

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 26, 2004

OR

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

For the transition period from _____ to _____

Commission File Number: 0-27078

HENRY SCHEIN, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

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

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

As of July 28, 2004, there were 43,583,372 shares of the registrant's common stock outstanding.

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

| | June 26, 2004 | December 27, 2003 |
|--|--------------------|----------------------|
| | (unaudited) | |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 106,337 | \$ 157,351 |
| Accounts receivable, net of reserves of \$45,970 and \$43,203 | 518,808 | 467,085 |
| Inventories | 444,979 | 385,846 |
| Deferred income taxes | 30,108 | 30,559 |
| Prepaid expenses and other | 146,442 | 115,643 |
| Total current assets | 1,246,674 | 1,156,484 |
| Property and equipment, net | 158,036 | 154,205 |
| Goodwill | 570,420 | 398,888 |
| Other intangibles, net | 99,861 | 37,551 |
| Investments and other | 125,282 | 72,242 |
| Total assets | <u>\$2,200,273</u> | <u>\$1,819,370</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 287,714 | \$ 278,163 |
| Bank credit lines | 85,033 | 6,059 |
| Current maturities of long-term debt | 3,114 | 3,253 |
| Accrued expenses: | | |
| Payroll and related | 89,633 | 68,214 |
| Taxes | 58,565 | 45,969 |
| Other | 125,077 | 117,530 |
| Total current liabilities | 649,136 | 519,188 |
| Long-term debt | 420,877 | 247,100 |
| Deferred income taxes | 54,627 | 32,938 |
| Other liabilities | 13,816 | 4,494 |
| Minority interest | 13,263 | 11,532 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$.01 par value, 1,000,000 authorized, none outstanding | — | — |
| Common stock, \$.01 par value, 120,000,000 authorized, 43,737,962 and 43,761,973 outstanding | 437 | 438 |
| Additional paid-in capital | 453,383 | 445,118 |
| Retained earnings | 575,123 | 533,654 |
| Accumulated other comprehensive income | 20,125 | 24,999 |
| Deferred compensation | (514) | (91) |
| Total stockholders' equity | 1,048,554 | 1,004,118 |
| Total liabilities and stockholders' equity | <u>\$2,200,273</u> | <u>\$1,819,370</u> |

See accompanying notes.

HENRY SCHEIN, INC.

CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)
(unaudited)

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|------------------|------------------|------------------|
| | June 26, 2004 | June 28, 2003 | June 26, 2004 | June 28, 2003 |
| Net sales | \$945,690 | \$776,166 | \$1,832,321 | \$1,514,163 |
| Cost of sales | 693,975 | 555,637 | 1,349,779 | 1,092,217 |
| Gross profit | 251,715 | 220,529 | 482,542 | 421,946 |
| Operating expenses: | | | | |
| Selling, general and administrative | 188,130 | 164,499 | 372,657 | 323,711 |
| Operating income | 63,585 | 56,030 | 109,885 | 98,235 |
| Other income (expense): | | | | |
| Interest income | 2,451 | 1,921 | 4,667 | 4,313 |
| Interest expense | (3,114) | (4,595) | (6,116) | (9,328) |
| Other, net | 180 | 242 | 331 | 927 |
| Income before taxes on income, minority interest and equity in earnings of affiliates | 63,102 | 53,598 | 108,767 | 94,147 |
| Taxes on income | (23,412) | (20,207) | (40,444) | (35,413) |
| Minority interest in net income of subsidiaries | (1,254) | (874) | (1,779) | (1,611) |
| Equity in earnings of affiliates | 300 | 338 | 585 | 498 |
| Net income | \$ 38,736 | \$ 32,855 | \$ 67,129 | \$ 57,621 |
| Earnings per common share: | | | | |
| Basic | \$ 0.88 | \$ 0.76 | \$ 1.53 | \$ 1.32 |
| Diluted | \$ 0.86 | \$ 0.74 | \$ 1.49 | \$ 1.29 |
| Weighted-average common shares outstanding: | | | | |
| Basic | 43,914 | 43,500 | 43,850 | 43,754 |
| Diluted | 45,040 | 44,549 | 45,073 | 44,780 |

See accompanying notes.

HENRY SCHEIN, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

| | Six Months Ended | |
|---|-------------------|-------------------|
| | June 26, 2004 | June 28, 2003 |
| Cash flows from operating activities: | | |
| Net income | \$ 67,129 | \$ 57,621 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 19,984 | 17,115 |
| Provision for losses and allowances on trade receivables | 1,153 | 3,820 |
| Provision for deferred income taxes | 3,396 | 3,893 |
| Undistributed earnings of affiliates | (585) | (498) |
| Minority interest in net income of subsidiaries | 1,779 | 1,611 |
| Other | 88 | (246) |
| Changes in operating assets and liabilities, net of effect of acquisitions: | | |
| Accounts receivable | (14,933) | (33,578) |
| Inventories | (21,150) | 4,481 |
| Other current assets | 9,738 | 12,527 |
| Accounts payable and accrued expenses | (5,856) | (25,715) |
| Net cash provided by operating activities | <u>60,743</u> | <u>41,031</u> |
| Cash flows from investing activities: | | |
| Purchases of capital expenditures | (13,789) | (21,321) |
| Payments for business acquisitions, net of cash acquired | (135,807) | (66,754) |
| Payments related to pending business acquisitions | (56,441) | — |
| Purchases of marketable securities | — | (21,195) |
| Proceeds from sales of marketable securities | 14,472 | — |
| Proceeds from maturities of marketable securities | — | 28,530 |
| Other | (5,417) | 1,861 |
| Net cash used in investing activities | <u>(196,982)</u> | <u>(78,879)</u> |
| Cash flows from financing activities: | | |
| Proceeds from bank borrowings | 180,000 | — |
| Repayments of debt assumed in business acquisitions | (113,779) | — |
| Principal payments on long-term debt | (1,710) | (4,954) |
| Proceeds from issuance of stock upon exercise of stock options | 17,878 | 11,329 |
| Net proceeds from (payments on) short-term bank borrowings | 50,695 | (46,152) |
| Payments for repurchases of common stock | (45,964) | (940) |
| Other | (506) | (93) |
| Net cash provided by (used in) financing activities | <u>86,614</u> | <u>(40,810)</u> |
| Net change in cash and cash equivalents | (49,625) | (78,658) |
| Effect of exchange rate changes on cash and cash equivalents | (1,389) | (832) |
| Cash and cash equivalents, beginning of period | 157,351 | 200,651 |
| Cash and cash equivalents, end of period | <u>\$ 106,337</u> | <u>\$ 121,161</u> |

See accompanying notes.

HENRY SCHEIN, INC.

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

Note 1. Basis of Presentation

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

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

The consolidated financial statements reflect all adjustments considered necessary for a fair statement of the consolidated results of operations and financial position for the interim periods presented. All such adjustments are of a normal recurring nature. These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes to the consolidated financial statements contained in our Annual Report on Form 10-K, for the year ended December 27, 2003.

The preparation of financial statements in conformity with US GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The results of operations for the six months ended June 26, 2004 are not necessarily indicative of the results to be expected of any other interim period or for the year ending December 25, 2004.

Note 2. Segment Data

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

Our dental group serves office-based dental practices in the combined United States and Canadian dental market. Our medical group serves office-based physician practices in the United States, as well as surgical centers and other alternate-care settings and veterinarian clinics throughout the United States. Our international group serves practices in 14 countries outside of North America and is a leading Pan-European healthcare supplier serving office-based dental, medical, and veterinary practices.

Our technology group provides software, technology, and other value-added services to healthcare providers, primarily in the United States and Canada. Our value-added practice solutions include practice management software systems for dental practices and veterinary clinics. The technology group offerings also include financial services and continuing education services for practitioners.

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

Note 2. Segment Data – (Continued)

The following tables present information about our business segments:

| | Three Months Ended | | Six Months Ended | |
|-------------------------------|--------------------|------------------|--------------------|--------------------|
| | June 26, 2004 | June 28, 2003 | June 26, 2004 | June 28, 2003 |
| Net Sales: | | | | |
| Healthcare distribution: | | | | |
| Dental | \$388,879 | \$331,953 | \$ 746,919 | \$ 645,909 |
| Medical | 352,421 | 284,305 | 692,017 | 561,445 |
| International | 183,828 | 141,170 | 353,384 | 270,770 |
| Total healthcare distribution | 925,128 | 757,428 | 1,792,320 | 1,478,124 |
| Technology | 20,562 | 18,738 | 40,001 | 36,039 |
| Total | <u>\$945,690</u> | <u>\$776,166</u> | <u>\$1,832,321</u> | <u>\$1,514,163</u> |
| | | | | |
| | Three Months Ended | | Six Months Ended | |
| | June 26, 2004 | June 28, 2003 | June 26, 2004 | June 28, 2003 |
| Operating Income: | | | | |
| Healthcare distribution | \$55,384 | \$48,259 | \$ 94,928 | \$83,422 |
| Technology | 8,201 | 7,771 | 14,957 | 14,813 |
| Total | <u>\$63,585</u> | <u>\$56,030</u> | <u>\$109,885</u> | <u>\$98,235</u> |

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

Note 3. Stock-Based Compensation

We account for stock option awards under the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Under this method, no compensation expense is recorded, provided the exercise price is equal to or greater than the quoted market price of the stock at the grant date.

We make pro forma disclosures of net income and earnings per share as if the fair value-based method of accounting (the alternative method of accounting for stock-based compensation) had been applied as required by Financial Accounting Standard ("FAS") No. 123, "Accounting for Stock-Based Compensation." The fair value-based method requires us to make assumptions regarding future stock price volatility, risk-free interest rates, dividend yield and weighted-average option life.

Under the accounting provisions of FAS 123, our net income and net income per common share would have been adjusted to the pro forma amounts indicated in the table below. The following assumptions were used in determining the fair values: stock price volatility of 30.0% (2004) and 45.0% (2003), weighted-average risk-free interest rate of 3.0%, dividend yield of 0.0%, and weighted-average expected option life of five years:

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|------------------|------------------|------------------|
| | June 26, 2004 | June 28, 2003 | June 26, 2004 | June 28, 2003 |
| Net income as reported | \$38,736 | \$32,855 | \$67,129 | \$57,621 |
| Deduct: Tax affected stock-based compensation expense determined under fair value method | (2,312) | (1,956) | (4,146) | (3,395) |
| Pro forma net income | <u>\$36,424</u> | <u>\$30,899</u> | <u>\$62,983</u> | <u>\$54,226</u> |
| Earnings per common share, as reported: | | | | |
| Basic | <u>\$ 0.88</u> | <u>\$ 0.76</u> | <u>\$ 1.53</u> | <u>\$ 1.32</u> |
| Diluted | <u>\$ 0.86</u> | <u>\$ 0.74</u> | <u>\$ 1.49</u> | <u>\$ 1.29</u> |
| Earnings per common share, pro forma: | | | | |
| Basic | <u>\$ 0.83</u> | <u>\$ 0.71</u> | <u>\$ 1.44</u> | <u>\$ 1.24</u> |
| Diluted | <u>\$ 0.81</u> | <u>\$ 0.69</u> | <u>\$ 1.40</u> | <u>\$ 1.21</u> |

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

Note 4. Acquisitions

On January 8, 2004, as a means of expanding our international presence, we entered into agreements to purchase demedis GmbH, a leading full-service distributor of dental consumables and equipment in Germany, Austria, and the Benelux countries, and Euro Dental Holding GmbH, which includes KRUGG S.p.A., Italy's leading distributor of dental consumable products, and DentalMV GmbH (otherwise known as Muller & Weygandt, or "M&W"), one of Germany's leading direct marketing distributors of dental consumable products. We refer to these entities collectively as the "Demedis Group".

On June 18, 2004, we acquired all of the outstanding equity shares of the Demedis Group, excluding its Austrian operations, for approximately 259.5 million euro (or \$315.5 million), including transaction costs and the assumption of debt. We allocated \$88.4 million of the total purchase price to tangible assets and liabilities, \$59.2 million to identifiable intangible assets (\$28.0 million to definite-lived customer relationships with an average life of approximately 7 years and \$31.2 million to indefinite-lived trademarks and trade names) and the remainder of \$167.9 million to goodwill. This preliminary purchase price allocation is based on our best estimates and is subject to completion of a final fair market valuation.

We financed the acquisition primarily with cash on hand, borrowings under our existing revolving credit facility and with proceeds from a bridge loan in the amount of \$150.0 million. This bridge loan had a variable interest rate of 2.0% as of June 26, 2004 and matures on the earlier of the day following the receipt of proceeds from a permanent financing or December 17, 2004. We classified the bridge loan as non-current in our accompanying balance sheet because we expect to repay it with the net proceeds from a long-term financing and currently have the ability to repay such debt through our existing revolving credit facility.

As part of our agreement with the German regulatory authorities, we agreed to divest M&W shortly after the consummation of the acquisition. On July 16, 2004, this divestiture was completed for 50.0 million euro (or \$62.2 million), including the assumption of debt of approximately 27.5 million euro (or \$34.2 million), resulting in no gain or loss on disposal. Our investment in M&W was included in other current assets as a business held-for-sale at a net realizable value of 22.5 million euro (or \$27.4 million) as of June 26, 2004. As part of the agreement to divest M&W, we are entitled to receive 50% of the net sale proceeds in excess of 55.0 million euro, in the event M&W is subsequently resold before June 18, 2005.

