</b> | <b>Total</b>    |
|---------------------------------|-------------------------------------|--|-----------------|
| Balance as of December 26, 2020 | \$ 1,501                            | \$ 1,003   | \$ 2,504        |
| Adjustments to goodwill:        |                                     |  |                 |
| Acquisitions                    | 359                                 | 24   | 383             |
| Foreign currency translation    | (29)                                | (4)  | (33)            |
| Balance as of December 25, 2021 | 1,831                               | 1,023  | 2,854           |
| Adjustments to goodwill:        |                                     |  |                 |
| Acquisitions                    | 86                                  | (1)  | 85              |
| Impairment                      | (20)                                | -  | (20)            |
| Foreign currency translation    | (22)                                | (4)  | (26)            |
| Balance as of December 31, 2022 | <u>\$ 1,875</u>                     | <u>\$ 1,018</u>                                    | <u>\$ 2,893</u> |

For the year ended December 31, 2022, we recorded a \$20 million impairment of goodwill relating to the disposal of an unprofitable business whose estimated fair value was lower than its carrying value. The disposal of this business is part of our restructuring initiative as more fully discussed in [Note 14 – Plans of Restructuring and Integration Costs](#).

Other intangible assets consisted of the following:

|   | <b>December 31, 2022</b> |                                     |               | <b>December 25, 2021</b> |                                     |               |
|---|--------------------------|-------------------------------------|---------------|--------------------------|-------------------------------------|---------------|
|   | <b>Cost</b>              | <b>Accumulated<br/>Amortization</b> | <b>Net</b>    | <b>Cost</b>              | <b>Accumulated<br/>Amortization</b> | <b>Net</b>    |
| Customer lists and relationships          | \$ 826                   | \$ (387)                            | \$ 439        | \$ 853                   | \$ (353)                            | \$ 500        |
| Trademarks / trade names - definite lived | 125                      | (51)                                | 74            | 129                      | (44)                                | 85            |
| Product Development                       | 90                       | (56)                                | 34            | 114                      | (70)                                | 44            |
| Non-compete agreements                    | 25                       | (6)                                 | 19            | 25                       | (6)                                 | 19            |
| Other                                     | 31                       | (10)                                | 21            | 28                       | (8)                                 | 20            |
| Total                                     | <u>\$ 1,097</u>          | <u>\$ (510)</u>                     | <u>\$ 587</u> | <u>\$ 1,149</u>          | <u>\$ (481)</u>                     | <u>\$ 668</u> |

Trademarks, trade names, customer lists and customer relationships were established through business acquisitions. Definite-lived trademarks and trade names are amortized on a straight-line basis over a weighted-average period of approximately 8.4 years as of December 31, 2022. Customer lists and customer relationships are definite-lived intangible assets that are amortized on a straight-line basis over a weighted-average period of approximately 10.0 years as of December 31, 2022. Product development is a definite-lived intangible asset that is amortized on a straight-line basis over a weighted-average period of approximately 8.6 years as of December 31, 2022.

Non-compete agreements represent amounts paid primarily to prior owners of acquired businesses, as well as certain sales persons, in exchange for placing restrictions on their ability to pose a competitive risk to us. Such amounts are amortized, on a straight-line basis over the respective non-compete period, which generally commences upon termination of employment or separation from us. The weighted-average non-compete period for agreements currently being amortized was approximately 5.3 years as of December 31, 2022.

Amortization expense, excluding impairment charges, related to definite-lived intangible assets for the years ended December 31, 2022, December 25, 2021 and December 26, 2020 was \$126 million, \$124 million and \$106 million.

During the year ended December 31, 2022, we recorded \$49 million of impairment charges related to businesses within our health care distribution segment, represented by an intangible asset impairment of \$15 million related to



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the disposal of an unprofitable business and a \$34 million impairment of customer lists and relationships attributable to customer attrition rates being higher than expected in certain other businesses. Our impairment loss was calculated as the difference between the carrying value and the estimated fair value of the intangible assets, using a discounted estimate of future cash flows. Please see [Note 14 – Plans of Restructuring and Integration Costs](#) for additional details.

During the year ended December 25, 2021, we recorded a \$1 million impairment charge related ratably to a business within our health care distribution segment and a business within our technology and value-added services segment.

During the year ended December 26, 2020, we recorded a \$20 million impairment charge related to businesses within our technology and value-added services segment due to customer attrition rates being higher than expected.

The above intangible asset impairment charges were recorded within selling, general and administrative expenses; and restructuring and integration charges in our consolidated statement of income.

The annual amortization expense expected to be recorded for existing intangibles assets for the years 2023 through 2027 is \$120 million, \$96 million, \$84 million, \$68 million and \$55 million.

#### **Note 8 – Investments and Other**

Investments and other consisted of the following:

|   | December 31,<br>2022 | December 25,<br>2021 |
|---|----------------------|----------------------|
| Investment in unconsolidated affiliates   | \$ 161               | \$ 168               |
| Non-current deferred foreign, state and local income taxes                      | 88                   | 35                   |
| Notes receivable <sup>(1)</sup>   | 28                   | 36                   |
| Capitalized costs for software to be sold, leased or marketed to external users | 79                   | 65                   |
| Security deposits   | 3                    | 2                    |
| Acquisition-related indemnification   | 59                   | 66                   |
| Non-current pension assets  | 8                    | -                    |
| Other long-term assets  | 46                   | 52                   |
| Total   | <u>\$ 472</u>        | <u>\$ 424</u>        |

(1) Long-term notes receivable carry interest rates ranging from 3.0% to 7.5% and are due in varying installments through May 11, 2028.

Amortization expense, primarily related to capitalized costs for software to be sold, leased or marketed to external users, for the years ended December 31, 2022, December 25, 2021 and December 26, 2020 was \$18 million, \$15 million and \$16 million, respectively.

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**Note 9 – Fair Value Measurements**

Fair value is defined 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. The fair value hierarchy 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 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 fair values of our financial instruments and the methodologies that we used to measure their fair values.

*Investments and notes receivable*

There are no quoted market prices available for investments in unconsolidated affiliates and notes receivable. Certain of our notes receivable contain variable interest rates. We believe the carrying amounts are a reasonable estimate of fair value based on the interest rates in the applicable markets.

*Debt*

The fair value of our debt (including bank credit lines, current maturities of long-term debt and long-term debt) is classified as Level 3 within the fair value hierarchy, and as of December 31, 2022 and December 25, 2021 was estimated at \$1,149 million and \$873 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 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 certain intercompany loans, certain forecasted inventory purchase commitments with foreign suppliers, foreign currency forward contracts to hedge a portion of our euro-denominated foreign operations which are designated as net investment hedges and a total return swap for the purpose of economically hedging our unfunded non-qualified SERP and our DCP.

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. See [Note 11-Derivatives and Hedging Activities](#) for further information.

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*Total Return Swaps*

The fair value for the Total Return Swap is measured by valuing the underlying ETFs of the swap using market-on-close pricing by industry providers as of the valuation date and are classified within Level 2 of the fair value hierarchy.

*Redeemable noncontrolling interests*

The values for Redeemable noncontrolling interests are classified within Level 3 of the fair value hierarchy and are based on recent transactions and/or implied multiples of earnings. See [Note 18 – Redeemable Noncontrolling Interests](#) for additional information.

Assets measured on a non-recurring basis at fair value include Goodwill and Other intangibles, net, and are classified as Level 3 within the fair value hierarchy. See [Note 1 – Basis of Presentation and Significant Accounting Policies](#) and [Note 7 – Goodwill and Other Intangibles, Net](#) for additional information. The following table presents our assets and liabilities that are measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2022 and December 25, 2021:

|   | <b>December 31, 2022</b> |                |                |               |
|---|--------------------------|----------------|----------------|---------------|
|   | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
| <b>Assets:</b>                            |                          |                |                |               |
| Derivative contracts designated as hedges | \$ -                     | \$ 23          | \$ -           | \$ 23         |
| Derivative contracts undesignated         | -                        | 4              | -              | 4             |
| Total assets                              | <u>\$ -</u>              | <u>\$ 27</u>   | <u>\$ -</u>    | <u>\$ 27</u>  |
| <b>Liabilities:</b>                       |                          |                |                |               |
| Derivative contracts designated as hedges | \$ -                     | \$ 1           | \$ -           | \$ 1          |
| Derivative contracts undesignated         | -                        | 3              | -              | 3             |
| Total return swaps                        | -                        | 3              | -              | 3             |
| Total liabilities                         | <u>\$ -</u>              | <u>\$ 7</u>    | <u>\$ -</u>    | <u>\$ 7</u>   |
| Redeemable noncontrolling interests       | <u>\$ -</u>              | <u>\$ -</u>    | <u>\$ 576</u>  | <u>\$ 576</u> |
| <b>December 25, 2021</b>                  |                          |                |                |               |
|   | <b>Level 1</b>           | <b>Level 2</b> | <b>Level 3</b> | <b>Total</b>  |
| <b>Assets:</b>                            |                          |                |                |               |
| Derivative contracts designated as hedges | \$ -                     | \$ 8           | \$ -           | \$ 8          |
| Derivative contracts undesignated         | -                        | 1              | -              | 1             |
| Total return swap                         | -                        | 1              | -              | 1             |
| Total assets                              | <u>\$ -</u>              | <u>\$ 10</u>   | <u>\$ -</u>    | <u>\$ 10</u>  |
| <b>Liabilities:</b>                       |                          |                |                |               |
| Derivative contracts designated as hedges | \$ -                     | \$ 1           | \$ -           | \$ 1          |
| Derivative contracts undesignated         | -                        | 2              | -              | 2             |
| Total liabilities                         | <u>\$ -</u>              | <u>\$ 3</u>    | <u>\$ -</u>    | <u>\$ 3</u>   |
| Redeemable noncontrolling interests       | <u>\$ -</u>              | <u>\$ -</u>    | <u>\$ 613</u>  | <u>\$ 613</u> |

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**Note 10 – Concentrations of Risk**

Certain financial instruments potentially subject us to concentrations of credit risk. These financial instruments consist primarily of cash equivalents, trade receivables, long-term investments, notes receivable and derivative instruments. In all cases, our maximum exposure to loss from credit risk equals the gross fair value of the financial instruments. We routinely maintain cash balances at financial institutions in excess of insured amounts. We have not experienced any loss in such accounts and we manage this risk through maintaining cash deposits and other highly liquid investments in high quality financial institutions. We continuously assess the need for reserves for such losses, which have been within our expectations. We do not require collateral or other security to support financial instruments subject to credit risk, except for long-term notes receivable.

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

With respect to our trade receivables, our credit risk is somewhat limited due to a relatively large customer base and its dispersion across different types of health care professionals and geographic areas. No single customer accounted for more than 2% of our net sales in 2022 or 2021. With respect to our sources of supply, our top 10 health care distribution suppliers and our single largest supplier accounted for approximately 28% and 4%, respectively, of our aggregate purchases in each of the years ended December 31, 2022 and December 25, 2021.

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

**Note 11 – Derivatives and Hedging Activities**

We are exposed to market risks as well as changes in foreign currency exchange rates as measured against the U.S. dollar and each other, and changes to the credit 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.

During 2019 we entered into foreign currency forward contracts to hedge a portion of our euro-denominated foreign operations which are designated as net investment hedges. These net investment hedges offset the change in the U.S. dollar value of our investment in certain euro-functional currency subsidiaries due to fluctuating foreign exchange rates. Gains and losses related to these net investment hedges are recorded in accumulated other comprehensive loss within our consolidated balance sheets. Amounts excluded from the assessment of hedge effectiveness are included in interest expense within our consolidated statements of income. The aggregate notional value of this net investment hedge, which matures on November 16, 2023, is approximately €200 million. During the years ended December 31, 2022 and December 25, 2021, we recorded losses of \$9 million and \$11 million, respectively, within other comprehensive income related to these foreign currency forward contracts. See [Note 9 – Fair Value Measurements](#) for additional information.

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On March 20, 2020, we entered into a total return swap for the purpose of economically hedging our unfunded non-qualified SERP and our DCP. This swap will offset changes in our SERP and DCP liabilities. At the inception, the notional value of the investments in these plans was \$43 million. At December 31, 2022, the notional value of the investments in these plans was \$78 million. At December 31, 2022, the financing blended rate for this swap was based on the Secured Overnight Financing Rate (“SOFR”) of 4.03% plus 0.55%, for a combined rate of 4.58%. For the years ended December 31, 2022 and December 25, 2021, we have recorded a gain/(loss), within selling, general and administrative in our consolidated statement of income, of approximately (\$17) million and \$12 million, respectively, net of transaction costs, related to this undesignated swap. During the years ended December 31, 2022 and December 25, 2021, the swap resulted in a neutral impact to our results of operations. This swap is expected to be renewed on an annual basis after its current expiration date of March 31, 2023, and is expected to result in a neutral impact to our results of operations. See [Note 17 – Employee Benefit Plans](#) for additional information.

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., generally 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. Amounts related to our hedging activities are recorded in prepaid expenses and other and/or accrued expenses: other within our consolidated balance sheets. 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 815 have been omitted.

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**Note 12 – Debt***Bank Credit Lines*

Bank credit lines consisted of the following:

|                                    | December 31,<br>2022 | December 25,<br>2021 |
|------------------------------------|----------------------|----------------------|
| Revolving credit agreement         | \$ -                 | \$ -                 |
| Other short-term bank credit lines | 103                  | 51                   |
| <b>Total</b>                       | <b>\$ 103</b>        | <b>\$ 51</b>         |

*Revolving Credit Agreement*

On August 20, 2021, we entered into a \$1.0 billion revolving credit agreement (the “Credit Agreement”). This facility which matures on August 20, 2026 replaced our \$750 million revolving credit facility which was scheduled to mature in April 2022. 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. Most LIBOR rates have been discontinued after December 31, 2021, while the remaining LIBOR rates will be discontinued immediately after June 30, 2023. We do not expect the discontinuation of LIBOR as a reference rate in our debt agreements to have a material adverse effect on our financial position or to materially affect our interest expense. The Credit Agreement requires, among other things, that we maintain certain maximum leverage ratios. Additionally, the Credit Agreement contains customary representations, warranties and affirmative covenants as well as customary negative covenants, subject to negotiated exceptions, on liens, indebtedness, significant corporate changes (including mergers), dispositions and certain restrictive agreements. As of December 31, 2022 and December 25, 2021, we had no borrowings under this revolving credit facility. As of December 31, 2022 and December 25, 2021, there were \$9 million and \$9 million of letters of credit, respectively, provided to third parties under the credit facility.

*Other Short-Term Bank Credit Lines*

As of December 31, 2022 and December 25, 2021, we had various other short-term bank credit lines available, with a maximum borrowing capacity of \$402 million as of December 31, 2022, of which \$103 million and \$51 million, respectively, were outstanding. At December 31, 2022 and December 25, 2021, borrowings under all of these credit lines had a weighted average interest rate of 10.11% and 10.44%, respectively.

*Long-term debt*

Long-term debt consisted of the following:

|  | December 31,<br>2022 | December 25,<br>2021 |
|--|----------------------|----------------------|
| Private placement facilities   | \$ 699               | \$ 706               |
| U.S. trade accounts receivable securitization  | 330                  | 105                  |
| Various collateralized and uncollateralized loans payable with interest,<br>in varying installments through 2023 at interest rates<br>ranging from 0.00% to 3.50% at December 31, 2022 and<br>ranging from 2.62% to 4.27% at December 25, 2021 | 7                    | 4                    |
| Finance lease obligations  | 10                   | 7                    |
| <b>Total</b>   | <b>1,046</b>         | <b>822</b>           |
| <b>Less current maturities</b>   | <b>(6)</b>           | <b>(11)</b>          |
| <b>Total long-term debt</b>  | <b>\$ 1,040</b>      | <b>\$ 811</b>        |

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*Private Placement Facilities*

Our private placement facilities were amended on October 20, 2021 to include four (previously three) insurance companies, have a total facility amount of \$1.5 billion (previously \$1.0 billion), and 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 October 20, 2026 (previously June 23, 2023). 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.

On March 5, 2021, we amended the private placement facilities to, among other things, (a) modify the financial covenant from being based on a net leverage ratio to a total leverage ratio and (b) restore the maximum maintenance total leverage ratio to 3.25x and remove the 1.00% interest rate increase triggered if the net leverage ratio were to exceed 3.0x.

The components of our private placement facility borrowings, which have a weighted average interest rate of 2.99%, as of December 31, 2022 are presented in the following table:

| Date of<br>Borrowing               | Amount of<br>Borrowing<br>Outstanding | Borrowing<br>Rate | Due Date           |
|------------------------------------|---------------------------------------|-------------------|--------------------|
| January 20, 2012                   | \$ 50                                 | 3.45%             | January 20, 2024   |
| December 24, 2012                  | 50                                    | 3.00              | December 24, 2024  |
| June 16, 2017                      | 100                                   | 3.42              | June 16, 2027      |
| September 15, 2017                 | 100                                   | 3.52              | September 15, 2029 |
| January 2, 2018                    | 100                                   | 3.32              | January 2, 2028    |
| September 2, 2020                  | 100                                   | 2.35              | September 2, 2030  |
| June 2, 2021                       | 100                                   | 2.48              | June 2, 2031       |
| June 2, 2021                       | 100                                   | 2.58              | June 2, 2033       |
| Less: Deferred debt issuance costs | (1)                                   |                   |                    |
| Total                              | <u>\$ 699</u>                         |                   |                    |

*U.S. Trade Accounts Receivable Securitization*

We have a facility agreement 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. On December 15, 2022, we extended the expiration date of this facility agreement to December 15, 2025 (the previous maturity date was October 18, 2024) and maintained the purchase limit under the facility as \$450 million with two banks as agents.

As of December 31, 2022 and December 25, 2021, the borrowings outstanding under this securitization facility were \$330 million and \$105 million, respectively. At December 31, 2022, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 4.58% plus 0.75%, for a combined rate of 5.33%. At December 25, 2021, the interest rate on borrowings under this facility was based on the asset-backed commercial paper rate of 0.19% plus 0.75%, for a combined rate of 0.94%.

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If our accounts receivable collection pattern changes due to customers either paying late or not making payments, our ability to borrow under this facility may be reduced.

We are required to pay a commitment fee of 30 to 35 basis points depending upon program utilization.

As of December 31, 2022, the aggregate amounts of long-term debt, including finance lease obligations and net of deferred debt issuance costs of \$1 million, maturing in each of the next five years and thereafter are as follows:

|            |    |              |
|------------|----|--------------|
| 2023       | \$ | 6            |
| 2024       |    | 109          |
| 2025       |    | 331          |
| 2026       |    | -            |
| 2027       |    | 100          |
| Thereafter |    | 500          |
| Total      | \$ | <u>1,046</u> |



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**Note 13 – Income Taxes**

Income before taxes and equity in earnings of affiliates was as follows:

|          | Years ended          |                      |                      |
|----------|----------------------|----------------------|----------------------|
|          | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
| Domestic | \$ 506               | \$ 593               | \$ 431               |
| Foreign  | 215                  | 238                  | 69                   |
| Total    | <u>\$ 721</u>        | <u>\$ 831</u>        | <u>\$ 500</u>        |

The provisions for income taxes were as follows:

|   | Years ended          |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
| <b>Current income tax expense:</b>            |                      |                      |                      |
| U.S. Federal                                  | \$ 150               | \$ 129               | \$ 83                |
| State and local                               | 49                   | 37                   | 24                   |
| Foreign                                       | 44                   | 43                   | 41                   |
| Total current                                 | <u>243</u>           | <u>209</u>           | <u>148</u>           |
| <b>Deferred income tax expense (benefit):</b> |                      |                      |                      |
| U.S. Federal                                  | (48)                 | (12)                 | (18)                 |
| State and local                               | (13)                 | (3)                  | (5)                  |
| Foreign                                       | (12)                 | 4                    | (30)                 |
| Total deferred                                | <u>(73)</u>          | <u>(11)</u>          | <u>(53)</u>          |
| Total provision                               | <u>\$ 170</u>        | <u>\$ 198</u>        | <u>\$ 95</u>         |

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

|  | Years Ended          |                      |
|--|----------------------|----------------------|
|  | December 31,<br>2022 | December 25,<br>2021 |
| Deferred income tax asset:   |                      |                      |
| Net operating losses and other carryforwards                                       | \$ 64                | \$ 55                |
| Inventory, premium coupon redemptions and accounts receivable valuation allowances | 57                   | 46                   |
| Stock-based compensation   | 11                   | 13                   |
| Uniform capitalization adjustment to inventories                                   | 11                   | 10                   |
| Operating lease liability  | 77                   | 79                   |
| Other asset  | 48                   | 41                   |
| Total deferred income tax asset  | 268                  | 244                  |
| Valuation allowance for deferred tax assets <sup>(1)</sup>                         | (36)                 | (36)                 |
| Net deferred income tax asset  | 232                  | 208                  |
| Deferred income tax liability  |                      |                      |
| Intangibles amortization   | (112)                | (134)                |
| Operating lease right-of-use asset   | (61)                 | (74)                 |
| Property and equipment   | (7)                  | (7)                  |
| Total deferred tax liability   | (180)                | (215)                |
| Net deferred income tax asset (liability)  | \$ 52                | \$ (7)               |

(1) Primarily relates to operating losses, the benefits of which are uncertain. Any future reductions of such valuation allowances will be reflected as a reduction of income tax expense.

The assessment of the amount of value assigned to our deferred tax assets under the applicable accounting rules is judgmental. We are required to consider all available positive and negative evidence in evaluating the likelihood that we will be able to realize the benefit of our deferred tax assets in the future. Such evidence includes reversals of deferred tax liabilities and projected future taxable income. Since this evaluation requires consideration of events that may occur some years into the future, there is an element of judgment involved. Realization of our deferred tax assets is dependent on generating sufficient taxable income in future periods. We believe that it is more likely than not that future taxable income will be sufficient to allow us to recover substantially all of the value assigned to our deferred tax assets. However, if future events cause us to conclude that it is not more likely than not that we will be able to recover the value assigned to our deferred tax assets, we will be required to adjust our valuation allowance accordingly.

As of December 31, 2022, we had federal, state and foreign net operating loss carryforwards of approximately \$30 million, \$31 million and \$220 million, respectively. The federal, state and foreign net operating loss carryforwards will begin to expire in various years from 2023 through 2041. The amounts of federal, state and foreign net operating losses that can be carried forward indefinitely are \$21 million, \$4 million and \$218 million, respectively.

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

|   | Years ended          |                      |                      |
|---|----------------------|----------------------|----------------------|
|   | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
| Income tax provision at federal statutory rate                      | \$ 151               | \$ 175               | \$ 105               |
| State income tax provision, net of federal income tax effect        | 20                   | 21                   | 13                   |
| Foreign income tax provision  | 4                    | 6                    | -                    |
| Pass-through noncontrolling interest                                | (4)                  | (4)                  | (3)                  |
| Valuation allowance   | (2)                  | (6)                  | 1                    |
| Unrecognized tax benefits and audit settlements                     | 11                   | 7                    | (18)                 |
| Interest expense related to loans                                   | (12)                 | (11)                 | (11)                 |
| Tax benefit related to legal entity reorganization outside the U.S. | -                    | -                    | (6)                  |
| Other   | 2                    | 10                   | 14                   |
| Total income tax provision  | <u>\$ 170</u>        | <u>\$ 198</u>        | <u>\$ 95</u>         |

For the year ended December 31, 2022, our effective tax rate was 23.5%, compared to 23.8% for the prior year period. In 2022, the difference between our effective tax rate and the federal statutory tax rate primarily relates to state and foreign income taxes and interest expense. In 2021, the difference between our effective tax rate and the federal statutory tax rate was primarily due to state and foreign income taxes and interest expense. In 2020, our effective tax rate was 19.1%. The difference between our effective tax rate and the federal statutory tax rate was primarily due to an Advance Pricing Agreement with the U.S Internal Revenue Service (the “IRS”) in the U.S., other audit resolutions, state and foreign income taxes and interest expense.