The regulatory authorities are continuing their review of our pending acquisition of the Demedis Group business in Austria, which operates under the Austrodent brand. Of the total purchase price, 11.0 million euro (or \$13.4 million) was attributable to Austrodent, which is included in other non-current assets as of June 26, 2004. In the event that we receive regulatory approval to acquire Austrodent, we will reclassify this amount to the fair value of the assets and liabilities acquired through a purchase price allocation with any excess of purchase price over fair value allocated to goodwill. In the event that we do not receive regulatory approval to acquire Austrodent, we are entitled to receive the proceeds through a sale of Austrodent, net of selling costs, up to \$13.4 million. Any difference between the \$13.4 million and the proceeds received upon a subsequent sale of Austrodent will be recorded as an addition to goodwill of the acquired entities of the Demedis Group.

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

Note 4. Acquisitions — (Continued)

The operating results of the Demedis Group, including M&W (which is being accounted for using the equity method through the date of the divestiture) and excluding Austrodent, are included in the accompanying financial statements since the acquisition date of June 18, 2004.

Assuming the acquisition of the Demedis Group occurred at the beginning of our fiscal year ended December 27, 2003, excluding the results of M&W and Austrodent, our pro forma net sales would have been approximately \$1.0 billion and \$863.7 million for the three month periods ended June 26, 2004 and June 28, 2003 and \$2.0 billion and \$1.7 billion for the six month periods ended June 26, 2004 and June 28, 2003. These unaudited net sales amounts do not purport (i) to be indicative of what our net sales would have been had the above transaction been completed at the beginning of our fiscal year ended December 27, 2003 or (ii) to project our net sales for any other interim period or for the year ending December 25, 2004. The pro forma effect of the acquisition of the Demedis Group on our net income and earnings per share was not material.

During the first quarter of 2004, we paid approximately \$43.0 million towards an acquisition of Camlog Holding AG (“Camlog”), a Swiss manufacturer and marketer of dental implants used in tooth replacement. On July 2, 2004, we made a nominal final payment upon the closing of this acquisition in which we acquired 50.1% of the outstanding equity shares of Camlog. We will begin consolidating Camlog’s financial statements from the acquisition date.

During the six months ended June 26, 2004, we also made an earn-out payment related to a prior period acquisition and completed other transactions that resulted in recording additional goodwill. None of these transactions were material individually or in the aggregate.

Note 5. Earnings Per Share

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

| | Three Months Ended | | Six Months Ended | |
|--|--------------------|-------------------|-------------------|-------------------|
| | June 26, 2004 | June 28, 2003 | June 26, 2004 | June 28, 2003 |
| Basic | 43,914,479 | 43,500,099 | 43,849,700 | 43,754,062 |
| Effect of assumed conversion of employee stock options | <u>1,125,405</u> | <u>1,048,483</u> | <u>1,223,637</u> | <u>1,025,911</u> |
| Diluted | <u>45,039,884</u> | <u>44,548,582</u> | <u>45,073,337</u> | <u>44,779,973</u> |

Weighted-average options to purchase 1,047,650 shares of common stock priced at \$70.98 per share and 37,319 shares of common stock at prices ranging from \$48.25 to \$54.00 per share that were outstanding during the three months ended June 26, 2004 and June 28, 2003 were excluded from the computation of earnings per diluted common share. Weighted-average options to purchase 748,322 shares of common stock priced at \$70.98 per share and 74,294 shares of common stock at prices ranging from \$44.90 to \$54.00 per share that were outstanding during the six months ended June 26, 2004 and June 28, 2003, were excluded from the computation of earnings per diluted common share. In each of these periods, the exercise prices of the options exceeded the average fair market value of our common stock.

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

Note 6. Comprehensive Income

Comprehensive income includes certain gains and losses that, under US GAAP, are excluded from net income, as these amounts are recorded directly as an adjustment to stockholders' equity. Our comprehensive income primarily includes net income and foreign currency translation adjustments, but also includes unrealized gains and losses on hedging activities and marketable securities. Comprehensive income totaled \$39.0 million and \$62.3 million for the three and six months ended June 26, 2004, respectively, and \$45.6 million and \$74.5 million for the three and six months ended June 28, 2003, respectively.

Note 7. Supplemental Cash Flow Information

Cash paid for interest and income taxes was:

| | Six Months Ended | |
|--------------|------------------|------------------|
| | June 26, 2004 | June 28, 2003 |
| Interest | \$ 6,148 | \$ 8,948 |
| Income taxes | 14,078 | 16,811 |

In connection with two acquisitions we made during the six months ended June 26, 2004, we assumed \$21.1 million of debt, and issued \$2.0 million of debt, which remained outstanding as of June 26, 2004. This was offset by a \$6.0 million interest rate swap mark-to-market adjustment to long-term debt for the six months ended June 26, 2004.

During the six months ended June 28, 2003, we issued a \$5.0 million note payable in connection with an acquisition.

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

Cautionary Note Regarding Forward-Looking Statements

Except for historical information contained herein, the statements in this report (including, without limitation, statements indicating that we “expect,” “estimate,” “anticipate,” or “believe” and all other statements concerning future financial results, product or service offerings, or other events that have not yet occurred) are forward-looking statements that are made pursuant to the safe harbor provisions of applicable securities legislation and regulations. Forward-looking statements involve known and unknown factors, risks and uncertainties that may cause our actual results in future periods to differ materially from those expressed in any forward-looking statements. Those factors, risks and uncertainties include, but are not limited to, the factors described under “Risk Factors” discussed later in this Form 10-Q.

Executive-Level Overview

We are the largest distributor of healthcare products and services primarily to office-based healthcare practitioners in the combined North American and European markets. We serve more than 450,000 customers worldwide, including dental practices and laboratories, physician practices and veterinary clinics, as well as government and other institutions. We believe that we have a strong brand identity due to our more than 70 years of experience distributing healthcare products. We are headquartered in Melville, New York; employ more than 9,000 people; and have operations in the United States, Canada, the United Kingdom, the Netherlands, Belgium, Germany, France, Austria, Spain, the Czech Republic, Luxembourg, Italy, Ireland, Portugal, Australia and New Zealand.

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

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

Our dental group serves office-based dental practices in the combined United States and Canadian dental market. Our medical group serves office-based physician practices in the United States, as well as surgical centers and other alternate-care settings and veterinarian clinics throughout the United States. Our international group serves practices in 14 countries outside of North America and is a leading Pan-European healthcare supplier serving office-based dental, medical, and veterinary practices.

Our technology group provides software, technology, and other value-added services to healthcare providers, primarily in the United States and Canada. Our value-added practice solutions include practice management software systems for dental practices and veterinary clinics. To date, more than 50,000 of our software systems have been installed. The technology group offerings also include financial services and continuing education services for practitioners.

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Industry Overview

In recent years, the healthcare industry has increasingly focused on cost containment. This trend has benefited distributors who provide a broad array of products and services at competitive prices. This trend has also 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, favor distributors capable of providing specialized management-information support. We believe that the trend towards cost containment has the potential to positively affect demand for practice-management systems and software that enhance the efficiency and facilitation of practice management.

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

Industry Consolidation

The healthcare products distribution industry as it relates to office-based healthcare practitioners is highly fragmented and diverse. This industry, which encompasses the dental, medical, and veterinary markets, produced revenues of approximately \$17 billion in 2003 in the combined North American and European markets. The industry ranges from sole practitioners working out of relatively small offices to group practices or service organizations comprising anywhere from a few practitioners to a large number of practitioners who have combined or otherwise associated their practices.

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

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

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

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

Aging Population and Other Market Influences

The healthcare products distribution industry continues to experience growth due to the aging population, increased healthcare awareness, the proliferation of medical technology and testing, new pharmacology treatments, and expanded third-party insurance coverage. In addition, the physician market continues to benefit from procedures and diagnostic testing shifting from hospitals to alternate-care sites, particularly physicians' offices, despite significantly lower costs of procedures. As the cosmetic surgery and elective procedure markets continue to grow, physicians are increasingly performing more of these procedures in their offices.

The January 2000 report by the U.S. Bureau of the Census estimated that the elderly population in America will more than double by the year 2040. In 2000, four million Americans were aged 85 or older, the segment of the population most in need of healthcare products and services. By the year 2040, that number is projected to more than triple to over 14 million. The population aged 65 to 84 is projected to more than double in the same time period.

As a result of these market dynamics, the annual expenditures for healthcare services continue to increase in the United States. The Centers for Medicaid and Medicare Services (CMS), Office of the Actuary published "Health Spending Projections Through 2013" in 2004, indicating that total national healthcare spending reached \$1.6 trillion in 2002, or 14.9% of the nation's gross domestic product, the benchmark measure for annual production of goods and services in the United States. Healthcare spending is projected to reach \$3.4 trillion in 2013, an estimated 18.4% of the gross domestic product.

Governmental Influences

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

The Medicare Prescription Drug, Improvement, and Modernization Act (the "Medicare Act") was passed by Congress and enacted by President Bush on December 8, 2003. The Medicare Act is the largest expansion of the Medicare program since its inception and provides beneficiaries with voluntary prescription drug benefits effective in 2006. In the meantime, Medicare beneficiaries can apply for an interim drug discount card. The Medicare Act also includes provisions relating to medication management programs, generic substitution and provider reimbursement. Based upon current information, we believe the Medicare Act may create additional volume demand and provide incentives for additional use of generic drugs, both of which have potentially positive implications for our pharmaceutical distribution business.

Product Integrity

Certain pharmaceutical and medical-surgical product manufacturers are in discussions with legislators about the risks of counterfeit products in the supply chain and manufacturers' concerns regarding the impact of secondary market distribution on counterfeiting. As a distributor of such products, we continue to work with our suppliers to help minimize the risks associated with counterfeit products in the supply chain and potential litigation.

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Results of Operations

The following table summarizes the significant components of our operating results and cash flows for the three and six months ended June 26, 2004 and June 28, 2003 (in thousands):

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|---------------|------------------|---------------|
| | June 26, 2004 | June 28, 2003 | June 26, 2004 | June 28, 2003 |
| Operating Results: | | | | |
| Net sales | \$ 945,690 | \$ 776,166 | \$ 1,832,321 | \$ 1,514,163 |
| Cost of sales | 693,975 | 555,637 | 1,349,779 | 1,092,217 |
| Gross profit | 251,715 | 220,529 | 482,542 | 421,946 |
| Operating expenses: | | | | |
| Selling, general and administrative | 188,130 | 164,499 | 372,657 | 323,711 |
| Operating income | \$ 63,585 | \$ 56,030 | \$ 109,885 | \$ 98,235 |
| Other expense, net | \$ (483) | \$ (2,432) | \$ (1,118) | \$ (4,088) |
| Net income | 38,736 | 32,855 | 67,129 | 57,621 |
| Cash Flows: | | | | |
| Net cash provided by operating activities | \$ 81,045 | \$ 55,116 | \$ 60,743 | \$ 41,031 |
| Net cash used in investing activities | (109,111) | (83,932) | (196,982) | (78,879) |
| Net cash provided by (used in) financing activities | 61,176 | (37,063) | 86,614 | (40,810) |

Three Months Ended June 26, 2004 Compared to Three Months Ended June 28, 2003

Net Sales

Net sales for the three months ended June 26, 2004 and June 28, 2003 were as follows (in thousands):

| | June 26, 2004 | % of Total | June 28, 2003 | % of Total |
|-------------------------------|---------------|------------|---------------|------------|
| Healthcare distribution (1): | | | | |
| Dental (2) | \$388,879 | 41.1% | \$331,953 | 42.8% |
| Medical (3) | 352,421 | 37.3% | 284,305 | 36.6% |
| International (4) | 183,828 | 19.4% | 141,170 | 18.2% |
| Total healthcare distribution | 925,128 | 97.8% | 757,428 | 97.6% |
| Technology (5) | 20,562 | 2.2% | 18,738 | 2.4% |
| Total | \$945,690 | 100.0% | \$776,166 | 100.0% |

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

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

(3) Consists of products sold in the United States' medical and veterinary markets.

(4) Consists of products sold in the dental, medical and veterinary markets, primarily in Europe.

(5) Consists of practice management software and other value-added products and services, which are sold principally to healthcare professionals in the United States and Canada.

The \$169.5 million or 21.8% increase in net sales for the three months ended June 26, 2004 includes 20.3% local currency growth (12.4% internally generated and 7.9% from acquisitions net of a divestiture) and 1.5% related to foreign currency exchange.

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The \$56.9 million or 17.1% increase in dental net sales for the three months ended June 26, 2004 includes 16.9% local currency growth (13.2% internally generated and 3.7% from acquisitions) and 0.2% related to foreign currency exchange. Of the 16.9% local currency growth, dental consumable merchandise sales increased 16.9% (13.1% internal growth) and dental equipment sales and service revenues increased 16.8% (13.2% internal growth). Our introduction of the Colgate and Pentron product lines, through distribution agreements executed in 2004, contributed significantly to our overall increase in dental net sales, and we expect this trend to continue.

The \$68.1 million or 24.0% increase in medical net sales for the three months ended June 26, 2004 includes 14.3% internally generated and 9.7% from acquisitions. The increase was primarily due to increased sales to physicians' office and alternate care markets (accounting for an increase of \$60.8 million or 21.4%), which increased due to acquisitions (accounting for an increase of \$27.5 million or 9.7%) and internal growth (accounting for an increase of \$33.3 million or 11.7%). Our increased sales of vaccines and injectable pharmaceutical products contributed significantly to our overall increase in medical net sales, and we expect this trend to continue.

The \$42.7 million or 30.2% increase in international net sales for the three months ended June 26, 2004 includes 22.2% in local currencies (7.2% internally generated and 15.0% from acquisitions net of a divestiture) and 8.0% due to foreign currency exchange. The increase was primarily due to continued execution of our full-service dental strategy across the continent, particularly in France and the United Kingdom and to increased direct marketing activities in Spain.

The \$1.8 million or 9.7% increase in technology net sales for the three months ended June 26, 2004 includes 6.0% internal growth and 3.7% acquisition growth. The increase was primarily due to our electronic services business, including dental claims processing.

Gross Profit

Gross profit and gross margins by segment and in total for the three months ended June 26, 2004 and June 28, 2003 were as follows (in thousands):

| | June 26, 2004 | Gross Margin % | June 28, 2003 | Gross Margin % |
|-------------------------|------------------|-------------------|------------------|-------------------|
| Healthcare distribution | \$235,955 | 25.5% | \$205,969 | 27.2% |
| Technology | 15,760 | 76.6% | 14,560 | 77.7% |
| Total | <u>\$251,715</u> | 26.6% | <u>\$220,529</u> | 28.4% |

For the three months ended June 26, 2004, gross profit increased \$31.2 million or 14.1% from the comparable prior-year period. As a result of different practices of categorizing costs associated with distribution networks throughout our industry, our gross margins may not necessarily be comparable to other distribution companies. Additionally, we realize substantially higher gross margin percentages in our technology segment than in our healthcare distribution segment. These higher gross margins result from being both the developer and seller of software products combined with the nature of the software industry, in which developers realize higher gross margins to recover investments in research and development.

Healthcare distribution gross profit increased \$30.0 million or 14.6% for the three months ended June 26, 2004 from the comparable prior-year period primarily due to increased sales in 2004. Healthcare distribution gross profit margin decreased primarily due to increased sales of lower-margin vaccines and injectable pharmaceutical products in our medical business.

Technology gross profit increased \$1.2 million or 8.2% for the three months ended June 26, 2004 from the comparable prior-year period. Technology gross profit margin decreased primarily due to changes in sales mix

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including increases in our electronic services business, including dental claims processing.

Selling, General and Administrative

Selling, general and administrative expenses by segment and in total for the three months ended June 26, 2004 and June 28, 2003 were as follows (in thousands):

| | June 26, 2004 | % of Respective Net Sales | June 28, 2003 | % of Respective Net Sales |
|-------------------------|------------------|---------------------------------|------------------|---------------------------------|
| Healthcare distribution | \$180,572 | 19.5% | \$157,710 | 20.8% |
| Technology | 7,558 | 36.8% | 6,789 | 36.2% |
| Total | <u>\$188,130</u> | 19.9% | <u>\$164,499</u> | 21.2% |

For the three months ended June 26, 2004, selling, general and administrative expenses increased \$23.6 million or 14.4% from the comparable prior-year period. As a percentage of net sales, selling, general and administrative expenses decreased from the comparable prior-year period primarily as a result of a decrease in payroll as a percentage of sales realized by leveraging our distribution infrastructure.

As a component of selling, general and administrative expenses, selling expenses increased \$16.5 million, or 16.0%, to \$119.8 million for the three months ended June 26, 2004 from \$103.3 million for the comparable prior-year period. The increase was primarily due to a \$15.1 million or 19.2% increase in payroll expenses associated with increased sales volume. As a percentage of net sales, selling expenses decreased to 12.7% from 13.3% for the comparable prior-year period, primarily as a result of a decrease in payroll as a percentage of sales realized by leveraging our distribution infrastructure.

As a component of selling, general and administrative expenses, general and administrative expenses increased \$7.1 million, or 11.7%, to \$68.3 million for the three months ended June 26, 2004 from \$61.2 million for the comparable prior-year period. The increase was primarily due to overall sales growth in our business. As a percentage of net sales, general and administrative expenses decreased to 7.2% from 7.9% for the comparable prior-year period, primarily as a result of leveraging our distribution and corporate infrastructure.

Other Expense, Net

Other expense, net decreased \$1.9 million to \$483 thousand for the three months ended June 26, 2004 from the comparable prior-year period. The net decrease was primarily due to lower interest expense resulting from the effect of interest rate swaps entered into during the fourth quarter of 2003 (accounting for a decrease of \$1.4 million).

Income Taxes

For the three months ended June 26, 2004, our effective tax rate decreased to 37.1% from 37.7% for the comparable prior-year period. The difference between our effective tax rates and the federal statutory rates for both periods related primarily to state income taxes.

Six Months Ended June 26, 2004 Compared to Six Months Ended June 28, 2003**Net Sales**

Net sales for the six months ended June 26, 2004 and June 28, 2003 were as follows (in thousands):

| | June 26, 2004 | % of Total | June 28, 2003 | % of Total |
|-------------------------------|--------------------|---------------|--------------------|---------------|
| Healthcare distribution (1): | | | | |
| Dental (2) | \$ 746,919 | 40.7% | \$ 645,909 | 42.6% |
| Medical (3) | 692,017 | 37.8% | 561,445 | 37.1% |
| International (4) | 353,384 | 19.3% | 270,770 | 17.9% |
| Total healthcare distribution | 1,792,320 | 97.8% | 1,478,124 | 97.6% |
| Technology (5) | 40,001 | 2.2% | 36,039 | 2.4% |
| Total | <u>\$1,832,321</u> | <u>100.0%</u> | <u>\$1,514,163</u> | <u>100.0%</u> |

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

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

(3) Consists of products sold in the United States' medical and veterinary markets.

(4) Consists of products sold in the dental, medical and veterinary markets, primarily in Europe.

(5) Consists of practice management software and other value-added products and services, which are sold principally to healthcare professionals in the United States and Canada.

The \$318.2 million or 21.0% increase in net sales for the six months ended June 26, 2004 includes 18.4% local currency growth (11.0% internally generated and 7.4% from acquisitions net of a divestiture) and 2.6% related to foreign currency exchange.

The \$101.0 million or 15.6% increase in dental net sales for the six months ended June 26, 2004 includes 15.1% local currency growth (10.7% internally generated and 4.4% from acquisitions) and 0.5% related to foreign currency exchange. Of the 15.1% local currency growth, dental consumable merchandise sales increased 12.1% (8.4% internal growth) and dental equipment sales and service revenues increased 3.0% (2.3% internal growth). Our introduction of the Colgate and Pentron product lines contributed significantly to our overall increase in dental net sales, and we expect this trend to continue.

The \$130.6 million or 23.3% increase in medical net sales for the six months ended June 26, 2004 includes 13.3% internally generated and 10.0% from acquisitions. The increase was primarily due to increased sales to physicians' office and alternate care markets (accounting for an increase of \$115.5 million or 20.6%), which increased due to acquisitions (accounting for an increase of \$55.8 million or 10.0%) and internal growth (accounting for an increase of \$59.7 million or 10.6%). Our increased sales of vaccines and injectable pharmaceutical products contributed significantly to our overall increase in medical net sales, and we expect this trend to continue.

The \$82.6 million or 30.5% increase in international net sales for the six months ended June 26, 2004 includes 17.4% in local currencies (7.3% internally generated and 10.1% from acquisitions net of a divestiture) and 13.1% due to foreign currency exchange. The increase was primarily due to continued execution of our full-service dental strategy across the continent, particularly in France and the United Kingdom and to increased direct marketing activities in Spain.

The \$4.0 million or 11.0% increase in technology net sales for the six months ended June 26, 2004 includes 7.3% internal growth and 3.7% acquisition growth. The increase was primarily due to our electronic services business, including dental claims processing.

Gross Profit

Gross profit and gross margins by segment and in total for the six months ended June 26, 2004 and June 28, 2003 were as follows (in thousands):

| | June 26, 2004 | Gross Margin % | June 28, 2003 | Gross Margin % |
|-------------------------|------------------|-------------------|------------------|-------------------|
| Healthcare distribution | \$452,379 | 25.2% | \$394,050 | 26.7% |
| Technology | 30,163 | 75.4% | 27,896 | 77.4% |
| Total | <u>\$482,542</u> | 26.3% | <u>\$421,946</u> | 27.9% |

For the six months ended June 26, 2004, gross profit increased \$60.6 million, or 14.4%, from the comparable prior-year period.

Healthcare distribution gross profit increased \$58.3 million, or 14.8%, for the six months ended June 26, 2004 from the comparable prior-year period primarily due to increased sales in 2004. Healthcare distribution gross profit margin decreased primarily due to increased sales of lower-margin vaccines and injectable pharmaceutical products in our medical business.

Technology gross profit increased \$2.3 million, or 8.1%, for the six months ended June 26, 2004 from the comparable prior-year period. Technology gross profit margin decreased primarily due to changes in sales mix including increases in our electronic services business, including dental claims processing.

Selling, General and Administrative

Selling, general and administrative expenses by segment and in total for the six months ended June 26, 2004 and June 28, 2003 were as follows (in thousands):

| | June 26, 2004 | % of Respective Net Sales | June 28, 2003 | % of Respective Net Sales |
|-------------------------|------------------|---------------------------------|------------------|---------------------------------|
| Healthcare distribution | \$357,452 | 19.9% | \$310,631 | 21.0% |
| Technology | 15,205 | 38.0% | 13,080 | 36.3% |
| Total | <u>\$372,657</u> | 20.3% | <u>\$323,711</u> | 21.4% |

For the six months ended June 26, 2004, selling, general and administrative expenses increased \$48.9 million, or 15.1%, from the comparable prior-year period. As a percentage of net sales, selling, general and administrative expenses decreased from the comparable prior-year period, primarily as a result of a decrease in payroll expenses as a percentage of net sales realized by leveraging our distribution infrastructure.

As a component of selling, general and administrative expenses, selling expenses increased \$34.5 million, or 17.0%, to \$237.0 million for the six months ended June 26, 2004 from \$202.5 million for the comparable prior-year period. The increase was primarily due to a \$28.9 million or 18.5% increase in payroll expenses associated with increased sales volume. As a percentage of net sales, selling expenses decreased to 12.9% from 13.4% for the comparable prior-year period, primarily as a result of a decrease in payroll expenses as a percentage of net sales realized by leveraging our distribution infrastructure.

As a component of selling, general and administrative expenses, general and administrative expenses increased \$14.4 million, or 11.9%, to \$135.6 million for the six months ended June 26, 2004 from \$121.2 million for the comparable prior-year period. The increase was primarily due to the overall sales growth in our

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business. As a percentage of net sales, general and administrative expenses decreased to 7.4% from 8.0% for the comparable prior-year period, primarily as a result of leveraging our distribution and corporate infrastructure.

Other Expense, Net

Other expense, net decreased \$3.0 million to \$1.1 million for the six months ended June 26, 2004 from the comparable prior-year period. The net decrease was primarily due to lower interest expense resulting from the effect of interest rate swaps entered into during the fourth quarter of 2003 (accounting for a decrease of \$2.8 million).

Income Taxes

For the six months ended June 26, 2004, our effective tax rate decreased to 37.2% from 37.6% for the comparable prior-year period. The difference between our effective tax rates and the federal statutory rates for both periods related primarily to state income taxes.

Liquidity and Capital Resources

Our principal capital requirements include the funding of acquisitions, repurchases of common stock, working capital needs, and capital expenditures. Working capital requirements generally result from increased sales, special inventory forward buy-in opportunities and payment terms for receivables and payables. Because sales tend to be stronger during the third and fourth quarters and special inventory forward buy-in opportunities are most prevalent just before the end of the year, our working capital requirements have generally been higher from the end of the third quarter to the end of the first quarter of the following year.

We finance our business primarily through cash generated from our operations, revolving credit facilities, private-placement debt and stock issuances. Our principal sources of cash are from our operations and short-term and long-term debt financings. Our ability to generate sufficient cash flows from operations is dependent on the continued demand of our customers for our products and services. Given current operating, economic and industry conditions, we believe that demand for our products and services will remain consistent in the foreseeable future.

Net cash flow provided by operating activities was \$60.7 million for the six months ended June 26, 2004 compared to \$41.0 million for the comparable prior-year period. This net change of \$19.7 million was due primarily to changes in working capital accounts (accounting for an increase of \$10.1 million) and an increase in net income (accounting for an increase of \$9.5 million).

Net cash used in investing activities was \$197.0 million for the six months ended June 26, 2004 compared to \$78.9 million for the comparable prior-year period. The net change of \$118.1 million was primarily due to payments for completed and pending business acquisitions accounting for \$125.5 million. We expect to invest approximately \$25.0 million during the remainder of the fiscal year in capital projects to modernize and expand our facilities and computer infrastructure systems and to integrate operations into our core infrastructure.

Net cash provided by (used in) financing activities was \$86.6 million for the six months ended June 26, 2004 compared to \$(40.8) million for the comparable prior-year period. The net change of \$127.4 million was primarily due to proceeds from bank borrowings (accounting for an increase of \$180.0 million) and net proceeds from short-term bank borrowings (accounting for an increase of \$96.8 million) borrowed to fund our completed and pending acquisitions, partially offset by repayments of the debt assumed in business acquisitions (accounting for a decrease of \$113.8 million) and payments to repurchase our common stock (accounting for a decrease of \$46.0 million).

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

| | June 26, 2004 | December 27, 2003 |
|--|------------------|----------------------|
| Cash and cash equivalents | \$106,337 | \$157,351 |
| Marketable securities, including non-current | — | 14,496 |
| Working capital | 597,538 | 637,296 |
| Bank credit lines | \$ 85,033 | \$ 6,059 |
| Current maturities of long-term debt | 3,114 | 3,253 |
| Long-term debt | 420,877 | 247,100 |
| Total debt | <u>\$509,024</u> | <u>\$256,412</u> |

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

Our business requires a substantial investment in working capital, which is susceptible to large variations 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.