On August 16, 2022, the Inflation Reduction Act (H.R. 5376) (“IRA”) was signed into law in the United States. Among other things, the IRA imposes a 15% corporate alternative minimum tax for tax years beginning after December 31, 2022 and levies a 1% excise tax on net stock repurchases after December 31, 2022. We are still in the process of analyzing the provisions of the IRA.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted in response to the COVID-19 pandemic. The CARES Act includes, but is not limited to, certain income tax provisions that modify the Section 163(j) limitation of business interest and net operating loss carryover and carryback rules. The modifications to Section 163(j) increase the allowable business interest deduction from 30% of adjusted taxable income to 50% of adjusted taxable income for years beginning in 2019 and 2020. The CARES Act eliminated the NOL income limitation for years beginning before 2021 and it extended the carryback period to five years for losses incurred in 2018, 2019 and 2020. We have analyzed the income tax provisions of the CARES Act and have accounted for the impact in the year ended December 26, 2020, which did not have a material impact on our consolidated financial statements. There are certain other non-income tax benefits available to us under the CARES Act that require further clarification or interpretation that may affect our consolidated financial statements in the future. On December 27, 2020, the Consolidated Appropriations Act was enacted into law and extended certain non-income tax benefits under the CARES Act.

On July 20, 2020, the IRS issued final regulations related to the Tax Cuts and Jobs Act enacted in 2017 (the “Tax Act”). The final regulations concern the global intangible low-taxed income (“GILTI”) and subpart F income provisions of the Tax Act. To provide flexibility to taxpayers, the IRS is permitting the application of these final regulations to prior tax years, if the taxpayer elects to do so. We have analyzed the final regulations, which do not have a material impact to our consolidated financial statements.

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On December 22, 2017, the U.S. government passed the Tax Act, 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. Within our consolidated balance sheets, transition tax of \$19 million and \$14 million were included in “accrued taxes” for 2022 and 2021, respectively, and \$23 million and \$42 million were included in “other liabilities” for 2022 and 2021, respectively.

Due to the one-time transition tax and the imposition of the GILTI provisions, all previously unremitted earnings will no longer be subject to U.S. federal income tax; however, there could be U.S., state and/or foreign withholding taxes upon distribution of such unremitted earnings. Determination of the amount of unrecognized deferred tax liability with respect to such earnings is not practicable.

ASC 740 prescribes the accounting for uncertainty in income taxes recognized in the financial statements in accordance with other provisions contained within this guidance. This topic prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by the taxing authorities. The amount recognized is measured as the largest amount of benefit that has a greater than 50% likely of being realized upon ultimate audit settlement. In the normal course of business, our tax returns are subject to examination by various taxing authorities. Such examinations may result in future tax and interest assessments by these taxing authorities for uncertain tax positions taken in respect of certain tax matters.

The total amount of unrecognized tax benefits, which are included in “other liabilities” within our consolidated balance sheets, as of December 31, 2022 and December 25, 2021 was approximately \$94 million and \$84 million, respectively, of which \$80 million and \$69 million, respectively would affect the effective tax rate if recognized. It is possible that the amount of unrecognized tax benefits will change in the next 12 months, which may result in a material impact on our consolidated statements of income.

All tax returns audited by the IRS are officially closed through 2018. The tax years subject to examination by the IRS include years 2019 and forward. In addition, limited positions reported in the 2017 tax year are subject to IRS examination. During the quarter ended December 25, 2021, we were notified by the IRS that tax year 2019 was selected for examination. During the quarter ended June 26, 2021 we reached a resolution with the Appellate Division for all remaining outstanding issues for 2012 and 2013.

During the quarter ended September 26, 2020 we reached an agreement with the Advanced Pricing Division on an appropriate transfer pricing methodology for the years 2014-2025. The objective of this resolution was to mitigate future transfer pricing audit adjustments.

In the fourth quarter of 2020, we reached a resolution with the IRS for the 2014-2016 audit cycle.

The total amounts of interest and penalties are classified as a component of the provision for income taxes. The amount of tax interest expense (credit) was approximately \$0 million, \$0 million and \$(3) million in 2022, 2021 and 2020, respectively. The total amount of accrued interest is included in “other liabilities”, and was approximately \$12 million as of December 31, 2022 and \$12 million as of December 25, 2021. The amount of penalties accrued for during the periods presented were not material to our consolidated financial statements.

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The following table provides a reconciliation of unrecognized tax benefits:

|   | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
|---|----------------------|----------------------|----------------------|
| Balance, beginning of period                                  | \$ 71                | \$ 70                | \$ 91                |
| Additions based on current year tax positions                 | 14                   | 3                    | 5                    |
| Additions based on prior year tax positions                   | 8                    | 11                   | 8                    |
| Reductions based on prior year tax positions                  | -                    | (1)                  | (1)                  |
| Reductions resulting from settlements with taxing authorities | (1)                  | (9)                  | (19)                 |
| Reductions resulting from lapse in statutes of limitations    | (10)                 | (3)                  | (14)                 |
| Balance, end of period  | <u>\$ 82</u>         | <u>\$ 71</u>         | <u>\$ 70</u>         |

**Note 14 – Plans of Restructuring and Integration Costs**

On August 1, 2022, we committed to a restructuring plan focused on funding the priorities of the strategic plan and streamlining operations and other initiatives to increase efficiency. We expect this initiative to extend through 2023. We are currently unable in good faith to make a determination of an estimate of the amount or range of amounts expected to be incurred in connection with these activities, both with respect to each major type of cost associated therewith and with respect to the total cost, or an estimate of the amount or range of amounts that will result in future cash expenditures.

During the year ended December 31, 2022, we recorded restructuring charges of \$128 million primarily related to severance and employee-related costs, accelerated amortization of right-of-use lease assets, impairment of other long-lived assets and lease exit costs.

During the three months ended December 31, 2022, in connection with our restructuring plan, we vacated one of the buildings at our corporate headquarters in Melville NY, which resulted in an accelerated amortization of right-of-use lease asset of \$34 million. We also initiated the disposal of a non-profitable US business and recorded related costs of \$49 million which primarily consisted of impairment of intangible assets and goodwill, inventory impairment, and severance and employee-related costs. These expenses are included in the \$128 million of restructuring charges discussed above. The disposal is expected to be completed in the first quarter of 2023.

On August 26, 2022, we acquired Midway Dental Supply. In connection with this acquisition, during the year ended December 31, 2022, we recorded integration costs of \$3 million related to one-time employee and other costs, as well as restructuring charges of \$9 million, which are included in the \$128 million of restructuring charges discussed above.

On November 20, 2019, we committed to a contemplated restructuring initiative intended to mitigate stranded costs associated with the spin-off of our animal health business and to rationalize operations and provide expense efficiencies. These activities were originally expected to be completed by the end of 2020 but we extended them to the end of 2021 in light of the changes to the business environment brought on by the COVID-19 pandemic. The restructuring activities under this prior initiative were completed in 2021.

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Restructuring and integration costs recorded during our 2022, 2021 and 2020 fiscal years consisted of the following:

|   | Year Ended December 31, 2022 |                   |                                     |                   |        |
|---|------------------------------|-------------------|-------------------------------------|-------------------|--------|
|   | Health-Care Distribution     |                   | Technology and Value-Added Services |                   |        |
|   | Restructuring Costs          | Integration Costs | Restructuring Costs                 | Integration Costs | Total  |
| Severance and employee-related costs  | \$ 25                        | \$ -              | \$ 4                                | \$ -              | \$ 29  |
| Impairment and accelerated depreciation and amortization of right-of-use lease assets and other long-lived assets | 47                           | -                 | -                                   | -                 | 47     |
| Exit and other related costs  | 3                            | -                 | -                                   | -                 | 3      |
| Loss on disposal of a business  | 49                           | -                 |                                     |                   | 49     |
| Integration employee-related and other costs  | -                            | 3                 | -                                   | -                 | 3      |
| Total restructuring and integration costs   | \$ 124                       | \$ 3              | \$ 4                                | \$ -              | \$ 131 |

|   | Year Ended December 25, 2021 |                   |                                     |                   |       |
|---|------------------------------|-------------------|-------------------------------------|-------------------|-------|
|   | Health-Care Distribution     |                   | Technology and Value-Added Services |                   |       |
|   | Restructuring Costs          | Integration Costs | Restructuring Costs                 | Integration Costs | Total |
| Severance and employee-related costs      | \$ 6                         | \$ -              | \$ 2                                | \$ -              | \$ 8  |
| Total restructuring and integration costs | \$ 6                         | \$ -              | \$ 2                                | \$ -              | \$ 8  |

|   | Year Ended December 26, 2020 |                   |                                     |                   |       |
|---|------------------------------|-------------------|-------------------------------------|-------------------|-------|
|   | Health-Care Distribution     |                   | Technology and Value-Added Services |                   |       |
|   | Restructuring Costs          | Integration Costs | Restructuring Costs                 | Integration Costs | Total |
| Severance and employee-related costs  | \$ 25                        | \$ -              | \$ 1                                | \$ -              | \$ 26 |
| Impairment and accelerated depreciation and amortization of right-of-use lease assets and other long-lived assets | 4                            | -                 | -                                   | -                 | 4     |
| Exit and other related costs  | 2                            | -                 | -                                   | -                 | 2     |
| Total restructuring and integration costs   | \$ 31                        | \$ -              | \$ 1                                | \$ -              | \$ 32 |

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The following table summarizes, by reportable segment, the activity related to the liabilities associated with our restructuring initiatives for the year ended December 31, 2022. The remaining accrued balance of restructuring costs as of December 31, 2022 is included in accrued expenses: other within our condensed consolidated balance sheet.

|  | Health Care<br>Distribution | Technology and<br>Value-Added<br>Services | Total        |
|--|-----------------------------|---|--------------|
| Balance, December 25, 2021   | \$ 3                        | \$ 1                                      | \$ 4         |
| Restructuring charges  | 124                         | 4   | 128          |
| Non-cash asset impairment and accelerated depreciation and amortization of right-of-use lease assets and other long-lived assets | (47)                        | -   | (47)         |
| Non-cash impairment on disposal of a business  | (46)                        | -   | (46)         |
| Cash payments and other adjustments  | (13)                        | (2)                                       | (15)         |
| Balance, December 31, 2022   | <u>\$ 21</u>                | <u>\$ 3</u>                               | <u>\$ 24</u> |

**Note 15 – Commitments and Contingencies**

*Purchase Commitments*

In our health care distribution business, we sometimes enter into long-term purchase commitments to ensure the availability of products for distribution. Future minimum annual payments for inventory purchase commitments as of December 31, 2022 were:

|  |              |
|--|--------------|
| 2023   | \$ 5         |
| 2024   | 4            |
| 2025   | 4            |
| 2026   | 4            |
| 2027   | 4            |
| Thereafter   | -            |
| Total minimum inventory purchase commitment payments | <u>\$ 21</u> |

*Employment, Consulting and Non-Compete Agreements*

We have employment, consulting and non-compete agreements that have varying base aggregate annual payments for the years 2023 through 2027 and thereafter of approximately \$23 million, \$7 million, \$5 million, \$0 million, \$0 million, and \$0 million, respectively. We also have lifetime consulting agreements that provide for current compensation of four-hundred thousand dollars per year, increasing twenty-five thousand dollars every fifth year with the next increase in 2026. In addition, some agreements have provisions for additional incentives and compensation.

*Litigation*

Henry Schein, Inc. has been named as a defendant in multiple opioid related lawsuits (currently less than one-hundred and fifty (150); in approximately half of those cases one or more of Henry Schein, Inc.'s subsidiaries is also named as a defendant). Generally, the lawsuits allege that the 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 its affiliated companies) reaped financial rewards by refusing or otherwise failing to monitor appropriately and restrict the improper distribution of those drugs. These actions consist of some that have been consolidated within the MultiDistrict Litigation ("MDL") proceeding

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In Re National Prescription Opiate Litigation (MDL No. 2804; Case No. 17-md-2804) and are currently stayed, and others which remain pending in state courts and are proceeding independently and outside of the MDL. At this time, the following cases are set for trial: the action filed by DCH Health Care Authority, et al. in Alabama state court, which has been designated a bellwether with eight of thirty-eight plaintiffs set for a jury trial on July 24, 2023; and the action filed by Florida Health Sciences Center, Inc. (and 38 other hospitals located throughout the State of Florida) in Florida state court, which is currently scheduled for a jury trial in October 2024. In December 2022, we settled seven cases filed in Utah (plus one case in which we were not yet named a defendant) by nineteen plaintiffs for a total amount of sixty thousand dollars. The seven cases have been dismissed. Of Henry Schein's 2022 net sales of approximately \$12.6 billion from continuing operations, sales of opioids represented less than two-tenths of 1 percent. Opioids represent a negligible part of our business. We intend to defend ourselves vigorously against these actions.

In August 2022, Henry Schein received a Grand Jury Subpoena from the United States Attorney's Office for the Western District of Virginia, seeking documents in connection with an investigation of possible violations of the Federal Food, Drug & Cosmetic Act by Butler Animal Health Supply, LLC ("Butler"), a former subsidiary of Henry Schein. The investigation relates to the sale of veterinary prescription drugs to certain customers. In October 2022, Henry Schein received a second Grand Jury Subpoena from the United States Attorney's Office for the Western District of Virginia. The October Subpoena seeks documents relating to payments Henry Schein received from Butler or Covetrus, Inc. ("Covetrus"). Butler was spun off into a separate company and became a subsidiary of Covetrus in 2019 and is no longer owned by Henry Schein. We are cooperating with the investigation.

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 December 31, 2022, 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.



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**Note 16 – Stock-Based Compensation**

Stock-based awards are provided to certain employees under the terms of our 2020 Stock Incentive Plan and to non-employee directors under the terms of our 2015 Non-Employee Director Stock Incentive Plan (together, the “Plans”). The Plans are administered by the Compensation Committee of the Board of Directors (the “Compensation Committee”). Historically, equity-based awards to our employees have been granted solely in the form of time-based and performance-based restricted stock units (“RSUs”). However, for our 2021 fiscal year, in light of the COVID-19 pandemic, the Compensation Committee determined it would be difficult for management to set a meaningful three-year cumulative earnings per share target as the goal applicable to performance-based RSU awards as it had done in prior years. Instead, the Compensation Committee set our equity-based awards to employees for fiscal 2021 in the form of time-based RSUs and non-qualified stock options which focus on stock value appreciation and retention instead of pre-established performance goals. Our non-employee directors continued to receive equity-based awards for fiscal 2021 solely in the form of time-based RSUs. In March 2022, the Compensation Committee reinstated performance-based RSUs for equity-based awards to employees for fiscal 2022 and awarded grants in the form of performance-based RSUs, time-based RSUs and non-qualified stock options.

As of December 31, 2022, there were 70,942,657 shares authorized and 8,034,696 shares available to be granted under the 2020 Stock Incentive Plan and 1,892,657 shares authorized and 192,400 shares available to be granted under the 2015 Non-Employee Director Stock Incentive Plan.

RSUs are stock-based awards granted to recipients with specified vesting provisions. In the case of RSUs, common stock is delivered on or following satisfaction of vesting conditions. We issue RSUs to employees that primarily vest (i) solely based on the recipient’s continued service over time, primarily with four-year cliff vesting and/or (ii) based on achieving specified performance measurements and the recipient’s continued service over time, primarily with three-year cliff vesting. RSUs granted under the 2015 Non-Employee Director Stock Incentive Plan primarily are granted with 12-month cliff vesting. For these RSUs, we recognize the cost as compensation expense on a straight-line basis.

With respect to time-based RSUs, we estimate the fair value on the date of grant based on our closing stock price at the time of grant. With respect to performance-based RSUs, 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. Although there is no guarantee that performance targets will be achieved, we estimate the fair value of performance-based RSUs based on our closing stock price at time of grant.

Each of the Plans provide for certain adjustments to the performance measurement in connection with awards under the Plans. With respect to the performance-based RSUs granted under our 2020 Stock Incentive Plan, such performance measurement adjustments relate to significant events, including, without limitation, acquisitions, divestitures, new business ventures, certain capital transactions (including share repurchases), differences in budgeted average outstanding shares (other than those resulting from capital transactions referred to above), restructuring costs, if any, certain litigation settlements or payments, if any, changes in accounting principles or in applicable laws or regulations, changes in income tax rates in certain markets, foreign exchange fluctuations, the financial impact of certain products and unforeseen events or circumstances affecting us.

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.

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Stock options are awards that allow the recipient to purchase shares of our common stock at a fixed price following vesting of the stock options. Stock options are granted at an exercise price equal to our closing stock price on the date of grant. Stock options issued beginning in 2021 vest one-third per year based on the recipient's continued service, subject to the terms and conditions of the 2020 Stock Incentive Plan, are fully vested three years from the grant date and have a contractual term of ten years from the grant date, subject to earlier termination of the term upon certain events. Compensation expense for these stock options is recognized using a graded vesting method. We estimate the fair value of stock options using the Black-Scholes valuation model.

In addition to equity-based awards granted in fiscal 2021 under the long-term incentive program, the Compensation Committee granted a Special Pandemic Recognition Award under the 2020 Stock Incentive Plan to recipients of performance-based RSUs under the 2018 long-term incentive program. The payout under the performance-based restricted stock units granted under the fiscal 2018 long-term incentive program (the "2018 LTIP") was negatively impacted by the global COVID-19 pandemic. Given the significance of the impact of the pandemic on our three-year EPS goal under such equity awards and the contributions made by our employees (including those who received such awards), on March 3, 2021, the Compensation Committee granted a Special Pandemic Recognition Award to recipients of performance-based restricted stock units under the 2018 LTIP who were employed by us on the grant date of the Special Pandemic Recognition Award. These time-based RSU awards vest 50% on the first anniversary of the grant date and 50% on the second anniversary of the grant date, based on the recipient's continued service and subject to the terms and conditions of the 2020 Stock Incentive Plan, and are recorded as compensation expense using a graded vesting method. The combination of the 20% payout based on actual performance of the 2018 LTIP and the one-time Special Pandemic Recognition Award granted in 2021 will generate a cumulative payout of 75% of each recipient's original number of performance-based restricted stock units awarded in 2018 if the recipient satisfies the two-year vesting schedule commencing on the grant date.

Our accompanying consolidated statements of income reflect pre-tax share-based compensation expense of \$54 million (\$41 million after-tax), \$78 million (\$60 million after-tax) and \$9 million (\$7 million after-tax) for the years ended December 31, 2022, December 25, 2021 and December 26, 2020.

Total unrecognized compensation cost related to non-vested awards as of December 31, 2022 was \$75 million, which is expected to be recognized over a weighted-average period of approximately 2.1 years.

The weighted-average grant date fair value of stock-based awards granted before forfeitures was \$85.51, \$62.72 and \$60.23 per share during the years ended December 31, 2022, December 25, 2021 and December 26, 2020.

Certain stock-based compensation granted may require us to settle in the form of a cash payment. During the year ended December 31, 2022, we recorded a liability of \$0.4 million relating to the grant date fair value of stock-based compensation to be settled in cash.

We record deferred income tax assets for awards that will result in future deductions on our income tax returns based on the amount of compensation cost recognized and our statutory tax rate in the jurisdiction in which we will receive a deduction.

Our accompanying consolidated statements of cash flows present our stock-based compensation expense as an adjustment to reconcile net income to net cash provided by operating activities for all periods presented. In the accompanying consolidated statements of cash flows, there were no benefits associated with tax deductions in excess of recognized compensation as a cash inflow from financing activities for the years ended December 31, 2022, December 25, 2021 and December 26, 2020.

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

|                                  | <u>2022</u> |
|----------------------------------|-------------|
| Expected dividend yield          | 0.00%       |
| Expected stock price volatility  | 27.80%      |
| Risk-free interest rate          | 3.62%       |
| Expected life of options (years) | 6.00        |

We have not declared cash dividends on our stock in the past and we do not anticipate declaring cash dividends in the foreseeable future. The expected stock price volatility is based on implied volatilities from traded options on our stock, historical volatility of our stock, and other factors. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant in conjunction with considering the expected life of options. The six-year expected life of the options was determined using the simplified method for estimating the expected term as permitted under SAB Topic 14. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by recipients of stock options, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by us.

The following table summarizes the stock option activity for the year ended December 31, 2022:

|                                    | <u>Stock Options</u> |  |   |                                  |
|------------------------------------|----------------------|--|---|----------------------------------|
|                                    | <u>Shares</u>        | <u>Weighted Average Exercise Price</u> | <u>Remaining Weighted Average Remaining Contractual Life in Years</u> | <u>Aggregate Intrinsic Value</u> |
| Outstanding at beginning of year   | 767,717              | \$ 63.24                               |   |                                  |
| Granted                            | 420,075              | 85.81                                  |   |                                  |
| Exercised                          | (36,150)             | 62.92                                  |   |                                  |
| Forfeited                          | (34,068)             | 74.84                                  |   |                                  |
| Outstanding at end of year         | <u>1,117,574</u>     | \$ 71.38                               | 8.5   | \$ 12                            |
| Options exercisable at end of year | <u>220,688</u>       | \$ 63.35                               |   |                                  |

|                            | <u>Number of Options</u> | <u>Weighted Average Exercise Price</u> | <u>Weighted Average Remaining Contractual Life (in years)</u> | <u>Aggregate Intrinsic Value</u> |
|----------------------------|--------------------------|--|---|----------------------------------|
| Vested or expected to vest | 885,428                  | \$ 73.50                               | 8.7   | \$ 8                             |

The following tables summarize the activity of our unvested RSUs for the year ended December 31, 2022:

|                                    | <u>Time-Based Restricted Stock Units</u> |   |                                  | <u>Performance-Based Restricted Stock Units</u> |   |                                  |
|------------------------------------|--|---|----------------------------------|---|---|----------------------------------|
|                                    | <u>Shares/Units</u>                      | <u>Weighted Average Grant Date Fair Value Per Share</u> | <u>Intrinsic Value Per Share</u> | <u>Shares/Units</u>                             | <u>Weighted Average Grant Date Fair Value Per Share</u> | <u>Intrinsic Value Per Share</u> |
| Outstanding at beginning of period | 1,945,862                                | \$ 58.79  |                                  | 674,753   | \$ 59.63  |                                  |
| Granted                            | 471,840                                  | 85.49   |                                  | 267,865   | 82.35   |                                  |
| Vested                             | (566,887)                                | 55.46   |                                  | (396,220)                                       | 59.21   |                                  |
| Forfeited                          | (94,771)                                 | 67.87   |                                  | (25,482)  | 67.65   |                                  |
| Outstanding at end of period       | <u>1,756,044</u>                         | \$ 66.59  | \$ 79.87                         | <u>520,916</u>                                  | \$ 60.23  | \$ 79.87                         |

The total intrinsic value per share of RSUs that vested was \$78.74, \$73.99 and \$61.49 during the years ended December 31, 2022, December 25, 2021 and December 26, 2020.

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**Note 17 – Employee Benefit Plans***Defined benefit plans*

Certain of our employees in our international markets participate in various noncontributory defined benefit plans. These plans are managed to provide pension benefits to covered employees in accordance with local regulations and practices. Our net unfunded liability for these plans are recorded in accrued expenses: other; and other liabilities within our consolidated balance sheets. The following table presents the changes in projected benefit obligations, plan assets, and the funded status of our defined benefit pension plans:

|   | Years Ended          |                      |
|---|----------------------|----------------------|
|   | December 31,<br>2022 | December 25,<br>2021 |
| Obligation and funded status:                     |                      |                      |
| <b>Change in benefit obligation</b>               |                      |                      |
| Projected benefit obligation, beginning of period | \$ 128               | \$ 130               |
| Service costs                                     | 3                    | 4                    |
| Interest cost                                     | 1                    | -                    |
| Past service cost                                 | -                    | 5                    |
| Actuarial loss                                    | (19)                 | (5)                  |
| Benefits paid <sup>(1)</sup>                      | (1)                  | -                    |
| Participant contributions                         | 1                    | 1                    |
| Settlements                                       | (1)                  | (2)                  |
| Effect of foreign currency translation            | (4)                  | (5)                  |
| Projected benefit obligation, end of period       | <u>\$ 108</u>        | <u>\$ 128</u>        |
| <b>Change in plan assets</b>                      |                      |                      |
| Fair value of plan assets at beginning of period  | \$ 75                | \$ 65                |
| Actual return on plan assets                      | (3)                  | 5                    |
| Employer contributions                            | 2                    | 2                    |
| Plan participant contributions                    | 1                    | 1                    |
| Expected return on plan assets                    | 1                    | 4                    |
| Benefit received <sup>(1)</sup>                   | -                    | 2                    |
| Settlements                                       | (1)                  | (3)                  |
| Effect of foreign currency translation            | (2)                  | (1)                  |
| Fair value of plan assets at end of period        | <u>\$ 73</u>         | <u>\$ 75</u>         |
| Unfunded status at end of period                  | <u>\$ 35</u>         | <u>\$ 53</u>         |

(1) Includes regular benefit payments and amounts transferred in by new participants.