Our accounts receivable days sales outstanding increased to 48.4 days for the six months ended June 26, 2004 from 46.9 days for the comparable prior-year period. The increase of 1.5 days was due to our acquisition of the Demedis Group on June 18, 2004 (accounting for an increase of 1.0 day) and extended collection periods for our customers, mainly acute-care (accounting for an increase of approximately 0.5 days). Our inventory turnover remained consistent in relation to the comparable prior-year period at an annualized 6.5 turns for the six months ended June 26, 2004. We anticipate future increases in our working capital requirements as a result of continued sales growth.

In prior years, we completed private-placement transactions under which we issued \$130.0 million and \$100.0 million in senior notes. The \$130.0 million notes mature on June 30, 2009 and bear interest at a fixed rate of 6.94% per annum. Principal payments totaling \$20.0 million are due annually starting September 25, 2006 on the \$100.0 million notes and bear interest at a fixed rate of 6.66% per annum. Interest on both notes is payable semi-annually.

During the fourth quarter of 2003, we entered into agreements relating to the \$230.0 million senior notes to exchange our fixed interest rates for variable interest rates. For the six months ended June 26, 2004, the weighted-average variable interest rate was 4.26%. This weighted-average variable interest rate comprises LIBOR, plus the spread and resets on the interest due dates for the senior notes.

We have a revolving credit facility of \$200 million that is a four-year committed line scheduled to terminate in May 2006 of which \$30 million was borrowed as of June 26, 2004. We had \$85 million of other short-term bank borrowings outstanding as of June 26, 2004.

We financed our acquisition of the Demedis Group with cash on hand, borrowings under our existing revolving credit facility and with proceeds from a bridge loan in the amount of \$150.0 million. This bridge loan had a variable interest rate of 2.0% as of June 26, 2004 and matures on the earlier of the day following the receipt of proceeds from a permanent financing or December 17, 2004. We classified the bridge loan as non-current in our accompanying balance sheet because we expect to repay it with the net proceeds from a long-term financing and currently have the ability to repay such debt through our existing revolving credit facility.

On March 12, 2003, we announced that our Board of Directors had authorized the repurchase of up to two million shares of our common stock, which represented approximately 4.5% of shares outstanding on the announcement date. During the second quarter of 2004, we completed the repurchase of the entire two million shares under this initiative.

On June 21, 2004, we announced that our Board of Directors had authorized a second repurchase program. The new program allows us to repurchase up to \$100 million in shares of our common stock, which represented approximately 3.5% of shares outstanding on the announcement date. As of June 26, 2004, we had not repurchased any shares under this initiative.

Some holders of minority interests in certain of our subsidiaries have the right at certain times to require us to acquire their interest at a price that approximates fair value pursuant to a formula price based on earnings of the entity. Additionally, some prior owners of such acquired subsidiaries are eligible to receive additional purchase price cash consideration if certain profitability targets are met. We have not accrued any liabilities that may arise from these transactions because the outcome of the contingency is not determinable beyond a

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reasonable doubt.

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, ability to access public and private debt and equity markets, and available funds under existing credit facilities provide us sufficient liquidity to meet our currently foreseeable short-term and long-term capital needs.

Seasonality and Other Factors Affecting Our Business

Our business has been subject to seasonal and other quarterly influences. Net sales and operating profits generally have been higher in the third and fourth quarters due to the timing of sales of software, equipment, and seasonal products, purchasing patterns of office-based healthcare practitioners and year-end promotions. Net sales and operating profits generally have been lower in the first quarter primarily due to increased purchases in the prior two quarters.

Quarterly results also may be adversely affected by other factors, including changes in customer purchasing patterns; costs of developing new applications and services, timing of seasonal product sales including influenza vaccine sales, costs related to acquisitions of technologies or businesses, including our acquisition of the Demedis Group, the timing and amount of sales and marketing expenditures, general economic conditions, as well as those specific to the healthcare industry and related industries, the timing and amounts of sales and marketing expenditures, general economic conditions, as well as those specific to the healthcare industry and related industries, the timing of the release of functions of our technology-related products and services and our success in establishing additional business relationships.

E-Commerce

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

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

Critical Accounting Policies and Estimates

There have been no material changes in our critical accounting policies and estimates from those disclosed in Item 7 of our Annual Report on Form 10-K for the year ended December 27, 2003.

Risk Factors

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

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

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

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

We must comply with government regulations governing the distribution of pharmaceuticals and medical devices and additional regulations could negatively affect our business.

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

- regulate the storage and distribution, labeling, handling, record keeping, manufacturing and advertising of drugs and medical devices;
- subject us to inspection by the Federal Food and Drug Administration and the Drug Enforcement Administration;
- regulate the transportation of certain of our products that are considered hazardous materials;
- require registration with the Federal Food and Drug Administration and the Drug Enforcement Administration;
- require us to coordinate returns of products that have been recalled and subject us to inspection of our recall procedures; and
- impose reporting requirements if a pharmaceutical or medical device causes serious illness, injury or death.

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Our business is also subject to requirements of foreign governmental laws and regulations affecting our operations abroad.

The failure to comply with any of these regulations or the imposition of any additional regulations could negatively affect our business. There can be no assurance that current or future U.S. or foreign government regulations will not adversely affect our business.

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

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

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

As a result of our acquisition of the Demedis Group, our foreign operations are significantly larger and, therefore, our exposure to the risks inherent in international operations has become greater.

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

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

- changes in customer purchasing patterns;
- costs of developing new applications and services;
- timing of seasonal product sales including influenza vaccine sales;
- costs related to acquisitions of technologies or businesses, including our acquisition of the Demedis Group;

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- the timing and amount of sales and marketing expenditures;
- general economic conditions, as well as those specific to the healthcare industry and related industries;
- the timing of the release of functions of our technology-related products and services; and
- our success in establishing additional business relationships.

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

Our expansion through acquisitions and joint ventures involves several risks.

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

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

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

- the availability of suitable acquisition or joint venture candidates at acceptable prices;
- our ability to consummate such transactions, which could potentially be prohibited due to national or international antitrust regulations; and
- the availability of financing on acceptable terms, in the case of non-stock transactions.

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

Our business involves a risk of product liability and other claims and from time to time we are named as a defendant in cases as a result of our distribution of pharmaceutical and other healthcare products. Additionally, we own a majority interest in a company that manufactures dental implants and we are subject to the potential risk of product liability or other claims relating to the manufacture of products by that entity. One of the potential risks we face in the distribution of our products is liability resulting from counterfeit products infiltrating the supply chain. In addition, some of the products that we transport and sell are considered hazardous materials. The improper handling of such materials or accidents involving the transportation of such materials could subject us to liability. We have insurance policies, including product liability insurance, covering risks and in amounts we consider adequate. Additionally, in many cases we are covered by indemnification from the manufacturer of the product. However, we cannot assure you that the coverage maintained by us is sufficient to cover future claims or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide adequate protection for us. A successful claim brought against us in excess of available insurance or indemnification, or any claim that results in significant adverse

publicity against us, could harm our business.

Our technology segment depends upon continued product development, technical support and successful marketing.

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

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

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

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

Our future operating results depend on our ability to maintain satisfactory relationships with qualified sales personnel as well as key customers, vendors 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 suffer.

Our future performance is materially dependent upon our senior management.

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

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

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

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

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

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

During the fourth quarter of 2003, we entered into interest rate swap agreements to exchange our fixed rate interest rates for variable interest rates payable on our \$230 million senior notes. Our fixed interest rates on the senior notes were 6.94% and 6.66% for the \$130 million and \$100 million senior notes, respectively. The variable rate is comprised of LIBOR plus the spreads and resets on the interest due dates for the senior notes. As a result of these interest rate swap agreements, as well as our existing variable rate credit lines, including the \$150 million bridge loan, and loan agreements, we are exposed to risk from fluctuations in interest rates. For example, a hypothetical 100 basis points increase in interest rates would increase our annual interest expense by approximately \$4.7 million.

Our acquisition of the Demedis Group may not result in the benefits and revenue growth we expect.

On June 18, 2004, we acquired the Demedis Group. We will be integrating these companies with one management and assimilating the operations, services, products and personnel of each company with our management policies, procedures and strategies. We cannot be sure that we will achieve the benefits of revenue growth that we expect from this acquisition or that we will not incur unforeseen additional costs or expenses in connection with this acquisition. To effectively manage our expected future growth, we must continue to successfully manage our integration of the Demedis Group and continue to improve our operational systems, internal procedures, accounts receivable and management, financial and operational controls. If we fail in any of these areas, our business could be adversely affected.

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

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

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

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

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

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

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

In addition, both the Henry Schein, Inc. 1994 Stock Incentive Plan and the Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan provide for accelerated vesting of stock options upon a change in control, and certain agreements between us and our executive officers provide for increased severance payments if those executive officers are terminated without cause within two years after a change in control. We are also afforded the protections of Section 203 of the Delaware General Corporation Law, which could have similar effects.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our exposure to market risk from that disclosed in Item 7A of our Annual Report on Form 10-K for the year ended December 27, 2003.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of management, including our Chairman, Chief Executive Officer and President (“CEO”) and our Chief Financial Officer (“CFO”), we evaluated the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of the end of the period covered by this quarterly report. Based on this evaluation, our CEO and CFO concluded that as of June 26, 2004, our disclosure controls and procedures were effective in ensuring that all material information required to be filed in this report has been made known to them in a timely manner.

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal control over financial reporting that occurred during the quarter ended June 26, 2004 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations of the Effectiveness of Internal Control

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

As of June 26, 2004, we had accrued our best estimate of potential losses relating to product liability, class action and other claims that were probable to result in a liability and for which we were able to reasonably estimate a loss. This accrued amount, as well as related expenses, was not material to our financial position, results of operations or cash flows. Our method for determining estimated losses considers currently available facts, presently enacted laws and regulations and other external factors, including potential recoveries from third parties. In addition, we believe that no amount of losses in excess of this accrued amount were reasonably estimable or reasonably possible to result in a liability.

Product Liability Claims

As of June 26, 2004, we were a defendant in approximately 40 product liability cases. Of these cases, six involve claims made by healthcare workers who claim allergic reaction relating to exposure to latex gloves. In each of these cases, we acted as a distributor of brand name and/or “Henry Schein” private-brand latex gloves, which were manufactured by third parties. To date, discovery in these cases has generally been limited to product identification issues. The manufacturers in these cases have withheld indemnification of us pending product identification; however, we have impleaded or filed cross claims against the manufacturers in each case in which we are a defendant.

Texas Class Action

On January 27, 1998, in District Court in Travis County, Texas, we and one of our subsidiaries were named as defendants in a matter entitled “Shelly E. Stromboe and Jeanne Taylor, on Behalf of Themselves and all others Similarly Situated vs. Henry Schein, Inc., Easy Dental Systems, Inc. and Dentisoft, Inc.,” Case No. 98-00886. The petition alleges, among other things, negligence, breach of contract, fraud, and violations of certain Texas commercial statutes involving the sale of certain practice management software products sold prior to 1998 under the Easy Dental® name.

In October 1999, the trial court, on motion, certified both a Windows® sub-class and a DOS sub-class to proceed as a class action pursuant to Tex. R. Civ. P. 42. It is estimated that approximately 5,000 Windows® customers and approximately 10,000 DOS customers were covered by the class action that was certified by the trial court. On September 14, 2000, the Court of Appeals affirmed the trial court’s certification order. On January 5, 2001, we filed a Petition for Review in the Texas Supreme Court. On October 31, 2002, the Texas Supreme Court issued an opinion in the case finding that the trial court’s certification of the case as a class action was improper. The Texas Supreme Court reversed the Court of Appeals’ judgment in its entirety, and remanded the case to the trial court for further proceedings consistent with its opinion.

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On August 29, 2003, class counsel filed amended papers seeking certification of an amended Windows® class and an amended DOS class. The only claim asserted for class certification by the Windows® class was for the alleged breach of the implied warranty of merchantability. The only claims asserted for class certification by the DOS class were for alleged violations of the Texas Unsolicited Goods Statute and the Federal Unordered Merchandise Act. By Order dated December 10, 2003, the trial court granted Defendants' Motion for Partial Summary Judgment on the DOS Class claims. By granting summary judgment on the claims asserted on behalf of the DOS class, the DOS motion for class certification became moot because certain class claims asserted by the named class representatives for the DOS class were found to be without merit. By Order dated January 13, 2004, the trial court denied the amended motion for class certification filed by the Windows® Class in its entirety. The deadline for the Windows® Class to file an interlocutory appeal of the denial of the amended motion for class certification was February 2, 2004. No appeal was filed on or before that date. As a result of the favorable rulings obtained in the trial court, only certain individual claims asserted on behalf of the named plaintiffs remain pending in this case.

Purported Class Action in New Jersey

In February 2002, we were served with a summons and complaint in an action commenced in the Superior Court of New Jersey, Law Division, Morris County, entitled "West Morris Pediatrics, P.A. and Avenel-Iselin Medical Group, P.A. vs. Henry Schein, Inc., doing business as Caligor," Case No. MRS-L-421-02. The plaintiffs' complaint purports to be on behalf of a nationwide class, but there has been no court determination that the case may proceed as a class action. Plaintiffs seek to represent a class of all physicians, hospitals and other healthcare providers throughout New Jersey and across the United States. This complaint, as amended in August 2002, alleges, among other things, breach of oral contract, breach of implied covenant of good faith and fair dealing, violation of the New Jersey Consumer Fraud Act, unjust enrichment, conversion, and promissory estoppel relating to sales of a vaccine product in the year 2001. We filed an answer in October 2002. The class action discovery period ended on February 23, 2004. Because the plaintiffs have not specified damages, it is not possible to determine the range of damages or other relief sought by the plaintiffs. We moved to dismiss the class action allegations of the complaint and plaintiffs cross moved for a class action determination. The motions will be heard in August 2004. We intend to vigorously defend ourselves against this claim, as well as all other claims, suits and complaints.

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES*Changes in securities*

None.

Sale of securities and use of proceeds

None.

Purchases of equity securities by the issuer

The following table summarizes repurchases of our common stock under our stock repurchase program:

| Period | Total Number of Shares Purchased (1) | Average Price Paid per Share | Maximum Number of Shares that May Yet Be Purchased Under Our Programs (2) (3) |
|--------------------------|---|---|--|
| 12/28/03 through 1/31/04 | 54,000 | \$69.61 | 611,000 |
| 2/01/04 through 2/28/04 | 73,500 | 69.89 | 537,500 |
| 2/29/04 through 3/27/04 | 130,900 | 69.71 | 406,600 |
| 3/28/04 through 4/24/04 | — | — | 406,600 |
| 4/25/04 through 5/29/04 | 344,100 | 69.48 | 62,500 |
| 5/30/04 through 6/26/04 | 62,500 | 64.56 | 1,548,227 |
| Total | 665,000 | \$69.12 | |

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

(2) On March 12, 2003, we announced that our Board of Directors had authorized the repurchase of up to two million shares of our common stock, which represented approximately 4.5% of shares outstanding on the announcement date. Through the close of the second quarter of 2004, we had completed the repurchase of the entire two million shares under this initiative.

(3) On June 21, 2004, we announced that our Board of Directors had authorized a second repurchase program. The new program allows us to repurchase up to \$100 million in shares of our common stock, which represented approximately 3.5% of shares outstanding on the announcement date. Through the close of the second quarter of 2004, we had not repurchased any shares under this initiative. Using the closing price of our common stock on June 26, 2004, we had 1,548,227 shares available to purchase under this new program.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At our Annual Meeting of Stockholders held on May 25, 2004, our stockholders took the following actions:

(i) Re-elected the following individuals to our Board of Directors:

| | |
|-------------------------|--|
| Stanley M. Bergman | (35,844,661 shares voting for, 1,369,710 shares withheld) |
| Barry J. Alperin | (35,266,958 shares voting for, 1,947,413 shares withheld) |
| Gerald A. Benjamin | (35,891,654 shares voting for, 1,322,717 shares withheld) |
| James P. Breslawski | (35,891,297 shares voting for, 1,323,074 shares withheld) |
| Dr. Margaret A. Hamburg | (36,752,584 shares voting for, 461,787 shares withheld) |
| Pamela Joseph | (19,934,944 shares voting for, 17,279,427 shares withheld) |
| Donald J. Kabat | (35,268,260 shares voting for, 1,946,111 shares withheld) |
| Philip A. Laskawy | (36,683,034 shares voting for, 531,337 shares withheld) |
| Norman S. Matthews | (35,022,610 shares voting for, 2,191,761 shares withheld) |
| Mark E. Mlotek | (35,884,558 shares voting for, 1,329,813 shares withheld) |
| Steven Paladino | (35,469,169 shares voting for, 1,745,202 shares withheld) |
| Marvin H. Schein | (33,079,006 shares voting for, 4,135,365 shares withheld) |
| Irving Shafran | (36,738,783 shares voting for, 475,588 shares withheld) |
| Dr. Louis W. Sullivan | (35,321,862 shares voting for, 1,892,509 shares withheld) |

(ii) Approved our Amended and Restated Henry Schein, Inc. 1994 Stock Incentive Plan (25,281,650 shares voting for; 7,762,896 shares voting against; 89,750 shares abstaining).

(iii) Approved Amendments to our 1996 Non-Employee Director Stock Incentive Plan (26,502,344 shares voting for; 5,963,739 shares voting against; 668,213 shares abstaining).

(iv) Approved the adoption of our the Henry Schein, Inc. 2004 Employee Stock Purchase Plan (32,203,320 shares voting for; 865,645 shares voting against; 65,331 shares abstaining).

(v) Ratified the selection of BDO Seidman, LLP as our independent auditors for the year ending December 25, 2004 (36,791,856 shares voting for; 362,814 shares voting against; 62,137 shares abstaining).

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

- 2.1 Sale and Purchase Agreement Regarding the Shares in Demedis Dental Business effective as of January 8, 2004 between us and the consortium of investors led by private equity funds advised by Permira.
- 2.2 Sale and Purchase Agreement Regarding the Shares in DentalMV GmbH effective as of January 8, 2004 between us and the consortium of investors led by private equity funds advised by Permira.
- 10.1 Henry Schein, Inc. 1994 Stock Incentive Plan as amended and restated effective as of April 1, 2004.*
- 10.2 Henry Schein, Inc. 1996 Non-Employee Director Stock Incentive Plan as amended and restated effective as of May 25, 2004.*
- 10.3 Henry Schein, Inc. 2004 Employee Stock Purchase Plan effective as of January 1, 2005.*
- 10.4 Credit Agreement, dated as of June 17, 2004 among us, the several guarantors from time to time parties hereto, JPMorgan Chase Bank, as administrative agent for Lenders hereunder, Lehman Commercial Paper Inc., as syndication agent, J.P. Morgan Securities Inc. and Lehman Brothers Inc. as lead arrangers and joint bookrunners, and the several lenders and other financial institutions or entities from time to time parties hereto.
- 31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32 Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Incorporated by reference to our Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 27, 2004.

(b) Reports on Form 8-K.

On April 27, 2004, we filed a report on Form 8-K under Items 7 and 12 to provide the press release reporting the financial results for the first quarter ended March 27, 2004.

SIGNATURE

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

Henry Schein, Inc.
(Registrant)

By: /s/ Steven Paladino
Steven Paladino
Executive Vice President,
Chief Financial Officer and Director
(principal financial and accounting officer)

Dated: August 2, 2004

[FRESHFIELDS BRUCKHAUS DERINGER LOGO]

SALE AND PURCHASE AGREEMENT

regarding the
sale and purchase of the
Demedis Dental Business

Execution Version Demedis SPA - 23 December 2003

by and between

1. all shareholders of demedis GmbH:

1.1 Sirona Dental Systems S.a.r.l., 73 Cote d'Eich, 1450 Luxembourg,
Luxembourg

- "SELLER 1" -

1.2 Oxanis AG, Kollinplatz 2, 6300 Zug, Switzerland

- "SELLER 2" -

1.3 Peter Jung, with address at Grunerstrasse 13, 40239 Dusseldorf, Germany

- "SELLER 3" -

1.4 Tilo Ploger, with address at Albert-Schweizer-Ring 2, 82256
Furstenfeldbruck, Germany

- "SELLER 4" -

1.5 Wolfgang Ni(beta)ing, with address at Dorkesdyck 20, 47661 Issum, Germany

- "SELLER 5" -

- - on the one side -

2. Blitz HH 02-650 GmbH, with business address at Am Neumarkt 34, 22041
Hamburg, Germany

- "SHARE PURCHASER"

3. Henry Schein Europe, Inc., with business address at 135 Duryea Road,
Melville, New York 11747, USA

- "LOAN PURCHASER" -

4. Henry Schein, Inc, with business address at 135 Duryea Road, Melville, New York 11747, USA

- "HENRY SCHEIN" -

- - on the other side -

- Seller 1 through Seller 5 are collectively referred to as "SELLERS" and individually as "SELLER", Loan Purchaser and Share Purchaser are collectively referred to as "PURCHASERS" and individually as "PURCHASER", Loan Purchaser, Share Purchaser, Sellers and Henry Schein are individually referred to as a "PARTY" and collectively as "PARTIES" -

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PREAMBLE

(A) Sellers are the sole shareholders of demedis GmbH, a limited liability company organised under German law, registered in the Commercial Register maintained at the Lower Court of Offenbach am Main under registration number HRB 34827, having its legal domicile in Langen/Hessen, Germany ("DEMEDIS"), which, largely through its direct and indirect subsidiaries ("DEMEDIS GROUP") and to a small extent by direct sales, is engaged in the trading and distribution of dental products in Germany, Austria, Belgium, Luxembourg and The Netherlands ("DEMEDIS DENTAL BUSINESS").

A corporate chart of the Demedis Group is attached as Exhibit A.

(B) Sellers are interested to sell and transfer their shares in Demedis and Seller 1 is interested to sell and transfer one of its shareholder loans granted to Demedis to Purchasers and Purchasers are interested to acquire such shares and loan from Sellers upon the terms and conditions of this sale and purchase agreement ("AGREEMENT").

(C) In addition to acquiring the Demedis Dental Business, Purchasers will enter into a sale and purchase agreement ("EDH AGREEMENT") to acquire (i) all shares in Euro Dental Holding GmbH, a limited liability company organised under German law, registered in the Commercial Register maintained at the Lower Court of Offenbach/Hessen under registration number HRB 34839 and having its legal domicile in Langen/Hessen, ("EDH"), which through its direct and indirect subsidiaries ("EDH GROUP") is also engaged in the trading and distribution of dental products and the ultimate owners of which are partly identical to the ultimate owners of the Demedis Group, as well as (ii) 1% of the shares in Krugg S.p.A., an Italian company registered in the Commercial Register of Milan under registration number 13088630150 (the remaining 99% of the shares are held by EDH).

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

SECTION 1
CORPORATE STRUCTURE

1.1 DEMEDIS SHARES. Sellers are the sole shareholder of Demedis and hold the following shares in the following nominal amounts in Demedis ("DEMEDIS SHARES"):

| SHAREHOLDER | NOMINAL AMOUNT OF SHARES IN EURO |
|--------------------------------|----------------------------------|
| Sirona Dental Systems S.a.r.l. | 475,000 |
| Oxanis AG | 13,050 |
| Peter Jung | 7,500 |
| Tilo Ploger | 2,950 |
| Wolfgang Ni(beta)ing | 1,000 |
| | 500 |

1.2 DIRECT SUBSIDIARIES. Demedis holds shares in the following companies:

- 1.2.1 five shares in the nominal amounts of EUR 25,000, EUR 113,000, EUR 2,000,000, EUR 2,046,000 and EUR 3,600,000 (which together represent 100 % of the total registered share capital in the nominal amount of EUR 7,784,000) in demedis dental depot GmbH ("DDD SHARES"), a limited liability company organised under German law, registered in the Commercial Register maintained at the Lower Court of Offenbach/Hessen under registration number HRB 35008 and having its legal domicile in Langen/Hessen, Germany ("DDD");
- 1.2.2 one share in the nominal amount of ATS 30,000,000 (which represents 100 % of the total registered share capital) in Austrodent Handelsgesellschaft m.b.H. ("AUSTRUDENT SHARE"), a limited liability company organised under Austrian law, registered in the Commercial Register maintained in Vienna under registration number FN 45564g and having its legal domicile in Vienna, Austria ("AUSTRUDENT");
- 1.2.3 600 shares in the nominal amounts of NLG 1000 each (which together represent 100 % of the total registered share capital in the amount of NLG 600,000) in Sirona Dental Systems B.V. ("SDS SHARES"), a limited liability company organised under Dutch law, registered in the Commercial

Register maintained in Tiel under registration number NR 30070331 and having its legal domicile in Tiel, The Netherlands ("SDS").

(DDD, Austrodent and SDS are hereinafter collectively referred to as the "DIRECT SUBSIDIARIES" and each of them as "DIRECT SUBSIDIARY"; the DDD Shares, the Austrodent Share and the SDS Shares are hereinafter collectively referred to as the "DIRECT SHARES".)

1.3 **INDIRECT SUBSIDIARIES.** The Direct Subsidiaries and their respective direct or indirect subsidiaries hold shares and partnership interests in the following companies and partnerships:

1.3.1 DDD holds shares and partnership interests in the following companies and partnerships:

- (i) one share in the nominal amount of DM 50,000 (which represents 100 % of the total registered share capital) in VBR Vertriebsbuero Rotierende Instrumente Gesellschaft mit beschränkter Haftung, a limited liability company organised under German law, registered in the Commercial Register maintained at the Lower Court of Berlin Charlottenburg under registration number HRB 45271 and having its legal domicile in Berlin, Germany ("VBR");
- (ii) one share in the nominal amount of EUR 8,400 (which represents 33.3 % of the total registered share capital in the nominal amount of EUR 25,200) in DES Dental Events Gesellschaft für professionelles Veranstaltungsmanagement GmbH, a limited liability company organised under German law, registered in the Commercial Register maintained at the Lower Court of Cologne under registration number HRB 31892 and having its legal domicile in Cologne, Germany ("DES GMBH");
- (iii) one share in the nominal amount of EUR 3,000 (which represents 4.545 % of the total capital in the nominal amount of EUR 66,000) in Arbeitsgemeinschaft der Bayerischen Dentaldepots, a civil law partnership (Gesellschaft bürgerlichen Rechts) organised under German law and having its legal domicile in Munich, Germany ("ARGE");
- (iv) four shares in the nominal amounts of DM 17,894.46, DM 17,894.46, DM 17,649.99 and DM 17,894.42 (which together

represent 29.889 % of the total capital in the nominal amount of DM 238,659.17) in Arbeitsgemeinschaft der Dental-Depots in Baden-Württemberg und Rheinland-Pfalz im BVD, a civil law partnership organised under German law and having its legal domicile in Stuttgart, Germany ("DENTALDEPOT").