The majority of our defined benefit plans are unfunded, with the exception of one plan in one country where the amount of assets exceeds the projected benefit obligation by approximately \$6 million and \$6 million as of December 31, 2022 and December 25, 2021, respectively.

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The following table provides the amounts recognized in our consolidated balance sheets for our defined benefit pension plans:

|   | Years Ended          |                      |
|---|----------------------|----------------------|
|   | December 31,<br>2022 | December 25,<br>2021 |
| Non-current assets                            | \$ 25                | \$ 22                |
| Current liabilities                           | (1)                  | (1)                  |
| Non-current liabilities                       | (59)                 | (74)                 |
| Accumulated other comprehensive loss, pre-tax | 4                    | 21                   |

The following table provides the net periodic pension cost for our defined benefit plans:

|                                      | Years Ended          |                      |                      |
|--------------------------------------|----------------------|----------------------|----------------------|
|                                      | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
| Service cost                         | \$ 3                 | \$ 4                 | \$ 3                 |
| Interest cost                        | 1                    | -                    | -                    |
| Expected return on plan assets       | (1)                  | (1)                  | -                    |
| Employee contributions               | -                    | -                    | -                    |
| Amortization of prior service credit | 1                    | 1                    | 1                    |
| Recognized net actuarial loss        | -                    | -                    | -                    |
| Settlements                          | -                    | -                    | -                    |
| Net periodic pension cost            | <u>\$ 4</u>          | <u>\$ 4</u>          | <u>\$ 4</u>          |

The following tables present the weighted-average actuarial assumptions used to determine our pension benefit obligation and our net periodic pension cost for the periods presented:

| <b>Pension Benefit Obligation</b> | Years Ended          |                      |
|-----------------------------------|----------------------|----------------------|
|                                   | December 31,<br>2022 | December 25,<br>2021 |
| Weighted average discount rate    | 1.67 %               | 0.87 %               |

| <b>Net Periodic Pension Cost</b> | Years Ended          |                      |                      |
|----------------------------------|----------------------|----------------------|----------------------|
|                                  | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
| Discount rate-pension benefit    | 1.25 %               | 0.56 %               | 0.51 %               |
| Expected return on plan assets   | 0.81 %               | 0.71 %               | 0.87 %               |
| Rate of compensation increase    | 1.68 %               | 1.95 %               | 1.97 %               |
| Pension increase rate            | 0.61 %               | 0.72 %               | 0.67 %               |

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

The following table presents the estimated pension benefit payments that are payable to the plan's participants as of December 31, 2022:

| <u>Year</u>  |    |           |
|--------------|----|-----------|
| 2023         | \$ | 6         |
| 2024         |    | 6         |
| 2025         |    | 5         |
| 2026         |    | 5         |
| 2027         |    | 7         |
| 2028 to 2032 |    | 38        |
| Total        | \$ | <u>67</u> |

#### *401(k) Plans*

We offer qualified 401(k) plans to substantially all our domestic full-time employees. As determined by our Board of Directors, matching contributions to these plans generally do not exceed 100% of the participants' contributions up to 7% of their base compensation, subject to applicable legal limits. Matching contributions consist of cash and were allocated entirely to the participants' investment elections on file, subject to a 20% allocation limit to the Henry Schein Stock Fund. Due to the impact of COVID-19, as part of our initiative to generate cash savings, we suspended the matching contribution for the second half of 2020. The matching contribution was reinstated in 2021. Forfeitures attributable to participants whose employment terminates prior to becoming fully vested are used to reduce our matching contributions and offset administrative expenses of the 401(k) plans.

Assets of the 401(k) and other defined contribution plans are held in self-directed accounts enabling participants to choose from various investment fund options. Matching contributions related to these plans charged to operations during the years ended December 31, 2022, December 25, 2021 and December 26, 2020 amounted to \$45 million, \$38 million and \$21 million, respectively. Within our consolidated statements of income, \$37 million is included in selling, general and administrative expenses; and \$8 million is included in cost of goods sold.

#### *Supplemental Executive Retirement Plan ("SERP")*

We offer an unfunded, non-qualified SERP to eligible employees. This plan generally covers officers and certain highly compensated employees after they have reached the maximum IRS allowed pre-tax 401(k) contribution limit. Our contributions to this plan are equal to the 401(k) employee-elected contribution percentage applied to base compensation for the portion of the year in which such employees are not eligible to make pre-tax contributions to the 401(k) plan. Due to the impact of COVID-19, as part of our initiative to generate cash savings, we suspended contributions under the SERP for the second half of 2020. Contributions to the SERP were restored in 2021. The amounts charged to operations during the years ended December 31, 2022, December 25, 2021 and December 26, 2020 amounted to \$(1) million, \$2 million and \$3 million, respectively. The charges are included in selling, general and administrative expenses line item within our consolidated statements of income. Please see [Note 11 – Derivatives and Hedging Activities](#) for additional information.

#### *Deferred Compensation Plan ("DCP")*

During 2011, we began to offer DCP to a select group of management or highly compensated employees of the Company and certain subsidiaries. This plan allows for the elective deferral of base salary, bonus and/or commission compensation by eligible employees. The amounts charged to operations during the years ended December 31, 2022, December 25, 2021 and December 26, 2020 were approximately \$(11) million, \$8 million and \$8 million, respectively. The charges are included in selling, general and administrative expenses line item within our consolidated statements of income. Please see [Note 11 – Derivatives and Hedging Activities](#) for additional information.

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

**Note 18 – 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 480-10 is applicable for noncontrolling interests where we are or may be required to purchase all or a portion of the outstanding interest in a consolidated subsidiary from the noncontrolling interest holder under the terms of a put option contained in contractual agreements. The components of the change in the redeemable noncontrolling interests for the years ended December 31, 2022, December 25, 2021 and December 26, 2020 are presented in the following table:

|   | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
|---|----------------------|----------------------|----------------------|
| Balance, beginning of period  | \$ 613               | \$ 328               | \$ 287               |
| Decrease in redeemable noncontrolling interests due to acquisitions of noncontrolling interests in subsidiaries | (31)                 | (60)                 | (17)                 |
| Increase in redeemable noncontrolling interests due to business acquisitions                                    | 4                    | 189                  | 28                   |
| Net income attributable to redeemable noncontrolling interests  | 21                   | 23                   | 14                   |
| Dividends declared  | (21)                 | (21)                 | (13)                 |
| Effect of foreign currency translation loss attributable to redeemable noncontrolling interests                 | (6)                  | (6)                  | (4)                  |
| Change in fair value of redeemable securities   | (4)                  | 160                  | 33                   |
| Balance, end of period  | <u>\$ 576</u>        | <u>\$ 613</u>        | <u>\$ 328</u>        |

**Note 19 – 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:

|   | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
|---|----------------------|----------------------|----------------------|
| <b>Attributable to Redeemable noncontrolling interests:</b>     |                      |                      |                      |
| Foreign currency translation adjustment                         | \$ (37)              | \$ (31)              | \$ (25)              |
| <b>Attributable to noncontrolling interests:</b>                |                      |                      |                      |
| Foreign currency translation adjustment                         | \$ (1)               | \$ -                 | \$ -                 |
| <b>Attributable to Henry Schein, Inc.:</b>                      |                      |                      |                      |
| Foreign currency translation adjustment                         | \$ (236)             | \$ (155)             | \$ (77)              |
| Unrealized gain (loss) from foreign currency hedging activities | 5                    | (2)                  | (11)                 |
| Pension adjustment loss   | (2)                  | (14)                 | (20)                 |
| Accumulated other comprehensive loss                            | <u>\$ (233)</u>      | <u>\$ (171)</u>      | <u>\$ (108)</u>      |
| <b>Total Accumulated other comprehensive loss</b>               | <u>\$ (271)</u>      | <u>\$ (202)</u>      | <u>\$ (133)</u>      |

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

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

|   | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
|---|----------------------|----------------------|----------------------|
| Net income  | \$ 566               | \$ 660               | \$ 420               |
| Foreign currency translation gain (loss)                        | (88)                 | (84)                 | 63                   |
| Tax effect  | -                    | -                    | -                    |
| Foreign currency translation gain (loss)                        | (88)                 | (84)                 | 63                   |
| Unrealized gain (loss) from foreign currency hedging activities | 10                   | 12                   | (10)                 |
| Tax effect  | (3)                  | (3)                  | 3                    |
| Unrealized gain (loss) from foreign currency hedging activities | 7                    | 9                    | (7)                  |
| Pension adjustment gain   | 16                   | 8                    | -                    |
| Tax effect  | (4)                  | (2)                  | -                    |
| Pension adjustment gain   | 12                   | 6                    | -                    |
| Comprehensive income  | <u>\$ 497</u>        | <u>\$ 591</u>        | <u>\$ 476</u>        |

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. The foreign currency translation gain (loss) during the years ended December 31, 2022, December 25, 2021 and December 26, 2020 was primarily due to changes in foreign currency exchange rates of the Euro, British Pound, Australian Dollar, Brazilian Real, New Zealand Dollar and Canadian Dollar. The foreign currency translation gain (loss) during the years ended December 31, 2022, December 25, 2021 and December 26, 2020 was primarily attributable to a net investment hedge that was entered into during 2019. See [Note 11-Derivatives and Hedging Activities](#) for further information.

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

|  | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
|--|----------------------|----------------------|----------------------|
| Comprehensive income attributable to Henry Schein, Inc.                  | \$ 476               | \$ 568               | \$ 463               |
| Comprehensive income attributable to noncontrolling interests            | 6                    | 6                    | 3                    |
| Comprehensive income attributable to Redeemable noncontrolling interests | 15                   | 17                   | 10                   |
| Comprehensive income   | <u>\$ 497</u>        | <u>\$ 591</u>        | <u>\$ 476</u>        |



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

**Note 20 – Discontinued Operations**

*Animal Health Spin-off*

On February 7, 2019 (the “Distribution Date”), we completed the separation (the “Separation”) and subsequent merger (“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”). This was accomplished by a series of transactions among us, Vets First Choice, Covetrus, Inc. (f/k/a HS Spenco, 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 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, which ended in December 2020, with Covetrus under which we 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 December 26, 2020.

In February 2019, we completed the Animal Health Spin-off. During the year ended December 26, 2020, we incurred \$0 million in transaction costs associated with this transaction. All transaction costs related to the Animal Health Spin-off have been included in results from discontinued operations.

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

Summarized financial information for our discontinued operations is as follows:

|  | <b>Year Ended</b>   |
|--|---------------------|
|  | <b>December 26,</b> |
|  | <b>2020</b>         |
| Selling, general and administrative  | 2                   |
| Operating loss   | (2)                 |
| Income tax benefit   | (3)                 |
| Income from discontinued operations  | 1                   |
| Net income from discontinued operations attributable to Henry Schein, Inc. | 1                   |

The operating loss from discontinued operations for the year ended December 26, 2020 was primarily attributable to costs directly related to the Animal Health Spin-off. See [Note 23 – Related Party Transactions](#) for additional information.

The net income from discontinued operations for the year ended December 26, 2020 was primarily attributable to a reduction in a liability for tax indemnification and a tax refund received during 2020 by a holding company previously part of our Animal Health legal structure and other favorable tax resolutions.

#### **Note 21 – 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 RSUs and upon exercise of stock options using the treasury stock method in periods in which they have a dilutive effect.

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

|  | <b>Years Ended</b>  |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | <b>December 31,</b> | <b>December 25,</b> | <b>December 26,</b> |
|  | <b>2022</b>         | <b>2021</b>         | <b>2020</b>         |
| Basic                                    | 136,064,221         | 140,090,889         | 142,504,193         |
| Effect of dilutive securities:           |                     |                     |                     |
| Stock options and restricted stock units | 1,691,449           | 1,681,892           | 899,489             |
| Diluted                                  | 137,755,670         | 141,772,781         | 143,403,682         |

The number of antidilutive securities that were excluded from the calculation of diluted weighted average common shares outstanding are as follows:

|  | <b>Years Ended</b>  |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | <b>December 31,</b> | <b>December 25,</b> | <b>December 26,</b> |
|  | <b>2022</b>         | <b>2021</b>         | <b>2020</b>         |
| Stock options  | 342,716             | 611,869             | -                   |
| Restricted stock units                                       | 19,466              | 1,048               | 2,398               |
| Total anti-dilutive securities excluded from EPS computation | 362,182             | 612,917             | 2,398               |

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

**Note 22 – Supplemental Cash Flow Information**

Cash paid for interest and income taxes was:

|              | Years ended          |                      |                      |
|--------------|----------------------|----------------------|----------------------|
|              | December 31,<br>2022 | December 25,<br>2021 | December 26,<br>2020 |
| Interest     | \$ 47                | \$ 29                | \$ 43                |
| Income taxes | 265                  | 242                  | 207                  |

For the years ended December 31, 2022, December 25, 2021 and December 26, 2020, we had \$10 million, \$12 million and \$(10) million of non-cash net unrealized gains (losses) related to foreign currency hedging activities, respectively.

**Note 23 – Related Party Transactions**

In connection with the completion of the Animal Health Spin-off during our 2019 fiscal year, we entered into a transition services agreement with Covetrus under which we 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. (see [Note 20 – Discontinued Operations](#) for additional details).

For the year ended December 26, 2020, we recorded approximately \$13 million of fees for these services. Pursuant to the transition services agreement, Covetrus purchased certain products from us. During the year December 26, 2020, net sales to Covetrus under the transition services agreement were approximately \$75 million. Sales to Covetrus under the transition services agreement ended in December 2020.

In connection with the formation of Henry Schein One, LLC, our joint venture with Internet Brands, which was formed on July 1, 2018, we entered into a ten-year royalty agreement with Internet Brands whereby we will pay Internet Brands approximately \$31 million annually for the use of their intellectual property. During the years ended December 31, 2022, December 25, 2021 and December 26, 2020, we recorded \$31 million, \$31 million and \$31 million, respectively in connection with costs related to this royalty agreement. As of December 31, 2022 and December 25, 2021, Henry Schein One, LLC had a net receivable (payable) balance from (to) Internet Brands of (\$8) million and \$9 million, respectively, comprised of amounts related to results of operations and the royalty agreement. The components of this receivable and payable are recorded within prepaid expenses and other; and accrued expenses: other, respectively, within our consolidated balance sheets.

During our normal course of business, we have interests in entities that we account for under the equity accounting method. During the years ended December 31, 2022, December 25, 2021 and December 26, 2020, we recorded net sales of \$46 million, \$48 million, and \$38 million respectively, to such entities. During our fiscal years ended 2022, 2021 and 2020, we purchased \$9 million, \$15 million and \$12 million respectively, from such entities. At December 31, 2022 and December 25, 2021, we had in aggregate \$36 million and \$44 million, due from our equity affiliates, and \$6 million and \$7 million due to our equity affiliates, respectively.

Certain of our facilities related to our acquisitions are leased from employees and minority shareholders. Please see [Note 6 – Leases](#) for further information.

## **ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **ITEM 9A. Controls and Procedures**

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

Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this annual report as such term is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on this evaluation, our management, including our principal executive officer and principal financial officer, concluded that our disclosure controls and procedures were effective as of December 31, 2022, 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 implementation activity undertaken during the quarter ended December 31, 2022 and carried over from prior quarters when considered in the aggregate, does not represent a material change in our internal control over financial reporting.

#### *Management’s Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the preparation and fair presentation of published financial statements. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013), updated and reissued by the Committee of Sponsoring Organizations, or the COSO Framework. Based on our evaluation under the COSO Framework, our management concluded that our internal control over financial reporting was effective at a reasonable assurance level as of December 31, 2022.

The effectiveness of our internal control over financial reporting as of December 31, 2022, has been independently audited by BDO USA, LLP, an independent registered public accounting firm, and their attestation is included herein.

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

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

## **Report Of Independent Registered Public Accounting Firm**

Shareholders and Board of Directors  
Henry Schein, Inc.  
Melville, NY

### **Opinion on Internal Control over Financial Reporting**

We have audited Henry Schein, Inc.'s (the "Company's") internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework (2013) (the "COSO criteria"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2022 and December 25, 2021, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2022, and the related notes and our report dated February 21, 2023 expressed as an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying "Item 9A, Management's Report on Internal Control over Financial Reporting". Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

### **Definition and Limitations of Internal Control over Financial Reporting**

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

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

/s/ BDO USA, LLP  
New York, NY  
February 21, 2023

**ITEM 9B. Other Information**

Not applicable.

**ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

**PART III**

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

Information required by this item regarding our directors and executive officers and our corporate governance is hereby incorporated by reference to the Section entitled “Election of Directors,” with respect to directors, and the first paragraph of the Section entitled “Corporate Governance - Board of Directors Meetings and Committees - Audit Committee,” with respect to corporate governance, in each case in our definitive 2023 Proxy Statement to be filed pursuant to Regulation 14A and to the Section entitled “Information about our Executive Officers” in Part I of this report, with respect to executive officers.

There have been no changes to the procedures by which stockholders may recommend nominees to our Board of Directors since our last disclosure of such procedures, which appeared in our definitive 2022 Proxy Statement filed pursuant to Regulation 14A on April 6, 2022.

Information required by this item concerning compliance with Section 16(a) of the Securities Exchange Act of 1934 is hereby incorporated by reference to the Section entitled “Delinquent Section 16(a) Reports” in our definitive 2023 Proxy Statement to be filed pursuant to Regulation 14A, to the extent responsive disclosure is required.

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

**ITEM 11. Executive Compensation**

The information required by this item is hereby incorporated by reference to the Sections entitled “Compensation Discussion and Analysis,” “Compensation Committee Report” (which information shall be deemed furnished in this Annual Report on Form 10-K), “Executive and Director Compensation” and “Compensation Committee Interlocks and Insider Participation” in our definitive 2023 Proxy Statement to be filed pursuant to Regulation 14A.

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

We maintain several stock incentive plans for the benefit of certain officers, directors and employees. All active plans have been approved by our stockholders. Descriptions of these plans appear in the notes to our consolidated financial statements. The following table summarizes information relating to these plans as of December 31, 2022:

| <b>Plan Category</b>               | <b>Number of Common Shares to be Issued Upon Exercise of Outstanding Options and Rights</b> | <b>Weighted- Average Exercise Price of Outstanding Options</b> | <b>Number of Common Shares Available for Future Issuances</b> |
|------------------------------------|---|--|---|
| Plans Approved by Stockholders     | -   | \$ -   | 8,227,096   |
| Plans Not Approved by Stockholders | -   | -  | -   |
| <b>Total</b>                       | <b>-</b>  | <b>\$ -</b>  | <b>8,227,096</b>  |

The other information required by this item is hereby incorporated by reference to the Section entitled “Security Ownership of Certain Beneficial Owners and Management” in our definitive 2023 Proxy Statement to be filed pursuant to Regulation 14A.

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

The information required by this item is hereby incorporated by reference to the Section entitled “Certain Relationships and Related Transactions” and “Corporate Governance – Board of Directors Meetings and Committees – Independent Directors” in our definitive 2023 Proxy Statement to be filed pursuant to Regulation 14A.

## ITEM 14. Principal Accounting Fees and Services

The information required by this item is hereby incorporated by reference to the Section entitled “Independent Registered Public Accounting Firm Fees and Pre-Approval Policies and Procedures” in our definitive 2023 Proxy Statement to be filed pursuant to Regulation 14A.

## PART IV

### ITEM 15. Exhibits, Financial Statement Schedules

#### (a) List of Documents Filed as a Part of This Report:

1. Financial Statements:  
Our Consolidated Financial Statements filed as a part of this report are listed on the index on Page 60.
2. Index to Exhibits:  
See exhibits listed under Item 15(b) below.

**(b) Exhibits**

- [2.1](#) [Contribution and Distribution Agreement, dated as of April 20, 2018, by and among us, HS Spinco, Inc., Direct Vet Marketing, Inc. and Shareholder Representative Services LLC. \(Incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K filed on April 23, 2018 \(film no. 18767875\).\)\\*](#)
- [2.2](#) [Agreement and Plan of Merger, dated as of April 20, 2018, by and among us, HS Spinco, Inc., HS Merger Sub, Inc., Direct Vet Marketing, Inc. and Shareholder Representative Services LLC. \(Incorporated by reference to Exhibit 2.2 to our Current Report on Form 8-K filed on April 23, 2018 \(film no. 18767875\).\)\\*](#)
- [2.3](#) [Letter Agreement, Amendment No. 1 to Contribution and Distribution Agreement and Amendment No. 1 to Agreement and Plan of Merger, dated as of September 14, 2018, by and among us, HS Spinco, Inc., HS Merger Sub, Inc., Direct Vet Marketing, Inc. and Shareholder Representative Services LLC. \(Incorporated by reference to Exhibit 2.3 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2018 filed on February 20, 2019.\)](#)
- [2.4](#) [Letter Agreement and Amendment No. 2 to Contribution and Distribution Agreement, dated as of November 30, 2018, by and among us, HS Spinco, Inc., Direct Vet Marketing, Inc. and Shareholder Representative Services LLC. \(Incorporated by reference to Exhibit 2.4 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2018 filed on February 20, 2019.\)](#)
- [2.5](#) [Letter Agreement and Amendment No. 3 to Contribution and Distribution Agreement and Amendment No. 2 to Agreement and Plan of Merger, dated as of December 25, 2018, by and among us, HS Spinco, Inc., HS Merger Sub, Inc., Direct Vet Marketing, Inc. and Shareholder Representative Services LLC. \(Incorporated by reference to Exhibit 2.5 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2018 filed on February 20, 2019.\)](#)
- [2.6](#) [Letter Agreement and Amendment No. 4 to Contribution and Distribution Agreement, dated as of January 15, 2019, by and among us, HS Spinco, Inc., Direct Vet Marketing, Inc. and Shareholder Representative Services LLC. \(Incorporated by reference to Exhibit 2.6 to our Annual Report on Form 10-K for the fiscal year ended December 29, 2018 filed on February 20, 2019.\)](#)
- [3.1](#) [Second Amended and Restated Certificate of Incorporation of Henry Schein, Inc. \(Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on June 1, 2018.\)](#)
- [3.2](#) [Third Amended and Restated By-Laws of the Company, effective May 13, 2021. \(Incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on May 17, 2021.\)](#)
- [4.1](#) [Third Amended and Restated Multicurrency Master Note Purchase Agreement, dated as of October 20, 2021, by and among us, Metropolitan Life Insurance Company, MetLife Investment Management, LLC and each MetLife affiliate which becomes party thereto. \(Incorporated by reference to Exhibit 4.4 to our Current Report on Form 8-K filed on October 21, 2021.\)](#)



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- [4.2](#) [Third Amended and Restated Master Note Facility, dated as of October 20, 2021, by and among us, NYL Investors LLC and each New York Life affiliate which becomes party thereto. \(Incorporated by reference to Exhibit 4.3 to our Current Report on Form 8-K filed on October 21, 2021.\)](#)
- [4.3](#) [Third Amended and Restated Multicurrency Private Shelf Agreement, dated as of October 20, 2021, by and among us, PGIM, Inc. and each Prudential affiliate which becomes party thereto. \(Incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed on October 21, 2021.\)](#)
- [4.4](#) [Multicurrency Private Shelf Agreement, dated as of October 20, 2021, by and among us, AIG Asset Management \(U.S.\), LLC and each AIG affiliate which becomes party thereto. \(Incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed on October 21, 2021.\)](#)
- [4.5](#) [Description of Securities. \(Incorporated by reference to Exhibit 4.5 to our Annual Report on Form 10-K for the fiscal year ended December 25, 2021 filed on February 15, 2022.\)](#)
- [10.1](#) [Henry Schein, Inc. 2013 Stock Incentive Plan, as amended and restated effective as of May 14, 2013. \(Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on May 16, 2013.\)\\*\\*](#)
- [10.2](#) [Form of 2019 Restricted Stock Unit Agreement for performance-based restricted stock unit awards pursuant to the Henry Schein, Inc. 2013 Stock Incentive Plan \(as amended and restated effective as of May 14, 2013\). \(Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2019 filed on May 7, 2019.\)\\*\\*](#)
- [10.3](#) [Form of 2019 Restricted Stock Unit Agreement for time-based restricted stock unit awards pursuant to the Henry Schein, Inc. 2013 Stock Incentive Plan \(as amended and restated effective as of May 14, 2013\). \(Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2019 filed on May 7, 2019.\)\\*\\*](#)
- [10.4](#) [Henry Schein, Inc. 2020 Stock Incentive Plan, as amended and restated effective as of May 21, 2020. \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on May 26, 2020.\)\\*\\*](#)
- [10.5](#) [Form of 2021 Stock Option Agreement pursuant to the Henry Schein, Inc. 2020 Stock Incentive Plan \(as amended and restated effective as of May 21, 2020\). \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on March 8, 2021.\)\\*\\*](#)