(DES GmbH, Arge, Dentaldepot are collectively referred to as "DENTAL ASSOCIATIONS").

1.3.2 Austrodent holds shares in the following companies:

- (i) one share in the nominal amount of ATS 500,000 (which represents 100 % of the total registered share capital) in Muller Zahnwarenhandelsgesellschaft m.b.H., a limited liability company organised under Austrian law, registered in the Commercial Register maintained in Vienna under registration number FN 74236x and having its legal domicile in Vienna, Austria ("MULLER GmbH");
- (ii) one share in the nominal amount of ATS 500,000 (which represents 100 % of the total registered share capital) in Golth Dentalwarenhandelsgesellschaft m.b.H., a limited liability company organised under Austrian law, registered in the Commercial Register maintained in Vienna under registration number FN 89735k and having its legal domicile in Vienna, Austria ("GOLTH GmbH").

1.3.3 SDS holds 100 shares with a nominal value of NLG 1,000 each (which together represent 100 % of the total registered share capital in the amount of NLG 100,000) in NDO Leeftlang Beeher B.V., a limited liability company organised under Dutch law, registered in the Commercial Register maintained in Almere under registration number 39053828 and having its legal domicile in Almere, The Netherlands ("NDO BV").

1.3.4 NDO BV holds 454 shares with a nominal value of EUR 100 each (which together represent 100 % of the total registered share capital in the amount of EUR 45,400) in B.V. Nederlandse Dental Onderneming J.W. Leeftlang, a limited liability company organised under Dutch law, registered in the Commercial Register maintained in Almere under registration number 39052908 and having its legal domicile in Almere, The Netherlands ("NDO LEEFLANG").

1.3.5 NDO Leeflang holds shares in the following companies:

- (i) 236 shares with a nominal value of EUR 100 each (which together represent 100 % of the total registered share capital in the amount of EUR 23,600) in Double Precision B.V., a limited liability company organised under Dutch law, registered in the Commercial Register maintained in Almere under registration number 39055454 and having its legal domicile in Almere, The Netherlands ("DOUBLE BV");
- (ii) 7,550 shares without a nominal value but each with a fractional value of EUR 24.7893 (which together represent 100 % of the total registered share capital of EUR 187,159.16) in Demedis Dental N.V., a limited liability company organised under Belgian law, registered in the Commercial Register maintained at Antwerpen under registration number 322.094 and having its legal domicile in Zwijndrecht, Belgium ("DEMEDIS NV").

(VBR, Muller GmbH, Golph GmbH, NDO BV, NDO Leeflang, Double BV and Demedis NV are hereinafter collectively referred to as "INDIRECT SUBSIDIARIES"; Demedis, the Direct Subsidiaries and Indirect Subsidiaries, but excluding the Dental Associations, are collectively referred to as "COMPANIES" and individually as "COMPANY"; the Dental Associations and the Companies are collectively referred to as "GROUP COMPANIES" and individually as "GROUP COMPANY"; the shares and partnership interests directly or indirectly held by the Direct Subsidiaries and the Indirect Subsidiaries in the Indirect Subsidiaries are hereinafter collectively referred to as "INDIRECT SHARES"; the Demedis Shares, the Direct Shares and the Indirect Shares are collectively referred to as "SHARES").

- 1.4 OTHER PARTICIPATIONS. NDO Leeflang also holds interests in the so-called "STICHTING BONUS FONDS NDO LEEFLANG", a Dutch entity that legally does not have any shareholders and merely serves the purpose of administrating bonus certificates granted by NDO Leeflang to customers as well as the making to and receiving payments from customers in connection with such bonus certificates.

SECTION 2
FINANCIAL DEBT / DEBT GUARANTEES

2.1 SHAREHOLDER LOAN. Seller 1 has granted to Demedis the following shareholder loans:

2.1.1 one shareholder loan bearing interest to be accrued at a variable interest rate of 7% p.a. during the financial year ending on 30 September 2003 and 8% p.a. during the financial year ending on 30 September 2004 which, as of the Economic Transfer Date, (as defined in Section 5.1.1) provided for a total amount (including both principal and accrued interest) of EUR 70,838,037.89 (in words: Euro seventy million eight hundred thirty eight thousand thirty seven and eighty nine Cents) ("SHAREHOLDER LOAN").

(The loan agreement on the basis of which the Shareholder Loan has been granted is hereinafter referred to as "SHAREHOLDER LOAN AGREEMENT".)

2.1.2 one shareholder loan bearing interest at a (variable) interest rate of 8% p.a. which as of the Economic Transfer Date provided for a total amount (including both principal and accrued interest) of EUR 2,968,213.15 (in words: Euro two million nine hundred sixty eight thousand two hundred thirteen and fifteen Cents) ("REPAID SHAREHOLDER LOAN").

2.2 BANK DEBT.

2.2.1 SDS SENIOR FACILITY. Under a certain senior facility dated 5 September 2001 (as amended) ("SDS SENIOR FACILITY AGREEMENT") SDS, NDO BV and NDO Leeflang have been granted a senior loan facility at varying interest rates ("SDS SENIOR FACILITY") by Deutsche Bank AG ("SDS SENIOR LENDER"). In order to secure the claims of the SDS Senior Lender under the SDS Senior Facility Agreement, certain security has been granted to the SDS Senior Lender. As of the Economic Transfer Date the principal plus accrued and unpaid interest outstanding under the SDS Senior Facility amounted to EUR 7,035,620 (in words: Euro seven million thirty five thousand six hundred twenty) ("SDS SENIOR FACILITY AMOUNT").

2.2.2 DDD WORKING CAPITAL FACILITY. Under a working capital facility agreement dated 27 February 2002 (as amended) ("DDD WORKING CAPITAL FACILITY AGREEMENT I") DDD has been granted a working capital facility at varying interest rates ("DDD WORKING CAPITAL FACILITY") by Bayerische Hypo- und Vereinsbank AG ("DDD LENDER"). In order to secure the claims of the DDD Lender under the DDD Working Capital Facility Agreement, certain security

has been granted to the DDD Lender. As of the Economic Transfer Date the principal plus accrued and unpaid interest outstanding under the Working Capital Facility amounted to EUR 3,000,000 (in words: Euro three million) ("DDD WORKING CAPITAL FACILITY AMOUNT").

- 2.2.3 AUSTRUDENT WORKING CAPITAL FACILITY. Under a working capital facility agreement dated 24 November 2000 (as amended) ("AUSTRUDENT WORKING CAPITAL FACILITY AGREEMENT I") Austrodent has been granted a working capital facility at varying interest rates ("AUSTRUDENT WORKING CAPITAL FACILITY") by Allgemeine Sparkasse Oberosterreich Bankaktiengesellschaft ("AUSTRUDENT LENDER"). In order to secure the claims of the Austrodent Lender under the Austrodent Working Capital Facility Agreement, certain security has been granted to the Austrodent Lender. As of the Economic Transfer Date the principal plus accrued and unpaid interest outstanding under the Austrodent Working Capital Facility amounted to EUR 657,420.71 (in words: Euro six hundred fifty seven thousand four hundred twenty and seventy one Cents ("AUSTRUDENT WORKING CAPITAL FACILITY AMOUNT").

(The SDS Senior Facility, the DDD Working Capital Facility and the Austrodent Working Capital Facility are hereinafter collectively referred to as "BANK DEBT".)

- 2.3 REPAYMENT OF BANK DEBT AND REPAID SHAREHOLDER LOAN. The Parties agree that the Bank Debt and the Repaid Shareholder Loan shall be repaid by Share Purchaser as set out below.

Except as modified by Section 2.4, on the Closing Date (as defined in Section 5.1.3) Share Purchaser shall:

- 2.3.1 pay the outstanding principal plus accrued and unpaid interest as well as any prepayment and all other charges in respect of the SDS Senior Facility as of the Closing Date ("SDS SENIOR FACILITY REPAYMENT AMOUNT") in discharge of all payment obligations under the SDS Senior Facility as set forth in Section 5.4.3;
- 2.3.2 pay the outstanding principal plus accrued and unpaid interest as well as any prepayment and all other charges in respect of the DDD Working Capital Facility as of the Closing Date ("DDD WORKING CAPITAL REPAYMENT AMOUNT") in discharge of all payment obligations under the DDD Working Capital Facility as set forth in Section 5.4.4;

2.3.3 pay the outstanding principal plus accrued and unpaid interest as well as any prepayment and all other charges in respect of the Austrodent Working Capital Facility as of the Closing Date ("AUSTRUDENT WORKING CAPITAL REPAYMENT AMOUNT") in discharge of all payment obligations under the Austrodent Working Capital Facility as set forth in Section 5.4.5;

2.3.4 pay the outstanding principal plus accrued and unpaid interest of the Repaid Shareholder Loan as of the Closing Date ("REPAID SHAREHOLDER LOAN REPAYMENT AMOUNT") in discharge of all payment obligations under the Repaid Shareholder Loan as set forth in Section 5.4.5a.

Without undue delay following the satisfaction of all Closing Conditions (as defined in Section 5.2), but in any event not later than three (3) Business Days thereafter, Sellers shall notify Share Purchaser in writing of the SDS Senior Facility Repayment Amount, the DDD Working Capital Repayment Amount, the Austrodent Working Capital Repayment Amount and the Repaid Shareholder Loan Repayment Amount.

2.4 ASSUMPTION OF BANK DEBT. Instead of repaying the entire Bank Debt on the Closing Date, Share Purchaser or Sellers in respect of the Austrodent Working Capital Facility may also request from the respective other Party in writing that Bank Debt which does not need to be repaid on the Closing Date due to the exercise of a change-of-control right or other agreement between the relevant lenders and borrowers stays within the Demedis Group ("DEBT ASSUMPTION REQUEST", such part of the Bank Debt that will not be repaid "ASSUMED BANK DEBT"). The Debt Assumption Request can only be issued before the relevant Companies have agreed with the relevant lenders to repay the relevant Bank Debt on the Closing Date or are required to repay the Bank Debt on the Closing Date for any other reason and in no event later than five (5) Business Days (as defined in Section 14.6) prior to the Closing Date. A Debt Assumption Request issued by Share Purchaser shall include a confirmation by the relevant lender(s) of the Assumed Bank Debt that it/they agree that the Assumed Bank Debt stays within the relevant Company. In case a valid Debt Assumption Request has been issued, Share Purchaser will not be required to repay the Assumed Bank Debt as set forth in the relevant Sections 5.4.3 to 5.4.5 on the Closing Date and Sellers will not need to deliver the relevant release and discharge of debt or other confirmations in relation to the Assumed Bank Debt as set forth in the relevant Sections 5.4.9 to 5.4.11.

2.5 SELLER 1 DEBT GUARANTEE. Seller 1 has issued a guarantee to HVB Banque Luxembourg S.A. to secure liabilities of DDD resulting from the DDD Working Capital Facility as well as the guarantees listed in Exhibit 2.5 (all those guarantees collectively "SELLER 1 DEBT GUARANTEES").

- 2.6 RELEASE OF GUARANTEES. Purchasers shall procure that, at the Closing Date, Seller 1 is fully and irrevocably released from all its obligations and liabilities under the Seller 1 Debt Guarantees on behalf or for the benefit of the Demedis Group or any Group Company or any customers or suppliers of the Demedis Group or any Group Company (hereinafter collectively referred to as "RELEASED GUARANTEES") by Purchasers substituting its own collateral for the Seller 1 Debt Guarantees or otherwise. If and to the extent that the beneficiaries of the Released Guarantees are not prepared to release Seller 1, Purchasers shall fully indemnify and hold Seller 1 harmless from any claims under or in connection with the relevant Released Guarantees and shall provide Seller 1 on the Closing Date with an irrevocable and unconditional back-up guarantee (Ruckburgschaft) in favour of Seller 1, payable on first written demand in the form attached as Exhibit 2.6, such guarantee to be issued by a German savings institution (Sparkasse) or a Standard & Poor's AA (or equivalent rating agency) or better rated German or U.S. bank.

SECTION 3
SALE AND PURCHASE OF SHARES AND SHAREHOLDER LOANS

- 3.1 OBJECT OF SALE AND PURCHASE. Subject to the terms and conditions of this Agreement,
- 3.1.1 Sellers hereby sell the Demedis Shares to Share Purchaser and Share Purchaser purchases from Sellers the Demedis Shares; and
- 3.1.2 Seller 1 hereby sells the Shareholder Loan to Loan Purchaser and Loan Purchaser hereby purchases the Shareholder Loan from Seller 1.
- (The Demedis Shares and the Shareholder Loan are hereinafter collectively referred to as the "SOLD ASSETS")
- 3.2 RIGHTS AND OBLIGATIONS ATTACHED TO THE SOLD ASSETS. The Sold Assets are sold to Purchasers with all rights and obligations attached thereto as from the Economic Transfer Date including the right to receive the interest accrued on the Shareholder Loan and the right to receive all dividends in respect of the Demedis Shares relating to periods as from the Economic Transfer Date.
- 3.3 CONSENT REQUIREMENTS. All consents required under the articles of association of Demedis to effect the sale and transfer of the Demedis Shares have been, or shall have been duly obtained prior to, or on the Closing Date. The consent of Demedis for the transfer of the Shareholder Loan is attached hereto as Exhibit 3.3.

SECTION 4
PURCHASE PRICE

- 4.1 PURCHASE PRICE. The aggregate purchase price for the Sold Assets (the "PURCHASE PRICE") is EUR 44,341,099 (in words: Euro forty four million three hundred forty one thousand ninety nine). The Purchase Price shall be fixed and not be subject to any adjustments unless otherwise set forth in this Agreement.
- 4.2 PAYMENT AMOUNT / HOLDBACK ESCROW AMOUNT. The Purchase Price shall consist of a portion of EUR 34,341,099.00 (in words: Euro thirty four million three hundred forty one thousand ninety nine) ("PAYMENT AMOUNT") and EUR 10,000,000 (in words: Euro ten million) ("HOLDBACK ESCROW AMOUNT").
- 4.3 PURCHASE PRICE INTEREST. The Purchase Price shall bear interest at a rate of six per cent (6%) p.a. as from and including the Economic Transfer Date until and including the Closing Date ("PURCHASE PRICE INTEREST"), provided, however, that in case of a Down Payment in accordance with Section 4.3a, the amount subject to interest pursuant to this Section shall be, as from the Down Payment Date, reduced to the Purchase Price minus the Down Payment.
- 4.3a DOWN PAYMENT. Purchaser shall make a down payment in the amount of EUR 25,000,000 (in words: Euro twenty five million) to the Escrow Account (as defined in the Escrow Agreement) on January 20, 2004 ("DOWN PAYMENT") if the Closing has not yet occurred by this date ("DOWN PAYMENT DATE").
- 4.4 PURCHASE PRICE AND PURCHASE PRICE INTEREST ALLOCATION. The Parties agree that the Purchase Price and the Purchase Price Interest shall be allocated to the Demedis Shares and the Shareholder Loan as set out in Exhibit 4.4.
- 4.5 PAYMENT OF PAYMENT AMOUNT / PURCHASE PRICE INTEREST. On the Closing Date, Purchasers shall pay the Payment Amount (minus the Down Payment if already paid in accordance with Section 4.3a) and the Purchase Price Interest into the Sellers' Account (as defined in Section 4.7) pursuant to Section 5.4.1.
- 4.6 PAYMENT OF HOLDBACK ESCROW AMOUNT. On the Closing Date, Purchasers shall pay the Holdback Escrow Amount to the escrow agent under the Escrow Agreement (as defined in Section 4.10) ("ESCROW AGENT") in accordance with Section 5.4.2.
- 4.7 SELLERS' ACCOUNT. Except for the Holdback Escrow Amount and the Down Payment all payments owed by Purchasers to Sellers under this Agreement, including the Purchase

Price and the Purchase Price Interest, shall be paid by Purchasers in immediately available funds free of any charges, taxes or other deductions by wire transfer to Sellers' bank account, the details of which will be notified in writing by the Sellers to Purchasers at the latest five (5) Business Days prior to the Closing Date ("SELLERS' ACCOUNT").

- 4.8 **DEFAULT INTEREST.** If Purchasers fail to pay the Purchase Price or the Purchase Price Interest on the Closing Date, with value (Wertstellung) prior to 5:00 p.m. Central European Time or to make any other payment when due under this Agreement, interest at the rate of 600 basis points above EURIBOR as from and including the relevant due date until, and including, the date of payment shall become due and payable on the relevant due date, without prejudice to any other rights and remedies of Sellers arising from such failure.
- 4.9 **NO RETENTION OR SET-OFF.** Purchasers shall not be entitled to exercise a right of set-off (Aufrechnung) or retention (Zurückbehaltungsrecht) with respect to its obligations to pay the Purchase Price and Purchase Price Interest or to make any other payments under this Agreement, unless Purchasers' claim on which Purchasers have based their right of set-off or retention has been acknowledged by Sellers in writing or has been determined by a final and non-appealable court judgement or arbitral award, as the case may be.
- 4.10 **RELEASE OF HOLDBACK ESCROW AMOUNT.** The Holdback Escrow Amount shall be released to Sellers and/or Purchasers, as the case may be, in accordance with the escrow agreement to be entered into prior to 20 January 2004 or the Closing (whichever occurs earlier) and substantially in the form as set forth in Exhibit 4.10 ("ESCROW AGREEMENT").
- 4.11 **FUTURE CAPITAL SUPPLY AND FINANCING.** Purchasers are aware that the Demedis Group, besides its bank credit lines, depends on capital supply and financing by its shareholders which is presently provided by the Shareholder Loans. With effect as of the Closing Date, Sellers have no continuing responsibility to provide capital or financing to the Demedis Group; rather, the capital supply and financing of the Demedis Group will be assumed, as of the Closing Date, by Purchasers.
- 4.12 **PAYMENT GUARANTEE.** At any time prior to the Closing Date, Purchasers will, upon written request of Sellers, deliver an unconditional and irrevocable guarantee payable on first written demand for the obligations of Purchasers to pay the Purchase Price and the Purchase Price Interest (less the Down Payment if already paid in accordance with Section 4.3a) under, or in connection with, this Agreement issued by a German saving institution (Sparkasse) or a Standard & Poor's AA or better rated German or US bank

of international standing ("PAYMENT GUARANTEE"). Sellers' will bear the costs of the guarantee fee (Avalprovision) for the Payment Guarantee, provided, however, that the costs need to be agreed by Sellers before delivery of the Payment Guarantee and provided further that Purchasers will have no obligation to deliver the Payment Guarantee if Sellers cannot agree on the relevant costs.

SECTION 5

ECONOMIC TRANSFER DATE / SIGNING DATE / CLOSING DATE / REFERENCE DATE / CLOSING

- 5.1 DEFINITIONS. Economic Transfer Date, Signing Date, Closing Date and Reference Date shall have the following meanings in this Agreement:
- 5.1.1 "ECONOMIC TRANSFER DATE" shall be 30 September 2003, 24:00 o'clock;
- 5.1.2 "SIGNING DATE" shall be the day on which this Agreement has been duly executed before a notary public;
- 5.1.3 "CLOSING DATE" shall be the day defined in Section 5.4;
- 5.1.4 "REFERENCE DATE " shall be 23 December 2003.
- 5.2 CLOSING CONDITIONS. The transactions contemplated under this Agreement (the "TRANSACTION") shall be completed (erfullt) pursuant to Section 5.4 below only if
- 5.2.1 (a) the Federal Cartel Office (Bundeskartellamt) has notified Sellers or Purchasers that the Transaction does not fulfil the prohibition prerequisites of Sec. 36 (1) of the Act Against Restraints of Competition (Gesetz gegen Wettbewerbsbeschränkungen, GWB) or (b) the one month period pursuant to Sec. 40 (1) sentence 1 GWB has expired, unless the Federal Cartel Office has stated to enter into an examination of the Transaction in accordance with Sec. 40 (1) sentence 1 GWB or (c) the Federal Cartel Office has cleared the Transaction pursuant to Sec. 40 (2) sentence 1 GWB or (d) the examination period set forth in Sec. 40 (2) sentences 2 and 3 GWB has expired, unless the Federal Cartel Office has issued a decision to prohibit the Transaction;
- 5.2.2 the pledge over the Demedis Shares granted to the holders of a High Yield Bond issued by Seller 1 has been released.
- 5.2.3 the Appellate Court of Vienna as Cartel Court (Oberlandesgericht Wien als Kartellgericht) (i) has decided to issue a confirmation according to

Section 42b (1) or (5) of the Austrian Cartel Act (Kartellgesetz), or (ii) has decided that the transaction is not subject to pre-merger notification, or (iii) has decided pursuant to Section 42b (2) fig 3 or (3) of the Austrian Cartel Act that the merger is not prohibited. (The condition precedents listed in Section 5.2 are hereinafter referred to as "CLOSING CONDITIONS".)

The Parties shall make all reasonable endeavours and render to each other all reasonably necessary support and cooperation to ensure that the Closing Conditions are fulfilled as soon as possible after the Signing Date. The Parties shall inform each other in writing without undue delay as soon as any or all of the Closing Conditions have been fulfilled.

5.3 MERGER CONTROL AND OTHER GOVERNMENTAL FILINGS.

5.3.1 Purchasers shall ensure that any filings to be made pursuant to Section 5.2 with the German Federal Cartel Office and the Austrian cartel court will be made within five (5) Business Days after the Signing Date unless the applicable laws and regulations require an earlier filing, and in such case the filing shall be made at the earlier date. Although each Party remains responsible for preparing and making its own required filings, Sellers and Purchasers shall fully cooperate with one another in preparing and making the relevant filings and in furnishing all information required in connection therewith. Purchasers shall fully involve Sellers in any proceedings with the relevant merger control authorities, in particular Purchasers shall (i) not take any actions in respect of the relevant merger control filings or contact the merger control authorities without Sellers' prior consultation, (ii) provide Sellers with all reasonable information on the filing(s), allow Sellers, at their request, to attend all meetings or other contacts with the merger control authorities without getting actively involved in such contacts and meetings, (iii) promptly notify Sellers about any contacts planned or made, actions planned or taken or information received in respect of any relevant merger control filings or contacts with any merger control authorities and (iv) provide Sellers with all relevant documents related thereto.

5.3.2 Purchasers shall undertake or cause to be undertaken all reasonable steps necessary to remove any impediments, restrictions, or conditions that may affect the timely satisfaction of the Closing Condition set forth in Section 5.2.1, however, Purchasers shall not be obliged to dispose of any of their assets or any of one of their Affiliates.

- 5.4 CLOSING ACTIONS. The consummation of the Transaction ("CLOSING") shall take place six (6) Business Days after the Closing Conditions have been fulfilled at the offices of Freshfields Bruckhaus Deringer, Taunusanlage 11, 60329 Frankfurt am Main, Germany, starting at 9.00 a.m., or at such place, day and time as agreed between the Parties ("CLOSING DATE"). On the Closing Date the Parties shall take, or cause to be taken, the following actions ("CLOSING ACTIONS") which shall be taken in the order set forth below and which shall be deemed to have been taken simultaneously (Zug um Zug):
- 5.4.1 Purchasers shall pay the Payment Amount and the Purchase Price Interest (minus the Down Payment if already paid in accordance with Section 4.3a) in immediately available funds free of any charges, taxes or other deductions by wire transfer to Sellers' Account;
 - 5.4.2 Purchasers shall pay the Holdback Escrow Amount in immediately available funds free of any charges, taxes or other deductions by wire transfer to the Escrow Agent's account as set forth in the Escrow Agreement ("ESCROW ACCOUNT");
 - 5.4.2a Sellers and Purchasers shall instruct the Escrow Agent in writing to (i) release the Down Payment and (ii) pay the amount of the Down Payment in immediately available funds free of any charges, taxes or other deductions by wire transfer to Sellers' Account;
 - 5.4.3 Share Purchaser shall pay the SDS Senior Facility Repayment Amount in immediately available funds free of any charges, taxes or other deductions by wire transfer to the SDS Senior Lenders. The payment shall be made to a bank account to be notified in writing by Sellers to Share Purchaser at the latest 5 (five) Business Days prior to the Closing Date ("SDS SENIOR LENDERS' ACCOUNT");
 - 5.4.4 Share Purchaser shall pay the DDD Working Capital Repayment Amount in immediately available funds free of any charges, taxes or other deductions by wire transfer to the DDD Lender. The payment shall be made to a bank account to be notified in writing by Sellers to Share Purchaser at the latest 5 (five) Business Days prior to the Closing Date ("DDD LENDER'S ACCOUNT");
 - 5.4.5 Share Purchaser shall pay the Austrodent Working Capital Repayment Amount in immediately available funds free of any charges, taxes or other deductions by wire transfer to the Austrodent Lender. The payment shall be made to a bank account to be notified in writing by Sellers to Share Purchaser

at the latest 5 (five) Business Days prior to the Closing Date ("AUSTRUDENT LENDER'S ACCOUNT");

- 5.4.5a Share Purchaser shall pay the Repaid Shareholder Loan Amount in immediately available funds free of any charges, taxes or other deductions by wire transfer to Seller 1. The payment shall be made to Sellers' Account;
- 5.4.6 with respect to the Guarantees, Purchasers shall deliver to Seller 1 release letters from the holders of the Seller 1 Debt Guarantees in the form attached in Exhibit 5.4.6 and, in respect of Seller 1 Debt Guarantees where no release has been granted, provide Seller 1 with back-up guarantees in the form attached hereto as Exhibit 2.6;
- 5.4.7 Share Purchaser and Sellers shall execute a notarial deed in respect of the assignment of the Demedis Shares before a German notary in the form attached hereto as Exhibit 5.4.7;
- 5.4.8 Loan Purchaser and Seller 1 shall execute an agreement providing for the transfer of the Shareholder Loan by way of the assumption of all rights and obligations arising under and in connection with the Shareholder Loan Agreements by Loan Purchaser with full discharging effect for Seller 1 (Vertragsubernahme mit schuldbefreiender Wirkung) in the form attached hereto as Exhibit 5.4.8;
- 5.4.9 Sellers shall deliver to Share Purchaser a letter of the SDS Senior Lender (i) confirming that all payment obligations under the SDS Senior Facility Agreement have been fully discharged and (ii) releasing all security rights granted to the SDS Senior Lender in connection with the SDS Senior Facility;
- 5.4.10 Sellers shall deliver to Share Purchaser a letter of the DDD Lender (i) confirming that all payment obligations under the DDD Working Capital Facility have been fully discharged and (ii) releasing all security rights granted to the DDD Lender in connection with the DDD Working Capital Facility;
- 5.4.11 Sellers shall deliver to Share Purchaser a letter of the Austrodent Lender (i) confirming that all payment obligations under the Austrodent Working Capital Facility have been fully discharged and (ii) releasing all security rights granted to the Austrodent Lender in connection with the Austrodent Working Capital Facility;

5.4.12 Sellers shall deliver to Purchasers a certificate confirming that, to Sellers' Knowledge, (i) the guarantees given in Section 6 were and/or are true and correct in all "material" respects as of the date applicable to such guarantees (ignoring, however, for the purpose of confirming that these guarantees were and are true in all "material" respects that certain guarantees are already qualified by materiality, Material Adverse Effect or similar words, i.e., the materiality standard shall not be taken into account twice in respect of one and the same guarantee) or, (ii), list in the form of subject headings (schlagwortartig) whether and to which extent these guarantees were not or are not true and correct as of the relevant date ("GUARANTEE CONFIRMATION"). For the avoidance of doubt, the Guarantee Confirmation shall not create or increase any liability of Sellers or confer any withdrawal right to the Parties not otherwise existing under this Agreement; and

5.4.13 Sellers shall deliver a letter substantially in the form attached hereto as Exhibit 5.4.13 confirming that following the completion of Closing Actions in Sections 5.4.1 to 5.4.12 they have no more claims in connection with this Transaction against any of the Companies other than those (i) expressly set forth in this Agreement or (ii) related to any employment matters.