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- [10.6](#) [Form of 2021 Special Pandemic Recognition Award Restricted Stock Unit Agreement for time-based restricted stock unit awards pursuant to the Henry Schein, Inc. 2020 Stock Incentive Plan \(as amended and restated effective as of May 21, 2020\). \(Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 27, 2021 filed on May 4, 2021.\)\\*\\*](#)
- [10.7](#) [Form of 2022 Restricted Stock Unit Agreement for time-based restricted stock unit awards pursuant to the Henry Schein, Inc. 2020 Stock Incentive Plan \(as amended and restated effective as of May 21, 2020\). \(Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 26, 2022 filed on May 3, 2022.\)\\*\\*](#)
- [10.8](#) [Form of 2022 Restricted Stock Unit Agreement for performance-based restricted stock unit awards pursuant to the Henry Schein, Inc. 2020 Stock Incentive Plan \(as amended and restated effective as of May 21, 2020\). \(Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 26, 2022 filed on May 3, 2022.\)\\*\\*](#)
- [10.9](#) [Henry Schein, Inc. 2015 Non-Employee Director Stock Incentive Plan. \(Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2015 filed on July 29, 2015.\)\\*\\*](#)
- [10.10](#) [Form of 2018 Restricted Stock Unit Agreement for time-based restricted stock unit awards pursuant to the Henry Schein, Inc. 2015 Non-Employee Director Stock Incentive Plan \(as amended and restated effective as of June 22, 2015\). \(Incorporated by reference to Exhibit 10.6 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2018 filed on May 8, 2018.\)\\*\\*](#)
- [10.11](#) [Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2014. \(Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 28, 2013 filed on November 5, 2013.\)\\*\\*](#)
- [10.12](#) [Amendment Number One to the Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2014. \(Incorporated by reference to Exhibit 10.18 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2020 filed on February 20, 2020.\)\\*\\*](#)
- [10.13](#) [Amendment Number Two to the Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2014. \(Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2020 filed on May 5, 2020.\)\\*\\*](#)
- [10.14](#) [Amendment Number Three to the Henry Schein, Inc. Supplemental Executive Retirement Plan, amended and restated effective as of January 1, 2014. \(Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 26, 2020 filed on November 2, 2020.\)\\*\\*](#)

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- 10.15     Henry Schein, Inc. 2004 Employee Stock Purchase Plan, effective as of May 25, 2004. (Incorporated by reference to Exhibit D to our definitive 2004 Proxy Statement on Schedule 14A, filed on April 27, 2004.)\*\*
- 10.16     Henry Schein, Inc. Non-Employee Director Deferred Compensation Plan, amended and restated effective as of January 1, 2005. (Incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008 filed on February 24, 2009.)\*\*
- 10.17     Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.23 to our Annual Report on Form 10-K for the fiscal year ended December 25, 2010 filed on February 22, 2011.)\*\*
- 10.18     Amendment to the Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.26 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 filed on February 15, 2012.)\*\*
- 10.19     Amendment Number Two to the Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.20 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2013 filed on February 11, 2014.)\*\*
- 10.20     Amendment Number Three to the Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.21 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2013 filed on February 11, 2014.)\*\*
- 10.21     Amendment Number Four to the Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.46 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed on February 21, 2017.)\*\*
- 10.22     Amendment Number Five to the Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.32 to our Annual Report on Form 10-K for the fiscal year ended December 28, 2020 filed on February 20, 2020.)\*\*
- 10.23     Amendment Number Six to the Henry Schein, Inc. Deferred Compensation Plan. (Incorporated by reference to Exhibit 10.4 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 28, 2020 filed on May 5, 2020.)\*\*
- 10.24     Henry Schein Management Team Performance Incentive Plan and Plan Summary, effective as of January 1, 2014. (Incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2014 filed on May 6, 2014.)\*\*
- 10.25     Form of Performance-Based RSU Award Agreement for Stanley M. Bergman Pursuant to the Henry Schein, Inc. 2013 Stock Incentive Plan (as Amended and Restated as of May 14, 2013). (Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on August 9, 2019.)\*\*

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- 10.26 Amended and Restated Employment Agreement dated as of November 28, 2022, by and between Henry Schein, Inc. and Stanley M. Bergman. (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on November 29, 2022.)\*\*
- 10.27 Letter Agreement dated November 11, 2021 between Henry Schein, Inc. and Brad Connett.\*\*+
- 10.28 Agreement dated November 11, 2021 between Henry Schein, Inc. and Brad Connett.\*\*+
- 10.29 Special Incentive Plan dated May 24, 2021 between Henry Schein, Inc. and Brad Connett.\*\*#+
- 10.30 Form of Amended and Restated Change in Control Agreement dated December 12, 2008 between us and certain executive officers who are a party thereto (James Breslawski, Michael S. Ettinger, Mark Mlotek and Steven Paladino, respectively). (Incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the fiscal year ended December 27, 2008 filed on February 24, 2009.)\*\*
- 10.31 Form of Amendment to Amended and Restated Change in Control Agreement effective January 1, 2012 between us and certain executive officers who are a party thereto (James Breslawski, Michael S. Ettinger, Mark Mlotek and Steven Paladino, respectively). (Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on January 20, 2012.)\*\*
- 10.32 Form of Change in Control Agreement between us and certain executive officers who are a party thereto (Walter Siegel). (Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 30, 2019 filed on May 7, 2019.)\*\*
- 10.33 Henry Schein, Inc. Executive Change in Control Plan, effective as of May 2, 2022 between us and certain executive officers who are a party thereto (Ronald N. South, Brad Connett, David Brous, and Lorelei McGlynn). (Incorporated by reference to Exhibit 10.3 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 26, 2022 filed on May 3, 2022.)\*\*
- 10.34 Form of Indemnification Agreement between us and certain directors and executive officers who are a party thereto (Mohamed Ali, Deborah Derby, Joseph L. Herring, Kurt P. Kuehn, Philip A. Laskawy, Anne H. Margulies, Steven Paladino, Carol Raphael, Scott P. Serota, Bradley T. Sheares, Ph.D., Reed V. Tuckson, M.D., FACP, Stanley M. Bergman, James P. Breslawski, David Brous, Brad Connett, Michael S. Ettinger, Lorelei McGlynn, Mark E. Mlotek, Walter Siegel and Ronald N. South, respectively). (Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 26, 2015 filed on November 4, 2015.)\*\*

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- [10.35](#) [Amended and Restated Revolving Credit Agreement, dated as of August 20, 2021, among us, the several lenders parties thereto, and JPMorgan Chase Bank, N.A., as administrative agent. \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on August 23, 2021.\)](#)
- [10.36](#) [Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as servicer, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as agent and the various purchaser groups from time to time party thereto. \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on April 19, 2013.\)](#)
- [10.37](#) [Amendment No. 1 dated as of September 22, 2014 to the Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as servicer, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, LTD., New York Branch, as agent and the various purchaser groups from time to time party thereto. \(Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on September 26, 2014.\)](#)
- [10.38](#) [Amendment No. 2 dated as of April 17, 2015 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. \(Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2016 filed on August 4, 2016.\)](#)
- [10.39](#) [Amendment No. 3 dated as of June 1, 2016 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. \(Incorporated by reference to Exhibit 10.2 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 25, 2016 filed on August 4, 2016.\)](#)
- [10.40](#) [Amendment No. 4 dated as of July 6, 2017 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. \(Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2017 filed on November 6, 2017.\)](#)
- [10.41](#) [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. \(Incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 29, 2019 filed on August 6, 2019.\)](#)

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- [10.42](#) [Limited Waiver dated as of May 22, 2020 to Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as servicer, HSFR, Inc., as seller, lender, as agent and the various purchaser groups from time to time party thereto, as amended. \(Incorporated by reference to Exhibit 10.7 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2020 filed on August 4, 2020.\)](#)
- [10.43](#) [Amendment No. 6 dated as of June 22, 2020 to the Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as servicer, HSFR, Inc., as seller, lender, as agent and the various purchaser groups from time to time party thereto. \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on June 25, 2020.\)](#)
- [10.44](#) [Amendment No. 7 dated as of October 20, 2021 to Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as servicer, HSFR, Inc., as seller, lender, as agent and the various purchaser groups from time to time party thereto. \(Incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed on October 21, 2021.\)](#)
- [10.45](#) [Amendment No. 8 dated as of December 15, 2022 to Receivables Purchase Agreement, dated as of April 17, 2013, by and among us, as servicer, HSFR, Inc., as seller, lender, as agent and the various purchaser groups from time to time party thereto.\\*+](#)
- [10.46](#) [Omnibus Amendment No. 1, dated July 22, 2013, to Receivables Purchase Agreement dated as of April 17, 2013, by and among us, as servicer, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as agent, and the various purchaser groups from time to time party thereto and Receivables Sales Agreement, dated as of April 17, 2013, by and among us, certain of our wholly-owned subsidiaries and HSFR, Inc., as buyer. \(Incorporated by reference to Exhibit 10.5 to our Quarterly Report on Form 10-Q for the fiscal quarter ended June 29, 2013 filed on August 6, 2013.\)](#)
- [10.47](#) [Omnibus Amendment No. 2, dated April 21, 2014, to Receivables Purchase Agreement dated as of April 17, 2013, as amended, by and among us, as servicer, HSFR, Inc., as seller, The Bank of Tokyo-Mitsubishi UFJ, Ltd., as agent, and the various purchaser groups from time to time party thereto and Receivables Sales Agreement, dated as of April 17, 2013, by and among us, certain of our wholly-owned subsidiaries and HSFR, Inc., as buyer. \(Incorporated by reference to Exhibit 10.8 to our Quarterly Report on Form 10-Q for the fiscal quarter ended March 29, 2014 filed on May 6, 2014.\)](#)
- [10.48](#) [Receivables Sale Agreement, dated as of April 17, 2013, by and among us, certain of our wholly-owned subsidiaries and HSFR, Inc., as buyer. \(Incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K filed on April 19, 2013.\)](#)
- [21.1](#) [List of our Subsidiaries.+](#)
- [23.1](#) [Consent of BDO USA, LLP.+](#)

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|                      |  |
|----------------------|--|
| <a href="#">31.1</a> | <a href="#">Certification of our Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+</a>   |
| <a href="#">31.2</a> | <a href="#">Certification of our Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.+</a>   |
| <a href="#">32.1</a> | <a href="#">Certification of our Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.+</a>                         |
| 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 Annual Report on Form 10-K for the year ended December 31, 2022, formatted in Inline XBRL (included within Exhibit 101 attachments).+ |

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+ Filed or furnished herewith.

\* Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby agrees to furnish supplementally a copy of any of the omitted schedules and exhibits upon request by the U.S. Securities and Exchange Commission.

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

# Certain identified information has been excluded from the exhibit because it is both not material and is the type that the registrant treats as private or confidential.

**ITEM 16. Form 10-K Summary**

None.

## SIGNATURES

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

Henry Schein, Inc.

By: /s/ STANLEY M. BERGMAN

Stanley M. Bergman  
Chairman and Chief Executive Officer

February 21, 2023

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

| <u>Signature</u>  | <u>Capacity</u>  | <u>Date</u>       |
|---|--|-------------------|
| <u>/s/ STANLEY M. BERGMAN</u><br>Stanley M. Bergman                   | Chairman, Chief Executive Officer<br>and Director (principal executive officer)                | February 21, 2023 |
| <u>/s/ RONALD N. SOUTH</u><br>Ronald N. South                         | Senior Vice President, Chief Financial Officer<br>(principal financial and accounting officer) | February 21, 2023 |
| <u>/s/ JAMES P. BRESLAWSKI</u><br>James P. Breslawski                 | Vice Chairman, President and Director  | February 21, 2023 |
| <u>/s/ MARK E. MLOTEK</u><br>Mark E. Mlotek                           | Director   | February 21, 2023 |
| <u>/s/ MOHAMAD ALI</u><br>Mohamad Ali                                 | Director   | February 21, 2023 |
| <u>/s/ DEBORAH DERBY</u><br>Deborah Derby                             | Director   | February 21, 2023 |
| <u>/s/ JOSEPH L. HERRING</u><br>Joseph L. Herring                     | Director   | February 21, 2023 |
| <u>/s/ KURT P. KUEHN</u><br>Kurt P. Kuehn                             | Director   | February 21, 2023 |
| <u>/s/ PHILIP A. LASKAWY</u><br>Philip A. Laskawy                     | Director   | February 21, 2023 |
| <u>/s/ ANNE H. MARGULIES</u><br>Anne H. Margulies                     | Director   | February 21, 2023 |
| <u>/s/ STEVEN PALADINO</u><br>Steven Paladino                         | Director   | February 21, 2023 |
| <u>/s/ CAROL RAPHAEL</u><br>Carol Raphael                             | Director   | February 21, 2023 |
| <u>/s/ SCOTT SEROTA</u><br>Scott Serota                               | Director   | February 21, 2023 |
| <u>/s/ BRADLEY T. SHEARES, PH. D.</u><br>Bradley T. Sheares, Ph. D.   | Director   | February 21, 2023 |
| <u>/s/ REED V. TUCKSON, M.D., FACP</u><br>Reed V. Tuckson, M.D., FACP | Director   | February 21, 2023 |





November 11, 2021

Dear Brad,

Congratulations! On behalf of Henry Schein, Inc., this letter will serve to confirm your promotion to the position of **Chief Executive Officer, North America Distribution Group**, reporting to Stanley Bergman, Chairman and CEO, Henry Schein, Inc. , Effective date: 09/15/2021.

This letter will confirm the following salary adjustment effective 9/15/2021:

**Base Salary: \$575,000** per annum (less appropriate tax withholdings), payable on a bi-weekly basis. Salary reviews for exempt professional employees are generally conducted annually in March of each year. You will be considered for a salary review in March 2022. You recognize that the Company retains the right to establish and modify compensation, benefits and working conditions for its employees, and for its various categories of employees, in its sole discretion.

**Annual Bonus:** You will be eligible for an annual target bonus of up to **\$500,000** (less appropriate tax withholdings) based on your achievement of agreed upon goals. This bonus target along with your prior bonus target of **\$325,000** (less appropriate tax withholdings) will be calculated and then pro-rated based upon the effective date of your compensation adjustment. Both portions of your bonus, if earned, will be payable in March 2022. Thereafter, your goals, objectives and performance bonus targets will be developed on an annual on-going basis. In order to earn any annual bonus, you must be employed on the date such bonus is paid.

**Auto Allowance:** You will continue to be eligible to participate in the Company's Executive Automobile Plan, which currently provides for an allowance of **\$20,400** per year, payable monthly, less appropriate tax withholdings.

**Total Annual Cash (aggregate base salary, annual bonus target and auto allowance): \$1,095,400**

**Annual LTIP:** You will be eligible to participate in the Company's Annual Long Term Incentive (LTI) program. Your anticipated grant will have an estimated value of **\$1,000,000** and will be granted in March 2022, subject to your continued employment from the date hereof through the actual grant date. The LTI program currently consists of equity issuable in accordance with the Company's 2020 Stock Incentive Plan. Future eligibility to participate in the Company's LTI program, or any successor equity award program offered by the Company, is subject to the sole and absolute discretion of the Compensation Committee. The actual equity award, if any, will be determined on the grant date. All awards shall be subject to the terms and conditions of the LTI program and the agreements incident thereto and the full discretion and approval of the Compensation Committee.

**Total Annual Compensation (cash & equity): \$2,095,400**

**Retention Bonus:** You will be eligible for a Retention Bonus in the total amount of **\$2,000,000** which will be paid in 2 installments. So long as you are actively employed with the Company, within 90 days of the date that you sign this letter, you will receive a Retention Bonus of **\$1,000,000** less appropriate

tax withholdings (“First Installment”). On or about March 1, 2022, provided you continue to be employed, you will receive a second installment payment of the Retention Bonus in the amount of **\$1,000,000** (“Second Installment”), less appropriate tax withholdings. If you resign for any reason or are terminated for Cause (as defined below) within 12 months of any of these two installment payment dates, you will reimburse the Company for 50% of the last Retention Bonus installment payment.

**Legal Fees:** The Company will provide you with a cash payment in the amount of \$5,000 (net of all regular and customary payroll deductions) which is intended to cover any and all expenses that you might have in connection with the legal review of this letter agreement and the accompanying confidentiality, non-solicitation and non-compete agreement. The payment will be made within ten (10) business days of your execution of this letter.

**Termination:** You acknowledge and agree that you are an employee at-will and that the Company may terminate your employment at any time, with or without cause. Upon termination by the Company for any reason, the Company shall have no obligation to you for any form of compensation or benefits, except as otherwise required by law or as expressly set forth in this paragraph, other than (a) unpaid salary earned or accrued through the date of termination, and (b) reimbursement of appropriately documented expenses incurred by you before the termination, to the extent that you would have been entitled to such reimbursement under the Company’s policies but for the termination of employment. In the event that the Company terminates your employment without Cause, you shall receive as severance, subject to the terms and conditions set forth herein: (1) continued base salary for eighteen months (the “Severance Period”) following the effective date of such termination, which shall be payable, subject to the following paragraph concerning Section 409A Compliance, in equal installments in accordance with the Company’s payroll practices beginning on the first payroll date after the 60<sup>th</sup> day following your termination; (2) provided that you make a timely election under COBRA, waiver of the applicable premium otherwise payable for COBRA continuation coverage for you (and, to the extent covered immediately prior to the date of your termination, your spouse and eligible dependents) for a period equal to the Severance Period (but in no event longer than the maximum COBRA period under applicable law) or if the Company determines that the waiving of the COBRA premiums would result in a violation of the Affordable Care Act, the nondiscrimination rules of Section 105(h)(2) of the Code or any other statute or regulation, then, in lieu thereof, you will receive monthly payments equal to the monthly “applicable premium,” as that term is defined under COBRA; and (3) a prorated amount of your annual target bonus based upon the number of full months of completed employment as of the date of termination, payable subject to the following paragraph concerning Section 409A Compliance, at the time the Company pays annual bonuses to its active employees (amounts under (1), (2) and (3), collectively, the “Severance Benefits”). In addition, in the event that you are terminated without Cause prior to the payment of the second installment payment of the Retention Bonus, you will also receive the second installment payment of the Retention Bonus payable subject to the following paragraph concerning Section 409A Compliance (“Additional Severance Benefit”). All Severance Benefits (including the Additional Severance Benefit, if applicable) are only payable provided that you timely execute (and do not revoke) a general waiver and release agreement agreed to by you in a form approved by the Company. These severance payments will be subject to all regular and customary payroll deductions. You understand that in the event the Company reemploys you during the period which the severance benefits are being paid, severance payments will cease after you have received severance pay for all the weeks you were not employed by the Company. You also understand in the event that you breach any other agreement with the Company, including any non-competition or other restrictive covenant agreement with the Company, all severance payments will cease and the Company shall have the right to recover any severance payments previously paid or provided to you.

For purposes of this letter agreement, "Cause" shall mean: (1) fraud, intentional and substantial misrepresentation or similar malfeasance, committed in connection with the performance of your duties hereunder; (2) theft of Company property; (3) conviction of a felony or a crime involving moral turpitude whether or not related to your employment or entering a plea of guilty or nolo contendere (or similar plea) to a charge of such an offense; (4) use of alcohol to an extent that it interferes with the performance of your duties under the Agreement or any unlawful controlled substance; (5) material violation of any express, lawful written direction of the Executive Committee of the Company or your manager or material violation of any written rule, regulation, policy or plan established by the Company from time to time; (6) gross insubordination; (7) repeated or continued absence (amounting to five full business days consecutively) from work during normal business hours for reasons other than disability, sickness, approved vacation or other approved time off; (8) written misrepresentation of a material fact or omission of information necessary to make the information supplied not materially misleading in any application or other information provided by you to the Company or any representative of the Company in connection with your employment with the Company and/or selection for the position contemplated hereby; (9) the unauthorized and intentional disclosure of Confidential Information (as defined in the accompanying confidentiality, non-solicitation, non-compete and/or inventions agreement); or (10) the existence of any knowing material conflict between the interests of the Company and you that is not disclosed in writing by you to the Executive Committee of the Company within a reasonable time of the discovery of such conflict and approved in writing by the authority of the Executive Committee of the Company; provided, however, that "Cause" shall not be deemed to have occurred with respect to sub-sections (5), (6) or (7) above unless you have first received written notice of conduct complained of by the Company which specifically sets forth the conduct complained of and refers to this paragraph, and if such conduct is capable of being cured, you have failed to cure such conduct within a period of 30 days from the date of such notice.

**Section 409A Compliance:** Although the Company does not guarantee you any particular treatment related to the payments or benefits hereunder, it is intended that the payments and benefits herein shall be exempt from, or comply with, Section 409A of the Internal Revenue Code and the regulations and guidance promulgated thereunder (collectively "Section 409A"), and all provisions of the Agreement shall be construed in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Notwithstanding anything herein to the contrary, in no event whatsoever shall the Company be liable for any taxes or penalties that may be imposed on you by Section 409A or any damages for failing to comply with Section 409A. Notwithstanding anything contained herein to the contrary, each and every payment made hereunder shall be treated as a separate and distinct payment and not as a series of payments. In no event shall you designate the tax year of the commencement of any payments or benefits hereunder and the Company shall determine the actual commencement date of payment of any payments or benefits hereunder. Notwithstanding the foregoing or anything else contained herein to the contrary, if you are a "specified employee" (determined in accordance with Code Section 409A and Treasury Regulation Section 1.409A-3(i)(2)) as of the termination date, and if any payment, benefit or entitlement provided for hereunder constitutes a "deferral of compensation" within the meaning of Code Section 409A, then any such payment, benefit or entitlement that is payable during the first 6 months following the date of your separation from service shall be paid or provided to you in a lump sum cash payment to be made on the earlier of (x) your death or (y) the first business day of the seventh calendar month immediately following the month in which the separation from service occurs. A termination of employment shall not be deemed to have occurred for purposes of any provision of this letter providing for the payment of any amounts or benefits, which are subject to Code Section 409A, upon or following a termination of employment unless such termination is also a "separation from service" within the meaning of Code Section 409A (and the guidance issued thereunder) and, for purposes of any such provision of this letter, references to a "resignation," "termination," "termination of employment," "retirement" or like terms shall mean separation from service. To the extent that any reimbursements payable pursuant to this letter agreement are subject to

the provisions of Section 409A, (i) any such reimbursements payable to you pursuant to this letter agreement shall be paid to you no later than December 31<sup>st</sup> of the year following the year in which the expense was incurred, (ii) the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and (iii) your right to reimbursement under this letter agreement will not be subject to liquidation or exchange for another benefit.

Your annual PTO entitlement will remain unchanged and will be subject to the Company's policies.

You will continue to be eligible to participate in the Company's annual Executive Physical Program.

It is important to understand that you will continue to be employed "at-will," that our Company does not offer employment on a fixed term or guaranteed basis and the representations in this letter and those discussed in our meetings and phone conversations with you should not be construed in any manner as a proposed contract for any fixed term of employment.

You will be required to execute an updated confidentiality, non-solicitation and non-compete agreement (the "Agreement") as a condition of your employment. This offer and your employment with the Company are contingent on your execution of this document and the Agreement as requested by the Company.

If you have any questions or desire further information, feel free to contact me at 631-484-4729.

Please acknowledge your acceptance of this offer by signing a copy of this letter and returning it to me.

Very truly yours,

/s/ Lorelei McGlynn

\_\_\_\_\_  
Lorelei McGlynn

SVP and Chief Human Resource Officer

Accepted by:

/s/ Bradford Connett

\_\_\_\_\_  
Bradford Connett

2021 Annual Compensation

| <u>Item</u>                    | <u>Current</u>             | <u>Updated (Effective 9/15/21)</u>                   |
|--------------------------------|----------------------------|--|
| Base Salary                    | \$475,000                  | <b>\$575,000(+21%)</b>                               |
| Bonus Target (Paid in Q1 2022) | \$325,000<br>(68% of Base) | <b>\$500,000<sup>1</sup></b><br><b>(87% of Base)</b> |

One-time Compensation Package

| <u>Item</u>   | <u>Current (Awarded in May)</u>  | <u>Additional Approved Award</u>   |
|---------------|--|--|
| One-time Comp | <ul style="list-style-type: none"> <li>• Special Cash Retention: \$200,000</li> <li>• Special Incentive Plan: \$400,000</li> </ul> <b>Total Special Award: \$600,000</b> | <ul style="list-style-type: none"> <li>• <b>\$1,000,000 Cash Bonus on or about 10/1/2021<sup>2</sup></b></li> <li>• <b>\$1,000,000 Cash Bonus on or about 3/1/2022<sup>2</sup></b></li> </ul> Total Special Award of \$2,000,000 |

2022 LTIP Commitment

| <u>Item</u> | <u>Proposed</u>   |
|-------------|---|
| 2022 LTIP   | <ul style="list-style-type: none"> <li>• <b>\$1,000,000 to be awarded in March of 2022</b> Subject to the Compensation Committee's Final Approval in March</li> </ul> |

## Notes:

1. New bonus target to be pro-rated for the remainder of 2021.
2. In exchange for an updated non-compete. For each of the payment, if you leave the Company for any reason within 12 months of the payment date, you must reimburse the Company for 50% of the entire award amount.

**AGREEMENT**

THIS AGREEMENT (“Agreement”) dated November 11, 2021 (the “Effective Date”) is between Henry Schein, Inc., a Delaware corporation (the “Company”) whose principal place of business is 135 Duryea Road, Melville, N.Y., and Bradford C. Connett (“Employee”).

WHEREAS, Employee is and has recently been President of the U.S. Medical Group of the Company, and in this capacity, is one of the most senior executives in the Company, and is a member of the Executive Management Committee; and

WHEREAS, Employee is being further promoted by the Company, to the new role of Chief Executive Officer of the Company’s North American Distribution Group, which will be one of the most senior positions in the Company, leading a large portion of the Company’s business; and

WHEREAS, the parties acknowledge that Employee is and will be a unique employee of the Company, and that Employee will be privy to key and critical confidential information and trade secrets concerning the entire Company, its affiliates, and their businesses, planning, strategic initiatives, expansion and futures, and concerning the Company’s businesses, and the interaction among the businesses of the Company’s various units; and, the parties further acknowledge that in connection with and/or as part of Employee’s employment by the Company, Employee is expected to have access to, and to assist in developing, highly confidential and proprietary information related to the Company, its affiliates, divisions, groups, and/or their businesses, plans, products and services; and

WHEREAS, entry into this Agreement is a material part of Company agreeing to employ Employee in this role; and

WHEREAS, Employee has had an opportunity to consider the matter, has had the opportunity to review the terms and restrictions hereof with independent legal counsel of his own choosing, and has made an independent and informed decision that this Agreement is (a) fair and not excessive; (b) necessary for the protection of the Company and its business; and (c) that entry into this Agreement, and compliance with the terms hereof, including the restrictions set forth herein, is reasonable and is in the parties’ best interests.

NOW, in consideration of the premises, and in recognition of the confidential and proprietary information of the Company which he will utilize and develop and/or to which he will be exposed and have access, and of the key employment he will be promoted to in the Company; and further in consideration of the covenants and promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Employee agrees with the Company as follows:

## 1. Specific Restrictions.

1.1 (a) During his employment with the Company and/or any affiliate, Employee shall work only on behalf of Company or such affiliate, and shall devote his full time, energy, effort and loyalty to Company and any such affiliate, and shall not engage, directly or indirectly, in any actions or conduct which compete with, or which aid, further or assist any competitor of, or any entity attempting to compete with, the Company and/or any affiliate of the Company. During his employment with the Company and/or any affiliate, the Employee shall not (unless otherwise agreed in writing by the Company) undertake any other business or profession or be or become an employee or agent or consultant of any other firm, company or other person, or assist or have any financial interest in any other business or profession, except as specifically disclosed to (and agreed in advance by) the Company; provided, however, nothing contained in this paragraph shall prevent Employee from holding for investment, no more than one percent (1%) of any class of equity securities of a company whose securities are publicly traded on a national securities exchange or in a national market system.

(b) During Employee's employment with the Company or with any affiliate of the Company, and for a period of eighteen (18) months after the date on which Employee ceases to be employed by the Company and/or its affiliates ("Restricted Period"), the Employee will not, without the prior written consent of the Company: (i) aid or assist or be employed by any entity other than the Company or such affiliate, in connection with engaging in any Restricted Business, or in connection with the conduct of a Restricted Business; (ii) aid or assist any entity other than the Company or an affiliate of the Company, in working in a Restricted Business; (iii) aid or assist any entity other than the Company, or an affiliate of the Company, in working in a Restricted Business with a Restricted Customer, Business Associate and/or a Restricted Supplier; (iv) solicit, or attempt to solicit, on behalf of anyone other than the Company or an affiliate of the Company, the business or custom of a Restricted Customer with a view to providing goods or services that compete or attempt to compete with those available from the Company or an affiliate; (v) attempt to divert or entice away from the Company or any affiliate, the business or custom of an existing customer in any Restricted Business; (vi) solicit or attempt to encourage a Restricted Customer, Business Associate or a Restricted Supplier to enter into a transaction in any Restricted Business, with an entity other than Company or an affiliate; (vii) except on behalf of the Company or its affiliates, be involved in the planning of sales, promotions, marketing or business efforts of any kind, in a Restricted Business; (viii) interfere with the business relationships between Company or any of its affiliates, and any Restricted Customer, Business Associate or Restricted Supplier, or any vendor, distributor or supplier of the Company in a Restricted Business; (ix) except in the good faith performance of his duties on behalf of the Company or its affiliates, induce any Restricted Customer, Restricted Supplier or Business Associate to terminate, modify or reduce their relationship with Company or any of its affiliates; (x) advise, assist, or work for, any entity other than Company or one of its affiliates, in connection with (A) the development, sale, warehousing, marketing, delivery and/or distribution of products or services (including technology/software products or services) to office based practitioners in the dental or medical field, or to any other entities in the healthcare field in similar settings (whether or not staffed by a physician or dentist), such as ambulatory centers, and integrated delivery networks; (B) manufacturing activities in the dental and/or medical field,

of the type conducted by Company or any affiliate at any time during the two (2) years prior to the last day of Employee's employment with the Company and/or its affiliates; or (C) distribution services to dental, medical, device or product companies, in the office based dental, medical and/or healthcare markets in similar settings (whether or not staffed by a physician or dentist), such as ambulatory centers, and integrated delivery networks; (xi) have an interest, directly or indirectly, in an entity or enterprise, which Employee is prohibited from working for or assisting under one of the other sections of this Agreement, during the period when such prohibition is in effect; provided, however, that Employee may own, directly or indirectly, solely as an investment, less than one percent (1%) of a class of publicly traded securities of any entity.

(c) During Employee's employment with the Company or any affiliate, and for a period of eighteen (18) months after the date on which Employee ceases to be employed by the Company and/or its affiliates, Employee will not, directly or indirectly: (i) solicit any employee, consultant, director or officer of the Company for employment with any other employer or firm, or assist any other person or entity in identifying for recruitment, or recruiting, any of such persons; (ii) except in the good faith performance of his duties while employed by the Company or an affiliate, encourage any employee of the Company or an affiliate, to leave the employ of the Company or affiliate; (iii) encourage any employee of the Company or an affiliate to breach a contract with the Company or any affiliate; (iv) without the prior written consent of the Company, pursue, engage in or utilize on behalf of anyone other than the Company or its affiliates, any proposed business arrangement or business plan on which Employee worked while employed by the Company or an affiliate.

(d) As used in this Agreement,

(i) The term "affiliate" shall have the same meaning as under Securities laws of the United States, such as Rule 405 of the Securities Act of 1933.

(ii) The term "Business Associate" shall have the following meaning: (A) with respect to the period of Employee's employment with the Company or with any of its affiliates, a "Business Associate" shall be understood to mean: (1) any entity or person having material business relations with the Company or an affiliate; and/or (2) any entity or person other than the Company or its affiliates, which, at any time during Employee's employment with the Company and/or its affiliates, worked with Company in identifying, analyzing, evaluating, assisting, formulating or executing, a consummated or potential transaction or other business venture; (B) with respect to the period after Employee ceases to be employed by the Company and/or its affiliates, a "Business Associate" shall be understood to mean: (1) any entity or person having material business relations with the Company during the three (3) years prior to the last day of Employee's employment with the Company and/or its affiliates, and which, at any time during the three (3) years prior to the last day of Employee's employment with the Company or its affiliates, had material business relationships with any part or aspect of the Company's North American Distribution Group, and/or with any other business group or unit of the Company which reported to or was supervised by Employee, or about which Employee was exposed to Confidential Information in connection with his employment.



(iii) The term "Company" as used in this Agreement shall be understood to mean and include, Company, Company's affiliates, Company's direct and indirect subsidiaries, and Company's permitted assigns to whom this Agreement has been assigned.

(iv) The term "Restricted Business" shall have the following meaning: (A) with respect to the period of Employee's employment with the Company or with any of its affiliates, "Restricted Business" shall be understood to mean: each and all of the business(es), lines of business, and/or business segments of the Company, and/or of any of its affiliates; (B) with respect to the period after Employee ceases to be employed by the Company and its affiliates, "Restricted Business" shall be understood to mean: each of the business(es), lines of business, and/or business segments of the Company and/or of any of its affiliates, which, at any time during the three (3) years prior to the last day of Employee's employment with the Company and/or its affiliates, reported to, worked with or was supervised by Employee, or about which Employee, during his employment, learned or was provided, Confidential Information. Without limiting the generality of the foregoing, at all times, "Restricted Business" shall include, without limitation: each and all of the businesses, lines of business and business segments, of the Company's North American Distribution Group, and of any business group or unit of the Company and/or of any of its affiliates, which, at any time during the three (3) years prior to the last day of Employee's employment with the Company and/or its affiliates: reported to or was supervised by Employee; worked with Employee; or about which Employee learned or was provided access to, Confidential Information.

(v) The term "Restricted Customer" shall mean: (A) with respect to the period of Employee's employment with the Company or any of its affiliates, "Restricted Customer" shall be understood to mean: any customer of the Company or of any affiliate; (B) with respect to the period after Employee ceases to be employed by the Company and its affiliates, "Restricted Customer" shall be understood to mean: (1) any firm, entity, company or other person, who, at any time during the thirty-six (36) months prior to Employee's last day of employment with the Company and its affiliates, was a customer of: any business or line of business of the Company's North American Distribution Group; (2) any firm, entity, company or other person, who, at any time during the thirty-six (36) months prior to Employee's last day of employment with the Company and/or its affiliates, was a customer of any business group or unit of the Company and/or its affiliates, which, at any time during such thirty-six month period, reported to, worked with or was supervised by Employee, or about which Employee learned or was provided access to, Confidential Information; (3) any customer of the Company or any affiliate who, at any time during the thirty-six (36) months prior to the date on which Employee ceases to be employed by the Company and/or its affiliates, was a customer of, or in the custom of engaging in business dealings with, the Company or any affiliate, and with whom, at any time during such period, the Employee, or an employee under the supervision of Employee, dealt on behalf of the Company or affiliate; (4) any firm, entity, company or other person, with which, at any time during the thirty-six (36) months prior to the date on which Employee ceases to be employed by the Company and/or its affiliates, the Company or an affiliate had negotiations or discussions regarding transactions and/or a business relationship, and with whom the Employee, or

an employee under the supervision of Employee, dealt on behalf of the Company or affiliate at any time during such period; (5) any customer of the Company or its affiliates whom Employee, or an employee under the supervision of Employee, at any time during the thirty six (36) months prior to Employee's last day of employment with the Company and/or its affiliates, was involved in soliciting, servicing or selling to, or in planning, specific or directed sales, promotions or marketing to; and/or (5) any customer of the Company or its affiliates about whom Employee, at any time during the thirty-six (36) months prior to Employee's last day of employment with the Company and/or its affiliates, accessed or received any Confidential Information.

(vi) The term "Restricted Supplier" shall have the following meaning: (A) with respect to the period of Employee's employment with the Company or any of its affiliates, the term "Restricted Supplier" shall be understood to mean: any firm, company or other person who is a provider or supplier of goods or services (other than utilities and goods or services supplied for administrative purposes) to the Company or any affiliate (and including, without limitation, any individual or entity who or which provided services to the Company or affiliate by way of a consultancy agreement); (B) with respect to the period after Employee ceases to be employed by the Company and/or its affiliates, the term "Restricted Supplier" shall be understood to mean: any firm, company or other person who at any time during the thirty six (36) months prior to Employee's last day of employment with the Company and/or its affiliates: (1) was a provider or supplier of goods or services (other than utilities and goods or services supplied for administrative purposes) to any of the businesses, lines of business and/or business segments, of the North American Distribution Group, or of any business group or unit of the Company and/or any of its affiliates, which, at any time during such thirty-six (36) month period, reported to, worked with or was supervised by Employee, or about which Employee learned or was provided access to, Confidential Information; (2) was a provider or supplier of goods or services (other than utilities and goods or services supplied for administrative purposes) to the Company or any affiliate (and including, without limitation, any individual or entity who or which provided services to the Company or affiliate by way of a consultancy agreement), and: (A) with whom the Employee, or an employee under the supervision of Employee, dealt on behalf of the Company or an affiliate during such period, or (B) for whom Employee was responsible on behalf of the Company or affiliate, or (C) about whom Employee received Confidential Information.

1.2 (a) Employee acknowledges and the parties agree that, as part of his employment with Company, Employee will receive from Company and/or Company's affiliates, and/or will develop or obtain during his employment with the Company or its affiliates, confidential and/or proprietary information, including information that is not readily and properly available to the public, or is not readily and properly available to others in the trade, including, without limitation, (i) information disclosed to Employee and/or Company in confidence, (ii) information developed by Company or its affiliates, or by Employee, while employed by Company or an affiliate, and not intended by Company or affiliate for disclosure to the public or trade; and/or (iii) confidential information of other types, including, but not limited to: (1) confidential information concerning the Company, its affiliates, their operations, plans and strategic planning; (2) confidential business plans and analysis, financial and market data and analysis; confidential information on the "know how" of the Company and its affiliates,

business development, marketing, legal and accounting plans, strategies, methods, policies, procedures and techniques; (3) nonpublic data of the Company and/or its affiliates, pertaining to business units and lines of business in which the Company or its affiliates compete or may compete, or may be considering a transaction or business; such information may include confidential information pertaining to units of the Company which may not report to Employee, but as to which Employee learns information and may provide input; (4) research and development projects and results; (5) trade secrets and/or other knowledge or processes of or developed or obtained by the Company or its affiliates; (6) information developed by Employee during his employment with Company; (7) names and addresses of certain confidential or shielded vendors, sources of supply, suppliers and certain employees and customers; (8) confidential data on or relating to past, present or prospective customers, suppliers, products and markets; (9) the Company's and the Company's affiliates' confidential information concerning operations, future business plans, pricing, strategies, acquisition plans, expansion plans and other matters; (10) Company's and Company's affiliates' confidential information and compilations of information, regarding operations, sales, revenues, sales plans, customers, products, methods of conducting and obtaining business, providing or advertising services, or obtaining customers; (11) the terms of agreements or arrangements to which Company or its affiliates are or were a party; (12) gross and net profit margins and credit terms at which Company or its affiliates obtain product and/or sell and/or are willing to sell to any of its customers. (The information described in Section 1.2(a) and its subparts is collectively referred to as "Confidential Information".) Confidential Information shall also include a third party's information received by the Company subject to an obligation of confidentiality, including, but not limited to, credit, financial and/or information subject to confidentiality obligations under HIPAA. Notwithstanding the foregoing, Confidential Information shall not include information which was generally known by, or readily available through proper means to, the general public or the trade, prior to Employee's receipt, use or disclosure of it. Notwithstanding any other provision hereof, Employee may not disclose or utilize, and shall protect and keep confidential, any information that Employee, in breach of this Agreement, released to third parties or the public, in violation of Employee's obligations by law or hereunder.

(b) The parties recognize and agree that the Confidential Information is confidential and/or proprietary to Company, and is the property of the Company. During Employee's employment with the Company and/or any affiliate, and at all times following the termination of Employee's employment with Company and its affiliates for any reason, Employee shall not use for his own benefit, or the benefit of any company, entity, or person, other than the Company or its affiliates, or disclose to any business, firm, corporation, association, venture, or any other entity or person, for any reason or purpose whatsoever (other than making proper use thereof, while employed by Company in the proper conduct of the Company's business), the Confidential Information or any part thereof.

(c) Employee further agrees that, during the Restricted Period, he shall not, other than as provided herein, individually or together with others, directly or indirectly, engage in any activity, action, work, business, enterprise or function (other than working for the Company and on its behalf) in which Confidential Information: (i) will be material to Employee's work in such activity, action, work, business, enterprise or function, and/or (ii) would be disclosed to, or used on behalf of, anyone other than the Company or the Company's affiliates.

1.3 (a) Employee acknowledges and the parties agree: that if Employee engaged in the activities restricted under Sections 1.1 or 1.2 hereof, the improper use and disclosure of Company's Confidential Information would result, and/or that there would be unfair competition, and/or improper misappropriation and improper use of the Confidential Information by persons or entities other than Company; and that the restrictions set forth in Sections 1.1, 1.2, and throughout this Agreement, are necessary to protect Company's Confidential Information from misappropriation or improper use, and also to protect Company's customer, employee, and vendor relationships and good will, and its investment in its business.

(b) The parties contemplate that Employee's work and responsibilities on behalf of Company will be in, and/or directed to, the North American distribution market, and that his subsequent work may be in the same, additional or other markets. Accordingly, the geographic scope of the restrictive provisions set forth herein, shall be (A) with respect to the period of Employee's employ with the Company or any of its affiliates, the geographic territories and markets where the Company competes or does business; (B) with respect to the period after Employee ceases to be employed by the Company and/or its affiliates, only (1) the geographic territories and markets in which any of the following operate or do business: (i) the North American Distribution Group; (ii) any other business(es), lines of business, business segments, and/or any other business unit or business group, which, at any time during the thirty six (36) months prior to the last day on which Employee works for the Company and/or its affiliates, Employee supervises or leads, or which, during such period, reported to Employee, or concerning which Employee learned or accessed, Confidential Information.

1.4 Employee expressly agrees that the provisions of this Section 1 and of this Agreement, including, without limitation, the restrictions of Sections 1.1, 1.2 and 1.3, and throughout the Agreement, are reasonable and are properly and necessarily required for the adequate protection of the Company, and the business, and the operations, intellectual property, trade secrets, Confidential Information and goodwill of the Company and its affiliates.

1.5 Nothing contained herein shall diminish or supersede any additional protections which Company may have under any other applicable agreements between the parties or otherwise, or under applicable law or any applicable Company policies. All such remedies shall be cumulative and severally enforceable.

## 2. Return of Company Property

2.1 All documents, materials, data bases, analyses, electronic documents, hardware, software, advertising or sales material or information, price lists, customer lists, order forms, order guides, samples, inventory lists, company data and information, smartphone, drives, data storage devices, notebook, tablet and laptop computers and the data contained therein, and/or other material or data of any kind furnished to Employee by Company or its affiliates, or prepared or obtained by Employee on behalf or at the direction of Company or its affiliates, or in connection with Employee's employment, and all Confidential Information, and proprietary information of Company or its affiliates, shall be and remain the property solely of the Company or such affiliates.

2.2 Upon termination of Employee's employment for any reason, Employee will immediately deliver to Company, all of Company's and Company's affiliates' property, computers, drives, data, papers, books, manuals, lists, correspondence, and documents (regardless of their format or media), Confidential Information, and proprietary information, as well as any other matters or materials which may involve the business of Company or any of its affiliates, together with all copies thereof, irrespective of whether Employee created the same or was involved with the same. Employee will neither copy nor take any such material upon termination of Employee's employment for any reason, and will return all physical and electronic copies previously made. Employee shall not be entitled to, and shall not, retain any copies thereof. Title and copyright therein shall vest in the Company. Employee shall also provide to Company, all passwords, codes, pins, and other access modalities, needed for, or to facilitate, access to, and/or use of, the computers, drives, devices, documents, websites, cloud storage, and other devices, sites and materials, on which any Confidential Information or other property of the Company or its affiliates are located or accessible, and/or which belong to the Company or its affiliates, or the return of which is provided for hereunder. The Employee shall not destroy any of such property, sites, or devices, except with the express, written permission of the Company, but instead shall deliver all such property to the Company. Employee shall identify the location of all data and electronic copies of the Company's data, property and Confidential Information, and, if directed by Company, shall permit, assist in and facilitate, the removal and/or expungement of the Company's data and information from media owned or controlled by Employee. For purposes of clarity, Form W-2s or other compensation and benefits information provided by Company to Employee shall not be deemed Company property and may be retained by Employee, unless otherwise directed by the Company.

3. Employee hereby acknowledges and agrees that notwithstanding termination or expiration of this Agreement, and notwithstanding termination of Employee's employment with the Company and/or its affiliates, and notwithstanding the reason(s) for any such termination, and notwithstanding which party prompted any such termination, and notwithstanding any change in status, job title, responsibilities and function of Employee with the Company and/or its affiliates, the restrictions and provisions herein that contemplate survival after termination, including, without limitation, the restrictions and provisions set forth in Sections 1 and 2 hereof, and in the subsections of those Sections, shall continue and remain in full force and effect, regardless of the reason for termination of employment, or termination of this Agreement, or change in status, job title, responsibilities or function, and regardless of whether termination of employment or of this Agreement was initiated or caused by Company or by Employee. No claim or counterclaim of Employee shall serve as a defense to enforcement of this Agreement by the Company or its affiliates.

4. Non-disparagement. Employee agrees that, during the Restricted Period as defined in Section 1.1(b) above, he shall not make, directly or indirectly, to any person or entity including, but not limited to, present or former employees of the Company and/or the press, and/or to any others, any intentionally disparaging oral, electronic or written statements about the Company and/or any affiliate, its and their employees and customers, products or services, or Employee's employment with or separation from employment with the Company, or intentionally do anything which materially discredits the Company and/or any affiliate and/or its and their services, reputation, financial status, or business relationship; Employee agrees that he will not make any such intentionally disparaging statements, directly or indirectly, orally, in writing, or

on any social media or other internet sites, including but not limited to, Facebook, Snapchat, Twitter, Instagram and LinkedIn; or on any other blogging and/or microblogging sites; or on any personal website or blog; or on any video sharing or hosting websites, including but not limited to YouTube; or by e-mailing such to any distribution list or list-serve to which Employee may subscribe, or which Employee maintains, participates in or moderates. Nothing contained herein shall prevent Employee from testifying truthfully in any judicial, arbitral, administrative or regulatory body proceeding, or from acting or participating voluntarily or involuntarily in an actual or possible government investigation, or investigation by the SEC, the NLRB, or other Governmental entity, or from exercising any other rights, including any rights Employee may have under the National Labor Relations Act and other statutes and regulations, to disclose or comment upon Employee's terms and conditions of employment, or otherwise.

#### 5. Certain Rights and Remedies upon Breach.

5.1 Enforcement. Employee acknowledges and agrees that the protection for the Company set forth in this Agreement is of vital concern to the Company, that monetary damages for any violation thereof would not adequately compensate the Company, and that the Company is engaged in a highly competitive business; Employee agrees that the Company shall be entitled, in addition to all other rights and remedies available under this Agreement and applicable law, as a matter of course, to an injunction, restraining order and other equitable relief, without posting bond, from any court of competent jurisdiction, restraining any violations or threatened violations of this Agreement by Employee. Employee further agrees that this section shall apply whether or not his employment hereunder has terminated, and regardless of the reasons for such termination. Employee acknowledges and agrees that his experience and capabilities are such that enforcement of this Agreement by injunction and otherwise will not prevent him from earning a living. Accordingly, it is understood and agreed that the Company, to the greatest extent permitted by law, shall be entitled to provisional remedies (including without limitation, temporary restraining order, preliminary and permanent injunctive relief) and damages, enforcing the terms hereof. Thus, if Employee breaches, or threatens to commit a breach of, any of the provisions hereof, Company shall have all of its rights and remedies at law and in equity, and shall also have the following rights and remedies, each of which rights and remedies shall be cumulative and independent of the others and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to Company by contract, under law or in equity: (a) specific performance; and (b) monetary damages incurred by the Company as the result of any breach hereof.

#### 6. Additional Provisions

(a) Invalidity and Severability. If any provisions of this Agreement are held to be invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions of this Agreement, and further, the provisions of this Agreement are intended to be and shall be deemed severable. In particular and without limiting the foregoing sentence, if any provision of this Agreement shall be held invalid or unenforceable, such invalidity or unenforceability shall attach only to such provision and shall not affect or render invalid or unenforceable any other provision of this Agreement. Further, the parties hereto expressly agree that those terms or conditions hereof, if any, which are found to be invalid, illegal or unenforceable, shall, to the greatest extent permitted by law, be modified by the court, to

conform to the most expansive permissible reading under the law that is consistent with the parties' intent as expressed herein, and the parties expressly agree that this Agreement incorporate such modification. The parties specifically acknowledge and agree that each of the restrictions set forth herein is intended to be separate and severable, and that, if any of the restrictions shall be held to be void or unenforceable, the parties agree that it is their intent that the void or unenforceable provisions shall be deemed severable, and that the rest of this Agreement shall be fully enforceable, to the greatest extent permitted by law, and that the void or unenforceable provisions, if any, shall be enforced to the greatest extent that they may be enforced under law.

(b) Applicability. The parties agree that this Agreement and all provisions hereof, shall remain in full force and effect, regardless of whether Employee's title, position, responsibilities and work for the Company change or are altered, and regardless of whether Employee is reassigned by the Company to new duties, titles and responsibilities.

(c) Acknowledgement of Status. Company and Employee hereby acknowledge and agree that Employee's employment by the Company is and shall be at-will, and nothing herein changes this status. Accordingly, either party may, at any time, terminate Employee's employment for any lawful reason or for no reason at all, with or without notice, and with or without cause. Notwithstanding such termination, the restrictions and remedies provided in the Agreement which, by their terms, are to survive termination, including, without limitation, such provisions in Sections 1, 2, 3, 4, 5 and 6, shall survive termination.

(d) Assignment. This Agreement may not be assigned by the Employee, without the Company's prior written consent, and any attempted assignment without such consent shall be deemed void. The Company may assign this Agreement, in its sole discretion: (i) as part of the transfer or sale of all or substantially all of the assets of the lines of business in which Employee is employed (by way of sale, merger or otherwise); and/or (ii) to any affiliated or unaffiliated entity; upon such permitted assignment, at Company's option, the burden and benefit hereof will be upon the permitted assignee.

(e) Benefit – The rights and covenant of this Agreement, and all terms hereof, shall inure and extend to the parties hereto, their respective heirs, personal representatives, successors and permitted assigns.

(f) Waiver of Breach – Waiver, or delay in seeking a remedy, by either party of a breach of any provision of this Agreement by the other party, shall not operate or be construed as a waiver of that or of any subsequent breach.

(g) Applicable Law; Jurisdiction. Any action relating to this Agreement or the breach thereof shall, to the greatest extent permitted by law, be brought only and exclusively, in the State or federal courts sitting in Delaware, and the parties expressly consent to the exclusive jurisdiction and venue of such courts for such purpose. This Agreement shall, to the greatest extent permitted by law, be governed by and construed in accordance with the laws of the State of Delaware, without regard to conflicts of law.

(h) Entire Agreement – Except as otherwise specifically provided herein, this Agreement sets forth the entire agreement and understanding between the Company and Employee relating to the subject matters hereof and supersedes all prior understandings, agreements and representations with respect to the subject matters covered by this Agreement; except that this Agreement shall not supersede or in any way nullify any obligation that Employee has to protect the Company's confidential information, or to refrain from competing with the Company, and/or from soliciting Company employees or customers during or after Employee's employment is terminated, and/or to assign intellectual property to the Company, which obligations are: (i) imposed by law or equity; or (ii) which obligations are under any agreement(s) Employee has entered into with the Company, its parents, predecessors or subsidiaries, or which Employee is entering into at this time; but rather such obligations contained in those agreement(s), remain in full force and effect and are cumulative of the remedies set forth herein. No modification of or amendment to this Agreement, or any waiver of any rights under this Agreement, will be effective unless in a writing signed by the party to be charged.

(i) Interpretation. To the greatest extent permitted by law, any rule of law or legal decision that would mandate the interpretation of any ambiguities in this Agreement against a party, or that would require that the Agreement be strictly interpreted against one party or the other, shall be of no application and is expressly waived.

(j) Notices. Any notice hereunder, if any, may be given personally to the Employee or to the Corporate Secretary of the Company (as the case may be), or may be sent to the Company by a generally recognized overnight delivery service (to the attention of its Corporate Secretary) at its above stated headquarters, or to the Employee, in person or at his last known address. Any such notice sent by generally recognized overnight delivery service shall be deemed served forty-eight hours after it is sent and in proving such service it shall be sufficient to prove that the notice was properly addressed and that the records of the delivery service reflect that it was delivered.

(k) Disclosures. Nothing in this Agreement prohibits or restricts Employee from reporting an event that Employee reasonably and in good faith believes is a violation of law to the relevant law-enforcement agency (such as, without limitation, the Securities and Exchange Commission, Equal Employment Opportunity Commission, or Department of Labor), or from cooperating in an investigation conducted by such a government agency, or making disclosures to such an agency. Employee is hereby provided notice that under the 2016 Defend Trade Secrets Act no individual will be held criminally or civilly liable under Federal or State trade secret law for the disclosure of a trade secret (as defined in the Economic Espionage Act) if the disclosure is: (i) made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or (ii) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public. An individual who pursues a lawsuit for alleged retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to an attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order. In order for a disclosure to be permitted and protected under this provision, it must be made in strict accordance with limitations under law, and as described above.



(l) This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

**Agreed to:**

**Henry Schein, Inc.**

/s/ Lorelei McGlynn

By:Lorelei McGlynn

Title:Chief Human Resources Officer

Dated: 11/11/21

/s/ Bradford C. Connett

**BRADFORD C. CONNETT**

Dated: 11/11/2021

Certain identified information has been excluded from the exhibit because it is both not material and is the type that the registrant treats as private or confidential. [\*\*\*] INDICATES THE REDACTED PORTION OF THIS EXHIBIT.



**Interoffice Memorandum**

**To:** Brad Connett  
**From:** Gerry Benjamin  
**Date:** May 13, 2021

**Subject: Special Incentive Plan**

I am pleased to inform you that the Compensation Committee of the Board has approved a special incentive plan to retain you and provide you with additional incentive based on the achievement of pre-defined financial goals of the U.S. Medical group in 2021 and 2022.

The total target value of this special incentive plan is \$600,000 and is comprised of two components:

Component 1

A one-time cash retention bonus of \$200,000 paid upon your acceptance of this plan. If you leave the Company for any reason within 12 months of the payment date, you must reimburse the Company for 50% of the entire retention bonus amount or \$100,000.

Component 2

A mid-term Cash Incentive Plan with a target of \$400,000 based on achieving the Medical group’s 2 year cumulative goals as outlined in the attached plan document.

\*\*\*\*\*

If you accept this special incentive plan, please sign below and return a copy of this memo to me. Thank you.

/s/ Brad Connett  
\_\_\_\_\_  
Acknowledged and Accepted

5/24/2021  
\_\_\_\_\_  
Date

Bradford Connett, President, Henry Schein Medical Group

## Long-term Cash Incentive Plan

### 1. Introduction

It is critically important to execute the growth strategy of Henry Schein U.S Medical Division (the Company) in the 2 year period from 2021 to 2022. You are eligible to receive this special incentive award based on the Company’s financial results over the 2021 to 2022 fiscal years, subject to the terms and conditions specified below (the “Incentive Award”).

The Incentive Award is specifically designed to provide you with a cash incentive opportunity based on the achievement of the pre-established financial performance goal of the Company and your continued employment with Henry Schein, Inc.

The Incentive Award applies solely with respect to the 2021 and 2022 fiscal years of the Company (the “Performance Period”).

### 2. Eligibility

The following individual is eligible for the Incentive Award:

- Bradford Connett – President, Henry Schein Medical Group

### 3. Financial Performance Goals

The Company’s Financial Performance Goals are based on:

- (1) Cumulative 2021 and 2022 Operating Income of the U.S. Medical Division, without the Test Kits, weighted at 90%
- (2) Cumulative 2021 and 2022 Operating Income for the COVID-19 Test Kits, weighted at 10%

Each goal is assigned a portion of the incentive target using the weightings established below. Each goal is measured independently from one another to calculate the portion of the target incentive earned.

|                        | <b>90%</b><br>US Medical Division Operating<br>Income (without Test Kits) | <b>10%</b><br>Operating Income for COVID -19<br>Test Kits | <b>100%</b><br>Total           |
|------------------------|---|---|--------------------------------|
| 2021                   | \$[***]   | \$[***]   | \$[***]                        |
| 2022                   | \$[***]   | \$[***]   | \$[***]                        |
| Incentive Plan Cost    | \$360,000   | \$40,000  | \$400,000                      |
| <b>Cumulative Goal</b> | \$[omitted from filed version]  | \$[omitted from filed version]                            | \$[omitted from filed version] |

[\*\*\*] INDICATES THE REDACTED PORTION OF THIS EXHIBIT.

After the completion of the 2 year performance period, each of the two cumulative performance goals (1. U.S Medical Division Operating Income without Test Kits and 2. COVID-19 Test Kits Operating income) will be measured against the actual results and a percent achievement will be calculated by dividing the actual achievement by the corresponding goal. This percent achievement will be used to determine the incentive payout in accordance with Section 4 below and subject to the terms and conditions specified herein.

The Company will determine the level of achievement of the two year (2021-2022) cumulative goals and may, as it decides in its sole discretion, make adjustments to the Performance Goals in accordance with Section 5 below.

#### 4. Incentive Awards

The following incentive targets are established for the Incentive Award as follows:

- Bradford Connett: \$400,000 (aggregate target payout)

The incentive target is further allocated to each of the two performance goals (U.S. Medical Division Operating Income without Test Kits and Operating Income of COVID-19 Test Kits) based on pre-established weightings outlined in Section 3 above.

- (1) Cumulative 2021 and 2022 Operating Income of the U.S. Medical Division, without the Test Kits, weighted at 90% or \$360,000
- (2) Cumulative 2021 and 2022 Operating Income for the COVID-19 Test Kits, weighted at 10% or \$40,000

The payout related to each performance goal is calculated by applying the percent achievement to the target bonus for the specific performance goal using the payout table below. Payout under each performance goal is assessed independently from one another.

#### LEVERAGE TABLE

| % of Perf Goal | % of Target OI Achieved | (A) 90% Medical OI (w/o Test Kits) |              | (B) 10% Test Kit OI |                 | Total (A) + (B) |
|----------------|-------------------------|------------------------------------|--------------|---------------------|-----------------|-----------------|
|                |                         | OI Achvd (\$M)                     | Award \$360K | OI Achvd (\$M)      | Award \$40K Tgt |                 |
| 150%           | 150%                    | \$[***]                            | \$540        | \$[***]             | \$60            | \$600           |
| 125%           | 125%                    | \$[***]                            | \$450        | \$[***]             | \$50            | \$500           |
| 100%           | 100%                    | \$[***]                            | \$360        | \$[***]             | \$40            | \$400           |
| 95%            | 95%                     | \$[***]                            | \$342        | \$[***]             | \$38            | \$380           |
| 90%            | 90%                     | \$[***]                            | \$324        | \$[***]             | \$36            | \$360           |
| 85%            | 85%                     | \$[***]                            | \$306        | \$[***]             | \$34            | \$340           |
| 80%            | 80%                     | \$[***]                            | \$288        | \$[***]             | \$32            | \$320           |
| 75%            | 75%                     | \$[***]                            | \$270        | \$[***]             | \$30            | \$300           |
| 70%            | 70%                     | \$[***]                            | \$252        | \$[***]             | \$28            | \$280           |
| <70%           | <70%                    | <\$[***]                           | \$0          | <\$[***]            | \$0             | \$0             |

[\*\*\*] INDICATES THE REDACTED PORTION OF THIS EXHIBIT.

There will be no payout under a specific financial goal if the performance achievement is less than 70%.

Performance in between performance intervals will be linearly interpolated and the corresponding amount of the Incentive Award to be paid will be linearly interpolated up to a maximum payout of 150% of target.

In order to receive any payment under the Incentive Award, you must be actively employed by the Company on the payment date of the year the Incentive Award is to be paid out. The payment of the Incentive Award will be made in cash and will be made in the early part of fiscal year 2023, as determined by the Company in its sole discretion, following the completion of the Performance Period, but in no event later than March 15, 2023 (the "Payment Date"). In the event that your employment with the Company is terminated by you or the Company for any reason prior to the Payment Date, the Incentive Award will be forfeited and canceled in its entirety.

To the extent applicable, any payment under the Incentive Award is intended to be a short-term deferral within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") and the guidance issued thereunder (collectively, "Section 409A") that is exempt from the applicable requirements of Section 409A and the Incentive Award will be limited, construed and interpreted in accordance with such intent.

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

## **5. *Adjustments to Performance Goal***

The Company may adjust, as they decides in their sole discretion, the Performance Goal for:

- Acquisitions and new business ventures (based on the approved model pre-established in writing) not initially considered when developing the target including:
  - The effect of accretion or dilution relating to unbudgeted acquisitions (or dispositions), but only for the first 12 months following the transaction (or shorter time period, if applicable);
  - Any gain, loss or expense related to the disposal of a business or discontinued operations that was not already contemplated in the goal;
  - Unbudgeted acquisition and professional fees and expenses relating to closed acquisitions or dispositions incurred in the year of the acquisition or disposition, but only for that year; and
  - Unbudgeted acquisition and professional fees and expenses relating to individual unclosed acquisitions or dispositions, where such fees and expenses exceed \$300,000, in which case the effect of all such fees and expenses (from the first dollar) shall be excluded;
- Restructuring costs incurred related to publicly announced restructuring plans and separately identified in the Company's periodic filings, to the extent the adjustment was not already contemplated in the goal;
- The financial impact, either positive or negative, of the changes in foreign exchange rates from the rates used in setting budget for the fiscal year;
- Changes in accounting principles or in applicable laws or regulations;

In addition, the Performance Goal may be adjusted, as the Company decides in its sole discretion, for any other unforeseeable event or other facts and circumstances beyond the control of the Company or any of their affiliates, by an amount equal to a reasonable estimate of the expected accretion or dilution.

#### **6. Forfeiture Conditions and Recoupment**

Notwithstanding anything herein to the contrary, the Incentive Award granted hereunder is conditioned on you not engaging in any Competitive Activity (as defined below) from the effective date of the grant of the Incentive Award through the first anniversary of the Payment Date. If, on or after the effective date of grant of the Incentive Award but prior to the Payment Date, you engage in a Competitive Activity, your entire Incentive Award shall be immediately forfeited in its entirety, and you shall have no further rights or interests with respect to such Incentive Award. In the event that you engage in a Competitive Activity on or after the Payment Date but on or prior to the first anniversary of such Payment Date, the Company and any of their affiliates will have the right to recoup from you, and you will repay to the Company, within thirty (30) days following demand by the Company, an amount in cash equal to the entire Incentive Award paid to you on the Payment Date. The Company and any of their affiliates also have the right to set off (or cause to be set off) any amounts otherwise due to you from the Company or the Company in satisfaction of such repayment obligation, provided that any such amounts are exempt from, or set off in a manner intended to comply with, the requirements of Section 409A.

You hereby acknowledge and agree that the forfeiture and recoupment conditions set forth in this Section 6, in view of the nature of the business in the Company and their affiliates are engaged, are reasonable in scope and necessary in order to protect the legitimate business interests of the Company and its affiliates, and that any violation thereof would result in irreparable harm to the Company and their affiliates. You hereby acknowledge and agree that (i) it is a material inducement and condition to the issuance of the Incentive Award that you agree to be bound by such forfeiture and recoupment conditions and, further, that the amounts required to be forfeited or repaid to the Company, or its affiliates pursuant to this Section 6 are reasonable, and (ii) nothing in the Incentive Award is intended to preclude the Company (or any of their affiliates) from seeking any remedies available at law, in equity, under contract to the Company or otherwise, and the Company (or any affiliate thereof) shall have the right to seek any such remedy with respect to the Incentive Award or otherwise.

For purposes of the Incentive Award, you will be deemed to engage in a “Competitive Activity” if, either directly or indirectly, without the express prior written consent of the Company, you (i) take other employment with, render services to, or otherwise engage in any business activities with, companies or other entities that are competitors of the Company or any of their affiliates, (ii) solicit or induce, or in any manner attempt to solicit or induce, any person employed by or otherwise providing services to the Company or any of their affiliates, to terminate such person’s employment or service relationship, as the case may be, with the Company or any of their affiliates, (iii) divert, or attempt to divert, any person or entity from doing business with the Company or any of their affiliates or induce, or attempt to induce, any such person or entity from ceasing to be a customer or other business partner of the Company or any of their affiliates, (iv) violate any agreement between you and the Company or any of their affiliates relating to the non-disclosure of proprietary or confidential information of the Company or any of their affiliates, and/or (v) conduct yourself in a manner adversely affecting the Company or any of their affiliates, including, without limitation, making false, misleading or negative statements, either orally or in writing, about the Company or any of their affiliates. The determination as to whether you have engaged in a Competitive Activity shall be made by the Company.

## 7. *Miscellaneous*

Any decision, interpretation or other action made or taken by the Company will be final, binding and conclusive on the Company and you and your respective heirs, executors, administrators, successors and assigns.

All expenses of the Incentive Award will be borne by the Company.

The grant of the Incentive Award does not provide you with any right or entitlement to any future award of any kind whatsoever, including any incentive award with respect to periods after the Performance Period. The Company reserves the right to award additional incentive awards after the initial plan based on business performance, but is under no such obligation.

The Incentive Award is not intended to, nor does it constitute, a contract or guarantee of continued employment. Nothing in the Incentive Award will affect the right of the Company or any of their affiliates to terminate your employment or service or to increase or decrease the compensation payable to you from the rate in effect at the commencement of a year or to otherwise modify the terms of your employment.

Except to the extent required by applicable law, the Incentive Award or payment thereof or any right or benefit hereunder will not be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, garnishment, execution or levy of any kind or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, charge, garnish, execute upon or levy upon the same will be void and will not be recognized or given effect by the Company or any of their affiliates.

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

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

The Incentive Award will inure to the benefit of, and be binding upon, the Company and you and their respective heirs, legal representatives, successors and assigns.

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

The Incentive Award will not be treated as compensation for purposes of any employee benefit plan or arrangement, except to the extent expressly provided therein.

The Incentive Award, if and when payable hereunder, shall be funded out of general assets of the Company and no special reserve, fund or deposit will be made to assure payment of the Incentive Award and you shall be solely an unsecured creditor of the Company. If the Company decides in its sole discretion to fund a trust with respect to the Incentive Award, such reserve or trust shall continue to be an asset solely of the Company.

**AMENDMENT NO. 8 TO RECEIVABLES PURCHASE AGREEMENT**

This AMENDMENT NO. 8 TO RECEIVABLES PURCHASE AGREEMENT, dated as of December 15, 2022 (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, HENRY SCHEIN, INC. ("HS"), a Delaware corporation, as initial servicer (in such capacity, the "Servicer"), and, solely with respect to Section 10, (the "Performance Guarantor").

**BACKGROUND**

A. The Seller, the 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 17, 2015, that certain Amendment No. 3 to Receivables Purchase Agreement, dated as of June 1, 2016, that certain Amendment No. 4 to Receivables Purchase Agreement, dated as of July 6, 2017, that certain Amendment No. 5 to Receivables Purchase Agreement, dated as of March 13, 2019, that certain Amendment No. 6 to Receivables Purchase Agreement, dated as of June 22, 2020, that certain Amendment No. 7 to Receivables Purchase Agreement, dated as of October 20, 2021, and as further amended, restated, modified or supplemented through the date hereof, the "Receivables Purchase Agreement").

C. 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. The rules of interpretation set forth in Appendix A to the Receivables Purchase Agreement are hereby incorporated as if fully set forth herein.

2. Amendments to Receivables Purchase Agreement. Subject to the occurrence of the Effective Date (as hereinafter defined), the Receivables Purchase Agreement is hereby amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the pages attached as Annex A hereto.

3. Representations and Warranties. Each of the Seller and Servicer 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);

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

(d) the payment of all fees due and owing under the Sixth Amended and Restated Fee Letter on the date hereof.

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

---

HENRY SCHEIN, INC.,  
as Servicer

By: /s/ Michael Amodio

Name: Michael Amodio

Title: Vice President and Treasurer

Solely with respect to Section 10:

HENRY SCHEIN, INC.,  
as Performance Guarantor

By: /s/ Michael Amodio

Name: Michael Amodio

Title: Vice President and 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



THE TORONTO DOMINION BANK,  
as Purchaser Agent and the Related Committed Purchaser  
for the TD Purchaser Group

By: /s/ Brad Purkis

\_\_\_\_\_  
Name: Brad Purkis

Title: Managing Director

**GTA FUNDING LLC**, as a Conduit Purchaser and an  
Uncommitted Purchaser for the TD Purchaser Group

By: /s/ Kevin J. Corrigan

Name: Kevin J. Corrigan

Title: Vice President

**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 17, 2015, that certain Amendment No. 3 to Receivables Purchase Agreement, dated as of June 1, 2016, that certain Amendment No. 4 to Receivables Purchase Agreement, dated as of July 6, 2017, that certain Amendment No. 5 to Receivables Purchase Agreement, dated as of March 13, 2019, that certain Amendment No. 6 to Receivables Purchase Agreement, dated as of June 22, ~~2020 and 2020~~, that certain Amendment No. 7 to Receivables Purchase Agreement, dated October 20, ~~2021~~2021, and that certain Amendment No. 8 to Receivables Purchase Agreement, dated December 15, 2022

**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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## 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 Maximum 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; Maximum 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 Maximum Purchase Limit. If at any time the Aggregate Invested Amount exceeds the Maximum 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 Maximum 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.

Section 1.8 Rates. The Agent does not warrant or accept responsibility for, and shall not have any liability with respect to (a) the continuation of, administration of, submission of, calculation of or any other matter related to the Alternate Base Rate, the Term SOFR Reference Rate, or Term SOFR, or any component definition thereof or rates referred to in the definition thereof, or any alternative, successor or replacement rate thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, successor or replacement rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, the Alternate Base Rate, the Term SOFR Reference Rate, Term SOFR or any other Benchmark prior to its discontinuance or unavailability, or (b) the effect, implementation or composition of any Conforming Changes. The Agent and its affiliates or other related entities may engage in transactions that affect the calculation of the Alternate Base Rate, the Term SOFR Reference Rate, Term SOFR, any alternative, successor or replacement rate (including any Benchmark Replacement) or any relevant adjustments thereto, in each case, in a manner adverse to the Seller. The Agent may select information sources or services in its reasonable discretion to ascertain the Alternate Base Rate, the Term SOFR Reference Rate, Term SOFR or any other Benchmark, in each case pursuant to the terms of this Agreement, and shall have no liability to the Seller, the Servicer, any Purchaser, any Purchase Agent or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

**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 Unpays 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 Maximum 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 Unpays 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 Unpays, and

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

Section 2.4 Payment Rescission. No payment of any of the Aggregate Unpays 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.

(a) 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.

(b) In connection with the use or administration of Term SOFR, the Agent will have the right to make Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Transaction Document, any amendments implementing such Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Transaction Document. The Agent will promptly notify the Seller and the Purchaser Agents of the effectiveness of any Conforming Changes in connection with the use or administration of Term SOFR.

Section 4.3 ~~Suspension of LIBO Rate Term SOFR~~. 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 ~~a LIBO Rate to Term SOFR~~ 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 Term SOFR~~ are not available or (iii) ~~such LIBO Rate Term SOFR~~ does not accurately reflect the cost of acquiring or maintaining a Bank Funding at ~~such LIBO Rate Term SOFR~~, 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 Term SOFR~~ or at the Alternate Base Rate determined by reference to ~~the LIBO Rate Term SOFR~~ and (b) the Yield for any outstanding portions of the Invested Amount then funded at ~~the LIBO Rate Term SOFR~~ or at the Alternate Base Rate determined by reference to ~~the LIBO Rate Term SOFR~~ 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 Effect of Benchmark Transition Event.~~

Section 4.5 ~~(a) Benchmark Replacement Setting.~~

(a) Benchmark Replacement. Notwithstanding anything to the contrary herein or in any other Transaction Document, ~~if upon the occurrence of a Benchmark Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of, the Agent and the Seller may amend this Agreement to replace the then-current Benchmark, then (x) if with a Benchmark Replacement is determined in accordance with clause (1) or (2) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Transaction Document in respect of such Benchmark setting and subsequent Benchmark settings without any. Any such amendment with respect to, or further action or consent of any other party to, this Agreement or any other Transaction Document and (y) if a Benchmark Replacement is determined in accordance with clause (3) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Transaction Document in respect of any Benchmark setting at or after a Benchmark Transition Event will become effective at 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Benchmark Replacement is provided to the Seller, Purchasers and the Purchaser Agents without any amendment to, or further action or consent of any other party to, this Agreement or any other Transaction Document Agent has posted such proposed amendment to all affected Purchaser Agents and the Seller so long as the Agent has not received, by such time, written notice of objection to such Benchmark Replacement amendment from Purchaser Agents comprising the Required Purchaser Agents.~~ ~~(b) Term SOFR Transition Event. Notwithstanding anything to the contrary herein or in any other Transaction Document and subject to the proviso below in this paragraph, if a Term SOFR Transition Event and its related Benchmark~~



Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then the applicable Benchmark Replacement will replace the then-current Benchmark for all purposes hereunder or under any Transaction Document in respect of such Benchmark setting and subsequent Benchmark settings, without any amendment to, or further action or consent of any other party to, this Agreement or any other Transaction Document; *provided that*, this clause (b) shall not be effective unless the Agent has delivered to the Seller, the Purchasers and the Purchaser Agents a Term SOFR Notice. For the avoidance of doubt, the Agent shall not be required to deliver a Term SOFR Notice after the occurrence of a Term SOFR Transition Event and may do so in its sole discretion. No replacement of a Benchmark with a Benchmark Replacement pursuant to this Section 4.5(a) will occur prior to the applicable Benchmark Transition Start Date.

(b) (e) Benchmark Replacement Conforming Changes. In connection with the use, administration, adoption or implementation of a Benchmark Replacement, the Agent will have the right, ~~in consultation with the Seller,~~ to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Transaction Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Transaction Document.

(c) (d) Notices; Standards for Decisions and Determinations. The Agent will promptly notify the Seller, ~~Purchasers~~ and the Purchaser Agents of ~~(i) any occurrence of a Benchmark Transition Event, an Early Opt-in Election or an Other Benchmark Rate Election, as applicable, and its related Benchmark Replacement Date, (ii) (i)~~ the implementation of any Benchmark Replacement, ~~(iii) and (ii)~~ the effectiveness of any Conforming Changes in connection with the use, administration, adoption or implementation of a Benchmark Replacement ~~Conforming Changes, (iv).~~ The Agent will notify the Seller of (x) the removal or reinstatement of any tenor of a Benchmark pursuant to ~~clause (e) Section 4.5(d) below~~ and ~~(v) (y)~~ the commencement ~~or conclusion~~ of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Agent or, if applicable, any ~~Purchasers~~ Purchaser or the Purchaser Agents (or groups of Purchasers or Purchaser Agents) pursuant to this Section 4.5, including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement or any other Transaction Document, except, in each case, as expressly required pursuant to this Section 4.5.

(d) (e) Unavailability of Tenor of Benchmark. Notwithstanding anything to the contrary herein or in any other Transaction Document, at any time (including in connection with the implementation of a Benchmark Replacement), ~~(i) (i)~~ if the then-current Benchmark is a term rate (including the Term SOFR or LIBOR Reference Rate) and either ~~(i) (A)~~ any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Agent in its reasonable discretion or ~~(ii) (B) the administrator of such Benchmark or~~ the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark is not or will not be ~~no longer~~ representative, then the Agent may modify the definition of “Interest Period” (or any similar or analogous definition) for any Benchmark settings at or after

such time to remove such unavailable or non-representative tenor and ~~(ii) (ii)~~ if a tenor that was removed pursuant to clause (i) above either ~~(i) (A)~~ is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or ~~(ii) (B)~~ is not, or is no longer, subject to an announcement that it is not or will no longer not be representative for a Benchmark ~~(including a Benchmark Replacement)~~, then the Agent may modify the definition of “Interest Period” (or any similar or analogous definition) for all Benchmark settings at or after such time to reinstate such previously removed tenor.

~~(e) (f) Benchmark Unavailability Period.~~ Upon the Seller’s receipt of notice of the commencement of a Benchmark Unavailability Period, ~~(i) no Purchases shall be funded at the LIBO Rate or at none of the Purchasers or Purchaser Agents shall allocate any Receivable Interest with respect to Purchases made during such period or reallocate any Receivable Interests allocated to any then existing Interest Period ending during such period, to a Receivable Interest for which Yield is calculated by reference to Term SOFR. During a Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of the Alternate Base Rate determined by reference to the LIBO Rate and (ii) 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, (x) in the case of any Invested Amount then funded at the LIBO Rate, 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, and (y) in the case of any Invested Amount then funded at the Alternate Base Rate determined by reference to the LIBOR Rate, on such day, be converted to the Alternate Base Rate determined by reference to clause (ii) of the definition of based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the~~ Alternate Base Rate.

~~(g) LIBOR Notification.~~ The interest rate on an Invested Amount may be derived from an interest rate benchmark that is, or may in the future become, the subject of regulatory reform. Regulators have signaled the need to use alternative benchmark reference rates for some of these interest rate benchmarks and, as a result, such interest rate benchmarks may cease to comply with applicable laws and regulations, may be permanently discontinued, and/or the basis on which they are calculated may change. The London interbank offered rate (“LIBOR”) is intended to represent the rate at which contributing banks may obtain short-term borrowings from each other in the London interbank market. On March 5, 2021, the U.K. Financial Conduct Authority (“FCA”) publicly announced that: (a) immediately after December 31, 2021, publication of the 1-week and 2-month U.S. Dollar LIBOR settings will permanently cease; immediately after June 30, 2023, publication of the overnight and 12-month U.S. Dollar LIBOR settings will permanently cease; and immediately after June 30, 2023, the 1-month, 3-month and 6-month U.S. Dollar LIBOR settings will cease to be provided or, subject to the FCA’s consideration of the case, be provided on a synthetic basis and no longer be representative of the underlying market and economic reality they are intended to measure and that representativeness will not be restored. There is no assurance that dates announced by the FCA will not change or that the administrator of LIBOR and/or regulators will not take further action that could impact the availability, composition, or characteristics of LIBOR or the currencies and/or tenors for which LIBOR is published. Each party to this agreement should consult its own advisors to stay informed of any such developments. Public and private sector industry initiatives are currently underway to

~~identify new or alternative reference rates to be used in place of LIBOR. Upon the occurrence of a Benchmark Transition Event, a Term SOFR Transition Event, an Early Opt-in Election or an Other Benchmark Rate Election, Section 4.5(a) and (b) provide a mechanism for determining an alternative rate of interest. The Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission, performance or any other matter related to the LIBOR or other rates in the definition of "LIBO Rate" or with respect to any alternative or successor rate thereto, or replacement rate thereof (including, without limitation, (i) any such alternative, successor or replacement rate implemented pursuant to Section 4.5(a) or (b), whether upon the occurrence of a Benchmark Transition Event, a Term SOFR Transition Event, an Early Opt-in Election or an Other Benchmark Rate Election, and (ii) the implementation of any Benchmark Replacement Conforming Changes pursuant to Section 4.5(c)), including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate will be similar to, or produce the same value or economic equivalence of, the LIBO Rate or have the same volume or liquidity as did the London interbank offered rate prior to its discontinuance or unavailability. The Agent and its Affiliates and/or other related entities may engage in transactions that affect the calculation of any alternative, successor or alternative rate (including any Benchmark Replacement) and/or any relevant adjustments thereto, in each case, in a manner adverse to the Seller.~~

~~(h) Notwithstanding anything to the contrary in this Agreement or in any other Transaction Document, solely with respect to clause (3) of the definition of Benchmark Replacement, the parties hereto shall use their commercially reasonable efforts to cause any Benchmark Replacement to constitute a "qualified rate" within the meaning of Proposed United States Treasury Regulations Section 1.1001-6(b).~~

## 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 Unpaid. 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 the Seller 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 Unpaid. 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. 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; provided that the requirement to deliver a certificate pursuant to this sentence shall not be required to the extent the Servicer publicly files a Form 10-Q or Form 10-K, as applicable, for the applicable period, with the Securities and Exchange Commission.

(l) Litigation. Except as set forth in the Servicer's Quarterly Report on Form 10-Q or in the Servicer's Annual Report on Form 10-K, in each case, most recently filed with the Securities Exchange Commission, 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 Maximum 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 Unpaid).

## 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)~~ (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 Unpaid 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 Unpaid, (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 with all Laws applicable to the Servicer, its business and properties, and all Receivables related to the Receivable Interests, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a material adverse effect.

(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) Except as set forth in the Servicer's Quarterly Report on Form 10-Q or in the Servicer's Annual Report on Form 10-K, in each case, most recently filed with the Securities Exchange Commission, (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 \$200,000,000 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 Schein 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 Unpaid 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 Obligor 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 Obligor with respect to the Receivables to remit all payments thereon to a new depository 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 depository 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 Unpays 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) (i) 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 \$200,000,000 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 \$200,000,000 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 Calculation Periods, shall exceed (A) with respect to each Calculation Period ending on or prior to May 30, 2020, 14.50%; (B) with respect to the Calculation Periods ending on June 27, 2020, August 1, 2020, August 29, 2020 and September 26, 2020, 18.50%; (C) with respect to the Calculation Period ending on October 31, 2020, 16.00%; and (D) with respect to each Calculation Period beginning after October 31, 2020, 14.50%;

(ii) the average of the Default Ratios, computed for each of the immediately preceding three Calculation Periods, shall exceed (A) with respect to each Calculation Period ending on or prior to May 30, 2020, 2.50%; (B) with respect to the Calculation Periods ending on June 27, 2020, August 1, 2020, August 29, 2020, September 26, 2020, October 31, 2020 and November 28, 2020, 6.00%; and (C) with respect to each Calculation Period beginning after November 28, 2020, 2.50%;

(iii) the average of the Dilution Ratios, computed for each of the immediately preceding three Calculation Periods, shall exceed (A) with respect to any Calculation Period ending on or prior to May 30, 2020, 6.25%; (B) with respect to the Calculation Periods ending on June 27, 2020, August 1, 2020, August 29, 2020, September 26, 2020, and October 31, 2020, 9.50%; and (C) with respect to each Calculation Period beginning after October 31, 2020, 6.25%; or

(iv) the average of the Portfolio Turnover, computed for each of the immediately preceding three Calculation Periods shall exceed (A) with respect to each Calculation Period ending on or prior to September 26, 2020, 70 days; and (B) with respect to each Calculation Period beginning after September 26, 2020, 50 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 Maximum 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 Maximum Purchase Limit; or

(k) the Aggregate Investment amount exceeds the then applicable Maximum 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 Obligor 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 (including any emergency, special, supplemental or other marginal reserve requirement) with respect to eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D)) 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.

#### Section 11.10 Erroneous Payments.

(a) Each Purchaser and Purchaser Agent hereby agrees that (x) if the Agent notifies such Purchaser or Purchaser Agent that the Agent has determined in its sole discretion that any funds received by such Purchaser or Purchaser Agent from the Agent or any of its Affiliates (whether as a payment, prepayment or repayment of principal, interest, fees or otherwise; individually and collectively, a “**Payment**”) were erroneously transmitted to such Purchaser or Purchaser Agent (whether or not known to such Purchaser or Purchaser Agent), and demands the return of such Payment (or a portion thereof), such Purchaser or Purchaser Agent shall promptly, but in no event later than one Business Day thereafter, return to the Agent the amount of any such Payment (or portion thereof) as to which such a demand was made in same day funds, together with interest thereon in respect of each day from and including the date such Payment (or portion

thereof) was received by such Purchaser or Purchaser Agent to the date such amount is repaid to the Agent at the greater of the Federal Funds Effective Rate and a rate determined by the Agent in accordance with banking industry rules on interbank compensation from time to time in effect, and (y) to the extent permitted by applicable law, such Purchaser or Purchaser Agent shall not assert, and hereby waives, as to the Agent, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Agent for the return of any Payments received, including without limitation any defense based on “discharge for value” or any similar doctrine. A notice of the Agent to any Purchaser or Purchaser Agent under this [Section 11.10\(a\)](#) shall be conclusive, absent manifest error.

(b) Each Purchaser and Purchaser Agent hereby further agrees that if it receives a Payment from the Agent or any of its Affiliates (x) that is in a different amount than, or on a different date from, that specified in a notice of payment sent by the Agent (or any of its Affiliates) with respect to such Payment (a “*Payment Notice*”) or (y) that was not preceded or accompanied by a Payment Notice, it shall be on notice, in each such case, that an error has been made with respect to such Payment. Each Purchaser and Purchaser Agent agrees that, in each such case, or if it otherwise becomes aware a Payment (or portion thereof) may have been sent in error, such Purchaser or Purchaser Agent shall promptly notify the Agent of such occurrence and, upon demand from the Agent, it shall promptly, but in no event later than one Business Day thereafter, return to the Agent the amount of any such Payment (or portion thereof) as to which such a demand was made in same day funds, together with interest thereon in respect of each day from and including the date such Payment (or portion thereof) was received by such Purchaser or Purchaser Agent to the date such amount is repaid to the Agent at the greater of the Federal Funds Effective Rate and a rate determined by the Agent in accordance with banking industry rules on interbank compensation from time to time in effect.

(c) The Seller Parties hereby agrees that (x) in the event an erroneous Payment (or portion thereof) are not recovered from any Purchaser or Purchaser Agent that has received such Payment (or portion thereof) for any reason, the Agent shall be subrogated to all the rights of such Purchaser or Purchaser Agent with respect to such amount and (y) an erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Recourse Obligation owed by the Seller Parties; provided that this [Section 11.10\(c\)](#) shall not be interpreted to increase (or accelerate the due date for), or have the effect of increasing (or accelerating the due date for), the Recourse Obligations of the Seller Parties relative to the amount (and/or timing for payment) of the Recourse Obligations that would have been payable had such erroneous Payment not been made by the Agent; provided, further that for the avoidance of doubt, immediately preceding clauses (x) and (y) shall not apply to the extent any such erroneous Payment is, and solely with respect to the amount of such erroneous Payment that is, comprised of funds received by the Agent from the Seller for the purpose of making such erroneous Payment.

(d) Each party’s obligations under this [Section 11.10](#) shall survive the resignation or replacement of the Agent or any transfer of rights or obligations by, or the replacement of, a Purchaser or Purchaser Agent, the termination of the Commitments or the repayment, satisfaction or discharge of all Recourse Obligations under any Transaction Document. Each Uncommitted Purchaser’s obligations under this [Section 11.10](#) shall be subject to [Sections 13.5](#) and [13.6](#) and each Related Committed Purchaser shall be liable, on a joint and several basis, for all obligations of its related Uncommitted Purchaser under this [Section 11.10](#).

**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*”, “*Maximum 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 waiver 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. For the avoidance of doubt, each Purchaser Group's notice information is included in Exhibit XV. 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 Unpaid. 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: Michael Amodio  
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

Receivables Purchase Agreement

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

Receivables Purchase Agreement

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, 12<sup>th</sup> Floor  
New York, New York 10020-1104  
Attention: Securitization Department  
Telephone: (212) 782-6957  
Facsimile: (212) 782-6448

Receivables Purchase Agreement

VICTORY RECEIVABLES CORPORATION, as an  
Uncommitted Purchaser

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Address: Victory Receivables Corporation  
c/o Global Securitization Services, LLC  
114 West 47th Street, Suite 2310  
New York, New York 10036

Attention: Frank B. Bilotta  
Telephone: (212) 295-2777  
Facsimile: (212) 302-8767

With a copy to: MUFG Bank, Ltd.  
1251 Avenue of the Americas, 12<sup>th</sup> Floor  
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.  
1251 Avenue of the Americas, 12<sup>th</sup> Floor  
New York, New York 10020-1104

Attention: Securitization Department  
Telephone: (212) 782-6957  
Facsimile: (212) 782-6448

Receivables Purchase Agreement

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, 12<sup>th</sup> Floor  
New York, New York 10020-1104

Attention: Securitization Department

Telephone: (212) 782-6957

Facsimile: (212) 782-6448

Receivables Purchase Agreement

**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 Unpaid”** 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~~ [Term SOFR](#) or (ii) if ~~the LIBO Rate~~ [Term SOFR](#) 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.

**“Alternate Base Rate Term SOFR Determination Day”** has the meaning specified in the definition of “Term SOFR”.

**“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.

**“Available Tenor”** means, as of any date of determination and with respect to the then-current Benchmark, as applicable, (x) if such Benchmark is a term rate, any tenor for such Benchmark (or component thereof) or that is or may be used for determining the length of an Interest Period pursuant to this Agreement or (y) otherwise, any payment period for interest Yield calculated with reference to such Benchmark (or component thereof), ~~as applicable, that is or may be used for determining the length of an Interest Period for any term rate or otherwise, that is or may be used~~ for determining any frequency of making payments of interest calculated with reference to such Benchmark pursuant to this Agreement, in each case, as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period” pursuant to ~~clause (e) of Section 4.5:~~4.5(d).

**“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~~ Term SOFR or (b) if ~~the LIBO Rate~~ Term SOFR is not available in accordance with Section 4.3, the Alternate Base Rate.

“**Benchmark**” means, initially, with respect to any (i) Invested Amount funded through a Bank Funding, the applicable Bank Rate for such Invested Amount (which as of the Eighth Amendment Effective Date shall be the Term SOFR Reference Rate) or (ii) Invested ~~Amount~~Amounts funded by a Conduit Purchaser pursuant to clause (Bb) of the definition of “CP Costs”, the CP Costs for such Invested Amount (which as of the Eighth Amendment Effective Date shall be the Term SOFR Reference Rate); provided that if a Benchmark Transition Event, ~~a Term SOFR Transition Event, an Early Opt-in Election or an Other Benchmark Rate Election, as applicable, and its related Benchmark Replacement Date have~~ has occurred with respect to the ~~applicable Bank~~Term SOFR Reference Rate, ~~CP Costs~~ or the then-current Benchmark ~~for such Invested Amount~~, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to ~~clause (a) or clause (b) of Section 4.5-4.5(a).~~

“**Benchmark Replacement**” means, ~~for any Available Tenor, the first alternative set forth in the order below that can be determined by the Agent for the applicable Benchmark Replacement Date; provided that in the case of an Other Benchmark Rate Election, “Benchmark Replacement” shall mean the alternative set forth in (3) below:~~

~~(1) with respect to any Benchmark Transition Event, the sum of: (a) Term SOFR and (b) the related Benchmark Replacement Adjustment;~~

~~(2) the sum of: (a) Daily Simple SOFR and (b) the related Benchmark Replacement Adjustment;~~ (3) the sum of: (a) the alternate benchmark rate that has been selected by the Agent and the Seller ~~as the replacement for the then-current Benchmark for the applicable Corresponding Tenor~~ giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement ~~for~~to the then-current Benchmark for Dollar denominated syndicated credit facilities ~~denominated in U.S. Dollars at such time in the United States~~ and ~~(b) the related Benchmark Replacement Adjustment;~~

~~provided that, in the case of clause (1), such Unadjusted Benchmark Replacement is displayed on a screen or other information service that publishes such rate from time to time as selected by the Agent in its reasonable discretion; provided further that, in the case of clause (3), when such clause is used to determine the Benchmark Replacement in connection with the occurrence of an Other Benchmark Rate Election, the alternate benchmark rate selected by the Agent and the Seller shall be the term benchmark rate that is used in lieu of a LIBOR-based rate in the relevant other Dollar-denominated syndicated credit facilities; provided further that, notwithstanding anything to the contrary in this Agreement or in any other Transaction Document, upon the occurrence of a Term SOFR Transition Event, and the delivery of a Term SOFR Notice, on the applicable Benchmark Replacement Date the “Benchmark Replacement” shall revert to and shall be deemed to be the sum of (a) Term SOFR and (b) the related Benchmark Replacement Adjustment, as set forth in clause (1) of this definition (subject to the first proviso above). If the Benchmark Replacement as at such time and (b) the related Benchmark Replacement Adjustment; provided that, if such Benchmark Replacement as so determined pursuant to clause (1), (2) or (3) above would be less than the Floor, ~~the~~such Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement and the other Transaction Documents.~~



**“Benchmark Replacement Adjustment”** means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement ~~for any applicable Interest Period and Available Tenor for any setting of such Unadjusted Benchmark Replacement:~~

(1) for purposes of clauses (1) and (2) of the definition of “Benchmark Replacement,” the first alternative set forth in the order below that can be determined by the Agent:

(a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Interest Period that has been selected or recommended by the Relevant Governmental Body for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for the applicable Corresponding Tenor;

(b) the spread adjustment (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Interest Period that would apply to the fallback rate for a derivative transaction referencing the ISDA Definitions to be effective upon an index cessation event with respect to such Benchmark for the applicable Corresponding Tenor; and (2) for purposes of clause (3) of the definition of “Benchmark Replacement,” the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Agent and the Seller ~~for the applicable Corresponding Tenor~~ giving due consideration to (i) (a) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body ~~on the applicable Benchmark Replacement Date and/or~~ (ii) (b) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for Dollar denominated syndicated credit facilities ~~denominated in U.S. Dollars~~ at such time; ~~provided that, in the case of clause (1) above, such adjustment is displayed on a screen or other information service that publishes such Benchmark Replacement Adjustment from time to time as selected by the Agent in its reasonable discretion.~~

**“Benchmark Replacement Conforming Changes”** means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Alternate Base Rate,” the definition of “Business Day,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest, timing of ~~purchase~~ requests or prepayment, conversion or continuation notices, length of lookback periods, the applicability of ~~breakage provisions~~, and other technical, administrative or operational matters) that the Agent decides may be appropriate to reflect the adoption and implementation of such

~~Benchmark Replacement and to permit the administration thereof by the Agent in a manner substantially consistent with market practice (or, if the Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Agent determines that no market practice for the administration of such Benchmark Replacement exists, in such other manner of administration as the Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Transaction Documents);~~ Date” means a date and time determined by the Agent, which date shall be no later than the earliest to occur of the following events with respect to the then-current Benchmark:

~~“Benchmark Replacement Date” means, with respect to any Benchmark, the earliest to occur of the following events with respect to such then-current Benchmark:~~

~~(1a) in the case of clause (1a) or (2b) of the definition of “Benchmark Transition Event;” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof); or~~

~~(2b) in the case of clause (3c) of the definition of “Benchmark Transition Event;” the first date on which such Benchmark (or the published component used in the calculation thereof) has been determined and announced by the regulatory supervisor for the administrator of such Benchmark (or such component thereof) to be no longer non-representative; provided, that such non-representativeness will be determined by reference to the most recent statement or publication referenced in such clause (c) and even if any Available Tenor of such Benchmark (or such component thereof) continues to be provided on such date;~~

~~(3) in the case of a Term SOFR Transition Event, the date that is thirty (30) days after the date a Term SOFR Notice is provided to the Purchasers, Purchaser Agent and the Seller pursuant to Section 4.5(b); or (4) in the case of an Early Opt-in Election or an Other Benchmark Rate Election, the sixth (6th) Business Day after the date notice of such Early Opt-in Election or Other Benchmark Rate Election, as applicable, is provided to the Purchasers and Purchaser Agents, so long as the Agent has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Early Opt-in Election or Other Benchmark Rate Election, as applicable, is provided to the Purchasers and Purchaser Agents, written notice of objection to such Early Opt-in Election or Other Benchmark Rate Election, as applicable, from the Required Purchaser Agents.~~

~~For the avoidance of doubt, (i) if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination and (ii) the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (1a) or (2b) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).~~

~~“Benchmark Transition Event” means, with respect to any Benchmark, the occurrence of one or more of the following events with respect to such the then-current Benchmark:~~

(~~1a~~) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

(~~2b~~) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Federal Reserve Board, the Federal Reserve ~~Board~~Bank of New York, ~~the central bank for U.S. Dollars applicable to such Benchmark~~, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), ~~in each case~~, which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely; provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or

(~~3c~~) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that all Available Tenors of such Benchmark (or such component thereof) are ~~no longer~~not, or as of a specified future date will ~~no longer~~not be, representative.

For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

“Benchmark *Transition Start Date*” means, in the case of a Benchmark Transition Event, the earlier of (a) the applicable Benchmark Replacement Date and (b) if such Benchmark Transition Event is a public statement or publication of information of a prospective event, the 90th day prior to the expected date of such event as of such public statement or publication of information (or if the expected date of such prospective event is fewer than 90 days after such statement or publication, the date of such statement or publication).

“Benchmark *Unavailability Period*” means, with respect to any Benchmark, the period (if any) (~~x~~a) beginning at the time that a Benchmark Replacement Date ~~pursuant to clauses (1) or (2) of that definition~~ has occurred if, at such time, no Benchmark Replacement has replaced ~~such~~the then-current Benchmark for all purposes hereunder and under any Transaction Document in accordance with Section 4.5 and (~~y~~b) ending at the time that a Benchmark Replacement has replaced ~~such~~the then-current Benchmark for all purposes hereunder and under any Transaction Document in accordance with Section 4.5.

**“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~~Term SOFR, 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~~Term SOFR, any day that is a U.S. Government Securities Business Day.

**“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, depository 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, which amount is the amount set forth as its “Commitment” in the right column of Exhibit XV, or in the Assumption Agreement or Transfer Supplement, 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.

**“Conforming Changes”** means, with respect to either the use or administration of Term SOFR or the use, administration, adoption or implementation of any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Alternate Base Rate,” the definition of “Business Day,” the definition of “U.S. Government Securities Business Day,” the definition of “Interest Period” or any similar or analogous definition (or the addition of a concept of “interest period”), timing and frequency of determining rates and making

payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, the applicability and length of lookback periods, the applicability of Broken Funding Costs and other technical, administrative or operational matters) that the Agent decides may be appropriate to reflect the adoption and implementation of any such rate or to permit the use and administration thereof by the Agent in a manner substantially consistent with market practice (or, if the Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Agent determines that no market practice for the administration of any such rate exists, in such other manner of administration as the Agent decides is reasonably necessary in connection with the administration of this Agreement and the other Transaction Documents).

**“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.

~~**“Corresponding Tenor”** means, with respect to any Available Tenor, as applicable, either a tenor (including overnight) or an interest payment period having approximately the same length (disregarding business day adjustment) as such Available Tenor.~~

**“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 or on behalf of 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 or on behalf of 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.

~~**“Daily Simple SOFR”** means, for any day, SOFR, with the conventions for this rate (which may include a lookback) being established by the Agent in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for business loans; provided, that if the Agent decides that any such convention is not administratively feasible for the Agent, then the Agent may establish another convention in its reasonable discretion.~~

**“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 all Delinquent Receivables as of 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:

$$\text{ADR} \times \text{DHR}$$

**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:

$$((\text{DS} - \text{ADR}) \times \text{DS} / \text{ADR})$$



*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:

$$((SF \times ADR) + DVR) \times DHR$$

*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:

$$SF \times DR \times LHR$$

*where:*

SF = stress factor of 2.00;

DR = the highest three-month average Default Ratio over (x) from October 20, 2021 through the Calculation Period ending on November 27, 2021, each Calculation Period from the Calculation Period ending on December 26, 2020 through the Calculation Period that immediately precedes the Calculation Period in which such date of determination occurs and (y) at all other times, the past 12 months;

LHR = Loss Horizon Ratio.

~~“*Early Opt-in Election*” means, if the then current Benchmark with respect to U.S. Dollars is the LIBO Rate, the occurrence of: [Eighth Amendment Date](#)” means [December 15, 2022](#).~~

~~(1) a notification by the Agent to (or the request by the Seller to the Agent to notify) each of the other parties hereto that at least five currently outstanding Dollar denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed) a SOFR- based rate (including SOFR, a term SOFR or any other rate based upon SOFR) as a benchmark rate (and such syndicated credit facilities are identified in such notice and are publicly available for review); and~~

~~(2) the joint election by the Agent and the Seller to trigger a fallback from the LIBO Rate and the provision, as applicable, by the Agent of written notice of such election to the Seller and the Purchasers:~~

**“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 U.S. 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 that are Rebilled Receivables exceeds 1.50% of the aggregate Outstanding Balance of all Receivables originated by the Originators during the Calculation Period that immediately precede such date of determination.

**“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 Maximum 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.

**“Federal Reserve Bank”** means any bank in the Federal Reserve System of the United States of America.

**“Federal Reserve Board”** means the Board of Governors of the Federal Reserve System of the United States of America.

**“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 Unpays have been paid in full and the Maximum 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.

**“Floor”**: ~~the benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise) with respect to the LIBO Rate, as applicable: means 0.00%.~~

**“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’s, or, if such Obligor does not have a short-term rating from Moody’s, a rating of “A1” 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 “Baa1” 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 Obligor, 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 Obligor.

**“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 Obligor, 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 Obligor.



**“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.

~~**“ISDA Definitions”** means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.~~

**“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 Reserve Floor”** means 10%.

**“Maximum Purchase Limit”** means \$450,000,000, as such amount may be reduced pursuant to [Section 1.1\(b\)](#) or increased pursuant to [Section 1.1\(c\)](#).

**“Maximum Purchase Limit Decrease Notice”** has the meaning set forth in [Section 1.1\(b\)](#).

**“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.

~~**“Other Benchmark Rate Election”**: with respect to any Invested Amount denominated in U.S. Dollars, if the then-current Benchmark is the LIBO Rate, the occurrence of:~~

~~(a) a request by the Seller to the Agent to notify each of the other parties hereto that, at the determination of the Seller, Dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed), in lieu of a LIBOR-based rate, a term benchmark rate as a benchmark rate, and~~

~~(b) the Agent, in its sole discretion, and the Seller jointly elect to trigger a fallback from the LIBO Rate and the provision, as applicable, by the Agent of written notice of such election to the Seller, the Purchasers and Purchaser Agents.~~

**“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.

[“Periodic Term SOFR Determination Day” has the meaning specified in the definition of “Term SOFR”.](#)

**“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 the product of (i) (A) the aggregate Outstanding Balance of all Receivables as of such Cut-Off Date divided by (B) the aggregate Outstanding Balance of Receivables generated by the Originators during the Calculation Period including such Cut-Off Date, multiplied by (ii) 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 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 Maximum 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.

**“Rebilled Receivables”** means any Receivable that arises from the crediting and re-billing of an existing Receivable.

**“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.

~~**“Reference Time”** means, with respect to any setting of the then-current Benchmark means (1) if such Benchmark is the LIBO Rate, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such setting or (2) if such Benchmark is not the LIBO Rate, the time determined by the Agent in its reasonable discretion.~~

**“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.

“**Relevant Governmental Body**” means the Federal Reserve Board and/or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Federal Reserve Board and/or the Federal Reserve Bank of New York or any successor thereto.

“**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; provided that, at any time there are two Purchaser Agents, “Required Purchaser Agents” shall mean each Purchaser Agent.

**“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~~Eighth Amendment Date, Cuba, ~~Crimea (Ukraine)~~the Crimea Region, the Donetsk People’s Republic and the so-called Luhansk People’s Republic regions of 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 ~~October 18, 2024~~[December 15, 2025](#); 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 60 days prior to the then existing Scheduled Facility Termination Date of its request to extend the then existing Scheduled Facility Termination Date for one year. For the avoidance of doubt, electronic mail constitutes written notice for the purposes of this definition.

**“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 2<sup>nd</sup> 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 21<sup>st</sup> 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.

**“SOFR”** means ~~with respect to any Business Day, a rate per annum equal to~~ the secured overnight financing rate ~~for such Business Day published as administered~~ by the SOFR Administrator ~~on the SOFR Administrator’s Website on the immediately succeeding Business Day~~.

**“SOFR Administrator”** means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

**“SOFR Administrator’s Website”** means ~~the Federal Reserve Bank of New York’s website, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time~~.

**“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 3<sup>rd</sup> Business Day after each Specified Settlement Reporting Date.

**“Specified Settlement Reporting Date”** means the 21<sup>st</sup> 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.

**“TD Bank”** means The Toronto Dominion Bank in its individual capacity and its successors.

**“TD Bank Purchaser Group”** means the Purchaser Group with GTA Funding LLC, as a Conduit Purchaser and an Uncommitted Purchaser, TD Bank, as a Related Committed Purchaser and TD Bank, as Purchaser Agent.

~~“Term SOFR” means, for the applicable Corresponding Tenor as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body;~~

~~“Term SOFR Notice” means a notification by the Agent to the Purchasers, Purchaser Agents and the Seller of the occurrence of a Term SOFR Transition Event;~~

~~(a) for any calculation with respect to any Receivable Interest for which the Yield Rate is calculated by reference to Term SOFR (other than pursuant to clause (i) of the definition of “Alternate Base Rate”), the sum of the Term SOFR Credit Spread Adjustment plus the Term SOFR Reference Rate for a tenor of one (1) month on the day (such day, the “Periodic Term SOFR Determination Day”) that is two (2) U.S. Government Securities Business Days prior to the first day of such Interest Period, as such rate is published by the Term SOFR Administrator; provided, however, that if as of 5:00 p.m. (New York City time) on any Periodic Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Periodic Term SOFR Determination Day, and~~

~~(b) for any calculation with respect to any Receivable Interest for which the Yield Rate is calculated by reference to Term SOFR pursuant to clause (i) of the definition of “Alternate Base Rate”, the sum of the Term SOFR Credit Spread Adjustment plus the Term SOFR Reference Rate for a tenor of one month on the day (such day, the “Alternate Base Rate Term SOFR Determination Day”) that is two (2) U.S. Government Securities Business Days prior to such day, as such rate is published by the Term SOFR Administrator; provided, however, that if as of 5:00 p.m. (New York City time) on any Alternate Base Rate Term SOFR Determination Day the Term SOFR Reference Rate for the applicable tenor has not been published by the Term SOFR Administrator and a Benchmark Replacement Date with respect to the Term SOFR Reference Rate has not occurred, then Term SOFR will be the Term SOFR Reference Rate for such tenor as published by the Term SOFR Administrator on the first preceding U.S. Government Securities Business Day for which such Term SOFR Reference Rate for such tenor was published by the Term SOFR Administrator so long as such first preceding U.S. Government Securities Business Day is not more than three (3) U.S. Government Securities Business Days prior to such Alternate Base Rate SOFR Determination Day;~~

~~provided, further, that if Term SOFR determined as provided above (including pursuant to the proviso under clause (a) or clause (b) above) shall ever be less than the Floor, then Term SOFR shall be deemed to be the Floor.~~

~~“Term SOFR Administrator” means CME Group Benchmark Administration Limited (CBA) (or a successor administrator of the Term SOFR Reference Rate selected by the Agent in its reasonable discretion).~~

“Term SOFR Credit Spread Adjustment” means 0.10%.

~~“Term SOFR Transition Event” means the determination by the Agent that (a) Term SOFR has been recommended for use by the Relevant Governmental Body, (b) the administration of Term SOFR is administratively feasible for the Agent and (c) a Benchmark Transition Event or an Early Opt-in Election, as applicable (and, for the avoidance of doubt, not in the case of an Other Benchmark Rate Election), has previously occurred resulting in a Benchmark Replacement in accordance with Section 4.5 that is not Term SOFR.~~ Reference Rate” means the forward-looking term rate based on SOFR.

**“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.

**“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).

“U.S. Government Securities Business Day” means any day except for (a) a Saturday, (b) a Sunday or (c) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities.

**“UCC”** means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

**“Unadjusted Benchmark Replacement”** means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

**“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 XV**  
**PURCHASER GROUPS**  
*(see table attached below)*

**Purchaser Group:**

MUFG Purchaser Group

**Conduit Purchaser and Uncommitted Purchaser:**

Victory Receivables Corporation

Address:

Victory Receivables Corporation  
c/o Global Securitization Services, LLC  
114 West 47th Street, Suite 2310  
New York, New York 10036

Attention: Frank B. Bilotta  
Telephone: (212) 295-2777  
Facsimile: (212) 302-8767

With a copy to:

MUFG Bank, Ltd.  
1251 Avenue of the Americas, 12<sup>th</sup> Floor  
New York, New York 10020-1104

Attention: Securitization Department  
Telephone: (212) 782-6957  
Facsimile: (212) 782-6448

**Related Committed Purchaser:**

MUFG Bank, Ltd.

Address:

MUFG Bank, Ltd.  
1251 Avenue of the Americas, 12<sup>th</sup> Floor  
New York, New York 10020-1104

Attention: Securitization Department  
Telephone: (212) 782-6957  
Facsimile: (212) 782-6448

**Purchaser Group**

**Commitment:**

\$300,000,000



**Purchaser Agent:**

MUFG Bank, Ltd.

Address:

MUFG Bank, Ltd.  
1251 Avenue of the Americas, 12<sup>th</sup> Floor  
New York, New York 10020-1104

Attention: Securitization Department

Telephone: (212) 782-6957

Facsimile: (212) 782-6448

**Purchaser Group:**

TD Bank Purchaser Group

**Conduit Purchaser and Uncommitted Purchaser**

GTA Funding LLC

Address:

GTA Funding LLC  
68 South Service Road, Suite 120  
Melville, NY 11747

With a copy to:

The Toronto-Dominion Bank  
130 Adelaide Street West  
12th Floor  
Toronto, ON, M5H 3P5  
Attention: ASG Asset Securitization  
Email: asgoperations@tdsecurities.com

**Related Committed Purchaser:**

The Toronto Dominion Bank

Address:

The Toronto-Dominion Bank  
130 Adelaide Street West  
12th Floor  
Toronto, ON, M5H 3P5  
Attention: ASG Asset Securitization  
Email: asgoperations@tdsecurities.com

**Purchaser Group  
Commitment:**

\$150,000,000

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**Purchaser Agent:**

The Toronto Dominion Bank

Address:

The Toronto-Dominion Bank  
130 Adelaide Street West  
12th Floor  
Toronto, ON, M5H 3P5  
Attention: ASG Asset Securitization  
Email: asgoperations@tdsecurities.com

**Purchasers' Total  
Commitment:**

\$450,000,000

## List of Subsidiaries

| <u>Subsidiary</u>   | <u>Jurisdiction of incorporation or organization</u> |
|---|--|
| ACE Surgical Supply Co., Inc. <sup>1</sup>                | Massachusetts  |
| BioHorizons, Inc. <sup>2</sup>                            | Delaware   |
| Camlog USA, Inc. <sup>3</sup>                             | Delaware   |
| eAssist, Inc. <sup>4</sup>                                | Wyoming  |
| Exan Enterprises Inc. <sup>5</sup>                        | Nevada   |
| Handpiece Parts & Repairs, Inc.                           | Delaware   |
| Henry Schein (Lancaster, PA) Inc.                         | Pennsylvania   |
| Henry Schein Europe, Inc. <sup>6</sup>                    | Delaware   |
| Henry Schein Global Sourcing, Inc. <sup>7</sup>           | Delaware   |
| Henry Schein Latin America Pacific Rim, Inc. <sup>8</sup> | Delaware   |
| Henry Schein Medical Systems, Inc.                        | Ohio   |
| Henry Schein PPT, Inc.                                    | Wisconsin  |
| Henry Schein Practice Solutions Inc. <sup>9</sup>         | Utah   |
| Henry Schein Puerto Rico, Inc.                            | Puerto Rico  |
| Henry Schein Supply, Inc.                                 | New York   |
| HS Brand Management, LLC                                  | Delaware   |
| HS TM Holdings, LLC <sup>10</sup>                         | Delaware   |
| HSFR, Inc.  | Delaware   |
| HSI RE I, LLC   | Delaware   |
| Insource, Inc.  | Virginia   |
| Prism Medical Products, L.L.C.                            | Delaware   |
| Project Helium Holdings, LLC <sup>11</sup>                | Delaware   |
| Project Spartan Holdings Corp. <sup>12</sup>              | Delaware   |
| RxWorks, LLC  | Delaware   |
| S & S Discount, Inc. <sup>13</sup>                        | Delaware   |
| SG Healthcare Corp. <sup>14</sup>                         | Delaware   |
| TDSC, Inc.  | Delaware   |
| Toy Products Corp. <sup>15</sup>                          | Delaware   |

<sup>1</sup> ACE Surgical Supply Co., Inc. is the parent company of two consolidated, majority-owned subsidiaries, SAS Holdco, Inc. and Southern Anesthesia & Surgical, Inc., both of which operate in the health care manufacturing and/or distribution industry in the United States.

<sup>2</sup> BioHorizons, Inc. is the parent company of 14 consolidated, wholly-owned subsidiaries, seven of which operate in the dental implant and distribution industries in the United States and seven which operate in the dental implant and distribution industries outside the United States. BioHorizons, Inc. is also the parent company of a consolidated, majority-owned subsidiary, BioHorizons Camlog Italia SRL, which operates in the dental implant and distribution industry outside the United States.

<sup>3</sup> Camlog USA, Inc. is the parent company of two consolidated, wholly-owned subsidiaries, one of which operates in the health care distribution industry in the United States and one of which operates a financial support services business for health care practitioners in and outside of the United States.

<sup>4</sup> eAssist, Inc. is the parent company of the following four consolidated, majority-owned subsidiaries, all of which operate to provide consulting and educational services in the dental industry in the United States: eAssist Consulting, LLC; eAssist Publishing, LLC; eAssist University, LLC, and Unitas PPO Solutions, LLC.

<sup>5</sup> Exan Enterprises Inc. is the parent company of one consolidated, wholly-owned subsidiary which operates in the dental management software industry in the United States.

<sup>6</sup> Henry Schein Europe, Inc. is the parent company of 64 consolidated, wholly-owned subsidiaries, six of which operate in the health care distribution industry in the United States and 58 of which operate in the health care distribution industry outside the United States. Henry Schein Europe, Inc. is also the parent company of the following 13 consolidated, majority-owned subsidiaries, all of which operate in the health care distribution industry outside the United States: BA Dental Europa, S.A.U.; Cliniclands AB, Dental Trey S.r.l.; Henry Schein Dental Warehouse (PTY) Ltd.; Henry Schein España, S.L.; Henry Schein Medical S.L.U.; Henry Schein Portugal, Unipessoal LDA; Infomed Servicios Informáticos, S.L.; Marrodent Sp. Z o.o.; Medentis Medical GmbH; Mega Dental SNC; Newshelf 1223 Proprietary Limited; Servimed Técnicos, S.L.U. and Spain Dental Express S.A.U.

- 7 Henry Schein Global Sourcing, Inc. is the parent company of one consolidated, wholly-owned subsidiary which provides health care regulatory and operational services outside of the United States.
- 8 Henry Schein Latin America Pacific Rim, Inc. is the parent, holding company of 12 consolidated, wholly-owned subsidiaries, three of which operate in the health care distribution industry in the United States and nine of which operate in the health care distribution industry outside of the United States. Henry Schein Latin America Pacific Rim, Inc. is also the parent company of the following 24 consolidated, majority-owned subsidiaries, all of which operate in the health care distribution industry outside the United States: Accord Corporation Limited; Adaam Pty Ltd.; Adaam Unit Trust; Alta-Dent Corporation; BA Pro Repair Ltd.; CB Healthcare Consulting Pty Ltd.; De Healthcare Limited; Hangzhou Lixue Henry Schein Medical Instrument Co., Ltd.; Henry Schein China Management Co. Ltd.; Henry Schein China Services Limited; Henry Schein Hemaoguangzhou Medical Device Co., Ltd.; Henry Schein Hong Kong Limited; Henry Schein Jiahu (Shanghai) Co. Ltd.; Henry Schein Regional Limited; Henry Schein Regional Pty Ltd as the Trustee for the Henry Schein Regional Trust; Henry Schein Regional Trust; Henry Schein Shvavent (2009) Ltd.; Henry Schein Sunshine (Beijing) Medical Device Co. Ltd.; Henry Schein Trading (Shanghai) Co., Ltd.; Medi-Consumables PTY Limited; Ningbo Buyinghall Medical Equipment Co., Ltd.; Pacific Dental Specialties Limited; Wuhan Hongchang Henry Schein Dental Instrument Co., Ltd. and Zhengzhou Yifeng Henry Schein Dental Instrument Co., Ltd.
- 9 Henry Schein Practice Solutions Inc. is the parent company of 22 consolidated, wholly-owned subsidiaries, two of which operate in the digital dental products and solutions industry in the United States and 20 of which operate in the digital dental products and solutions industry outside the United States. Henry Schein Practice Solutions Inc. is also the parent company of Henry Schein One, LLC and Lighthouse 360, Inc., consolidated, majority-owned subsidiaries, which operate in the digital dental products and solutions industry within and outside of the United States. Additionally, Henry Schein Practice Solutions Inc. is the parent company of the following 15 consolidated, majority-owned subsidiaries, all of which operate in the digital dental products and solutions industry outside the United States: Axiom Solutions ULC; LSI S.A.; Elite Computer Italia S.r.l.; Henry Schein One Australia; Henry Schein One New Zealand; Infomed Software, S.L.; HSLC Participações S.A.; Julie Solutions SAS; Kopfwerk Datensysteme GmbH; Orisline Espana S.L.; Orisline Portugal Unipessoal Lda; Quantity Serviços e Comércio de Produtos para a Saúde S.A.; Simples Dental Software S.A.; Software of Excellence Practice Solutions Coöperatief U.A. and Software of Excellence United Kingdom Limited.
- 10 HS TM Holdings, LLC is the parent, holding company of one consolidated, wholly-owned subsidiary which operates in the health care industry in the United States.
- 11 Project Helium Holdings, LLC is the parent, holding company of one consolidated, wholly-owned subsidiary which operates in the dental handpiece repair and sales industry in the United States.
- 12 Project Spartan Holdings Corp. is the parent, holding company of two consolidated, wholly-owned subsidiaries, each of which operate in the health care industry in the United States. Project Spartan Holdings Corp. is also the parent, holding company of the following six consolidated, majority-owned subsidiaries, all of which operate in the health care distribution and/or healthcare education and training industries in the United States: NAR (HSI) Holdings, LLC; NAR Blocker, Inc.; NAR Training, LLC; North American Rescue Holdings, LLC; North American Rescue, LLC and NAR Medical Depot, LLC.
- 13 S&S Discount Supply, Inc. is the parent, holding company of the following three consolidated, majority-owned subsidiaries, each of which operate in the dental manufacturing and/or distribution industry in the United States: Ortho Organizers Holdings, Inc., Ortho Organizers, Inc. and Ortho Technology, Inc.
- 14 SG Healthcare Corp. is the parent, holding company of six consolidated, wholly-owned subsidiaries, five of which operate in the health care distribution industry in the United States, and one of which operates in the health care distribution industry outside of the United States.
- 15 Toy Products Corp. is the parent, holding company of Sherman Specialty LLC, a consolidated, majority-owned subsidiary which distributes toys to dental and medical offices in the United States.

Consent of Independent Registered Public Accounting Firm

Henry Schein, Inc.  
Melville, NY

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-253633, 333-212994, 333-192788, 333-171400, 333-164360, 333-111914, 333-91778, 333-35144, 333-39893, 333-33193, and 333-05453) of Henry Schein, Inc. of our reports dated February 21, 2023, relating to the consolidated financial statements and the effectiveness of Henry Schein, Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP  
New York, NY

February 21, 2023

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

I, Stanley M. Bergman, certify that:

1. I have reviewed this annual report on Form 10-K of Henry Schein, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: February 21, 2023

/s/ Stanley M. Bergman

Stanley M. Bergman

Chairman and Chief Executive Officer

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

I, Ronald N. South, certify that:

1. I have reviewed this annual report on Form 10-K of Henry Schein, Inc. (the “registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: February 21, 2023

/s/ Ronald N. South

Ronald N. South

Senior Vice President and Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the annual report on Form 10-K of Henry Schein, Inc. (the "Company") for the period ended December 31, 2022, 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, Ronald N. South, Senior Vice President and Chief Financial Officer of the Company, do hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge and belief that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 21, 2023

/s/ Stanley M. Bergman  
\_\_\_\_\_  
Stanley M. Bergman  
Chairman and Chief Executive Officer

Dated: February 21, 2023

/s/ Ronald N. South  
\_\_\_\_\_  
Ronald N. South  
Senior 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.