5.5 WITHDRAWAL RIGHTS. The Parties may withdraw from this Agreement as follows:

5.5.1 Sellers may withdraw from this Agreement if

- (i) the Closing Conditions have not been satisfied at the latest 10 (ten) months after the Reference Date;
- (ii) if any of the Purchasers have not fully performed their obligations under Section 5.4 at the latest within 10 (ten) Business Days following the Closing Date.

5.5.2 prior to the Closing Date, Purchasers may withdraw from this Agreement

- (i) if a MAC (as defined in Section 5.5.3) has occurred and the withdrawal is expressly based on the MAC ("MAC WITHDRAWAL");
- (ii) for any other reason ("NON-MAC WITHDRAWAL").

5.5.3 "MAC" shall mean if between the Reference Date and the beginning of the Closing set forth in Section 5.4 or the end of the 90th day following the Reference Date (whichever occurs earlier) an act, event or occurrence or a series of

acts, events or occurrences has occurred that has a material adverse effect on the business, operations, assets, liabilities or financial condition of the Demedis Group, taken as a whole, that either result or are reasonably likely to result in a reduction of the (a) Net Equity (as defined below) of more than EUR 20,000,000 (in words: Euro twenty million), or, (b) Sustainable Annual Operating Profit (as defined below) of more than EUR 6,000,000 (in words: Euro six million), in each case of the Demedis Group on a consolidated basis, and in case of the Sustainable Annual Operating Profit in comparison to the fiscal year of the Demedis Group ending on 30 September 2003 (i.e., EUR 6,064,083.84 (in words: Euro six million sixty four thousand eighty three and eighty four cents)), provided that;

- (i) adverse effects from the development or changes of the general economic, financial, regulatory, legal or political conditions (including the relevant market in which the Demedis Group is active and the financing market);
- (ii) adverse effects to the extent related to, or caused by, the acquisition of the Demedis Group by Purchasers, including the identity of Purchasers and its shareholders;
- (iii) adverse effects to the extent they are covered by insurance or valid claims against third parties to the extent such claims would be recorded as a receivable on the asset side of a balance sheet in accordance with German generally accepted accounting principles on a balance sheet end date (Bilanzstichtag) and
- (iv) effects resulting from changes in (i) accounting principles or standards, or (ii) good will;
- (v) sales force attrition, i.e., any reduction in the number of sales representatives and the financial implications resulting therefrom;

shall be disregarded (if and to the extent applicable) for purposes of determining whether or not a material adverse effect within the meaning of this clause has occurred.

("NET EQUITY" shall be determined in accordance with German general accepted accounting principles (German Commercial Code - HGB) applied on a basis consistent with the audited Financial Statements 2003 and is defined as the equity position of the Demedis Group as set out in the audited Financial

Statements 2003. According to this definition, Net Equity shall consist of the following items: equity (Eigenkapital) as per Section 266 subsec. 3, no. A I, A II, A III, A IV and A V HGB; goodwill as per Section 301 subsec. 3 HGB; minority interests as per Section 307 subsec. 1 HGB, foreign exchange differences as per Section 244 and Section 298 subsec. 1 HGB. To the extent that Net Equity as defined above is negative, Section 268 subsec. 3 HGB applies.)

("SUSTAINABLE ANNUAL OPERATING PROFIT" shall mean earnings before interest, taxes and good will effects as prepared by the management of the Demedis Group and reflected in the Financial Statements 2003 and adjusted for the following items in order to arrive at "sustainable" earnings:

- (a) effects from changes in accounting principles, policies and procedures since the Economic Transfer Date;
- (b) effects from changes in the principles applied in establishing accounting estimates since the Economic Transfer Date;
- (c) effects from changes in the group of consolidated companies or other non-organic growth (acquisitions / disposals) since the Economic Transfer Date;
- (d) effects on the Demedis Group to the extent related to, or caused by, the acquisition of the Demedis Group by Purchasers, including the identity of Purchasers and its shareholders;
- (e) extraordinary income / expenses as defined by the German Commercial Code;
- (f) other one-off, non-recurring income / expense items;
- (g) restructuring and restructuring related expenses;
- (h) non-periodic income / expense items unless of a recurring nature.)

5.6 NOTICE OF WITHDRAWAL. A withdrawal (Rücktritt) pursuant to Section 5.5 is only valid if the other party and the Escrow Agent have received a notice of withdrawal (Rücktrittserklärung) in writing ("WITHDRAWAL NOTICE"). In the event that the Closing Condition has not been satisfied within twelve (12) months after the Signing Date and neither Party has withdrawn from this Agreement, this Agreement shall be deemed void.

5.7 CONSEQUENCES OF WITHDRAWAL. In case of a withdrawal under Section 5.5 the following rules shall apply:

5.7.1 In case of a

- (i) MAC Withdrawal by Purchasers, the Parties shall instruct the Escrow Agent to (a) release the Down Payment and (b) pay the Down Payment to Purchasers within 5 (five) Business Days following the Withdrawal Notice to an account to be notified by Purchasers to Sellers in writing together with the Withdrawal Notice. The provisions of Sections 5.5 to 5.7 and Sections 12.4, 12.5, 13, 14.1, 14.2, 14.3, 14.7 and 14.10 shall survive a withdrawal pursuant to Section 5.5 to 5.7.
- (ii) Non MAC Withdrawal by Purchasers or a withdrawal by Sellers based on Section 5.5.1 or an automatic termination of this Agreement pursuant to Section 5.5.6 2nd sentence the Parties shall instruct the Escrow Agent to (a) release the Down Payment and (b) pay the Down Payment to Sellers by wire transfer to an account to be notified by Sellers and Sellers shall be irrevocably entitled to retain the Down Payment as a compensation for the significant efforts, costs and expenses incurred in connection with the sales process, the significant risk of the Demedis Dental Business being seriously adversely affected in case a closing has not occurred by this date as well as the additional efforts, costs and expenses to be incurred in connection with a new sales process to be initiated with a view to disposing of the Demedis Dental Business. Purchasers are fully aware that in case of a Non MAC Withdrawal Sellers will retain the Down Payment, have received legal advise in this respect and acknowledge that the Down Payment will be an amount for an adequate compensation for all such efforts, risks, costs and expenses involved in case of such withdrawal. The provisions of Sections 5.5 to 5.7 and Sections 12.4, 12.5, 13, 14.1, 14.2, 14.3, 14.7 and 14.10 shall survive a withdrawal pursuant to Section 5.5 to 5.7.

5.7.2 Save as provided for in Section 5.7.1, if a Party withdraws from this Agreement in accordance with Section 5.5, such withdrawal shall be without any liability of either Party (or any shareholder, director, officer, employee, agent, consultant, adviser or representative of such Party) to the other Party.

5.8 NO FURTHER CONDITIONS / WITHDRAWAL RIGHTS. The Parties agree that except for the Closing Conditions (as defined in Section 5.2) and the withdrawal rights set forth in Section 5.5 the obligations of the Parties to consummate the Transaction shall not be

subject to any other conditions, requirements or withdrawal rights and none of the Parties may withdraw from, rescind or terminate this Agreement or refuse to fulfil any of its obligations thereunder, except as expressly provided for in this Agreement.

- 5.9 NON-SATISFACTION OF CLOSING CONDITION 5.2.2. If the Closing Condition set forth in Section 5.2.2 is not fulfilled earlier than the Closing Condition 5.2.1 or not fulfilled within a period of four (4) months after the Signing Date (whichever occurs earlier) each Party has the right to request that, instead of selling and transferring the Sold Assets ("SHARE DEAL"), Purchasers will, and Sellers will procure that Demedis will, enter into an agreement between Purchasers and Demedis pursuant to which Demedis will sell and transfer all of its assets, liabilities and contractual relationship ("ASSET DEAL") in a way that the Asset Deal is commercially and legally (to the extent technically possible) identical to the Share Deal, which agreement shall then replace this Agreement.

SECTION 6 SELLERS' GUARANTEES

- 6.1 SELLERS' GUARANTEES. Sellers hereby guarantee, except as set forth in the disclosure letter attached hereto as Exhibit 6.1 and subject to any limitations contained in this Agreement, including the remedies set out in Section 8 and the limitations set out in Section 9, in particular the Time Limitations, the De Minimis Amount, the Basket and the Liability Cap (each as defined in Section 9) by way of an independent guarantee (selbstständige Garantie) pursuant to Section 311 (1) German Civil Code (Bürgerliches Gesetzbuch) that the statements set forth hereinafter are correct as of the Signing Date and will be correct at the Closing Date, unless expressly specified otherwise herein; provided, however, that
- (i) in respect of Section 6.1.1 the guarantee shall be given by each Seller only with respect to itself;
 - (ii) in respect of Section 6.1.2, 2nd sentence the guarantee shall be given by each Seller only with respect to the share sold by such Seller;
 - (iii) in respect of Section 6.1.7 the guarantee shall only be given by Seller 1;
 - (iv) guarantees made as of a specific date shall be correct only as of such date;

- (v) guarantees which are subject to Sellers' Knowledge (as defined below) shall only be correct as of the Signing Date;
- (vi) the term "SELLERS' KNOWLEDGE" shall mean the actual knowledge (positive Kenntnis) as of the Signing Date of Norbert Orth, Dr. Karlheinz Hildenbrand, Helmut Wakolbinger, Klaus Reidegeld, Nils Walter, Gotz Volland, Cees Balder, Cees van den Brink, Eduard van Nieuwkerk and Manfred Ganaus ("SELLERS' KNOWLEDGE INDIVIDUALS") and in respect of the guarantees in Sections 6.1.8, 6.1.11, 6.1.13, 6.1.21 and 6.1.22 the term Sellers' Knowledge shall mean the actual knowledge as of the Signing Date of the Sellers' Knowledge Individuals and the knowledge they could have obtained after due inquiry with the relevant key employees of the Companies responsible for the relevant aspects covered by the guarantees in Sections 6.1.8, 6.1.11, 6.1.13, 6.1.21 and 6.1.22;
- (vii) the term "MATERIAL ADVERSE EFFECT" shall mean any state of facts, events, changes or effects having a material adverse effect on the assets, liabilities, financial condition or business operations of the Demedis Group as a whole.

6.1.1 ENFORCEABILITY / CORPORATE IDENTITY. This Agreement constitutes a valid and binding obligation of Sellers, enforceable under German law against each of the Sellers in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganisation, moratorium, or other similar laws relating to or affecting the rights of creditors generally and except that the remedy of specific performance and injunctive relief and other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding may be brought. Each of the Sellers have the corporate authority to execute this Agreement and to perform its obligations under this Agreement.

6.1.2 EXISTENCE OF COMPANIES / OWNERSHIP OF SHARES. Each of the Companies is duly incorporated and validly existing under the laws of its jurisdiction. Except as listed in Schedule 6.1.2,

- (i) the Shares are held by Sellers and the Companies as set out in Section 1;
- (ii) the Shares are free and clear of any liens, encumbrances or other third party rights, except for the pledges granted to the lenders under the Bank Debt;

- (iii) there are no pre-emptive rights, rights of first refusal, options, voting agreements or other rights of third parties (granted in favour of or agreed between any of the Companies) to acquire any of the Shares;
- (iv) the Shares are fully paid up, have not been repaid and are non-assessable (nicht nachschusspflichtig);
- (v) there are no silent partnerships or other rights to participate in any of the Companies' revenues or profits; and in each case except for rights given under statutory law, or the articles of association or by-laws.

6.1.3 COMPANY INFORMATION. Schedule 6.1.3 contains a complete list of the articles of association and by-laws (or their equivalent formation documents in the relevant jurisdiction) of the Companies valid as of the Signing Date. Copies of such documents have been made available to Purchasers prior to the execution of this Agreement. The description of the group structure set forth in Section 1 of this Agreement hereof is correct, and the Companies do not hold any legal or beneficial interest in any other businesses.

6.1.4 SUPERVISORY AND ADVISORY BOARDS. Schedule 6.1.4 contains a complete list of all supervisory and advisory boards of all Companies including the names of the relevant members.

6.1.5 INSOLVENCY PROCEEDINGS. No insolvency proceedings against the Companies are pending (i.e., a court has formally commenced insolvency proceedings (Insolvenzverfahren eröffnet) in accordance with the German Insolvency Code (Insolvenzordnung) or the corresponding procedure under applicable law or have been applied for by the Companies, or, to Sellers' Knowledge, have been applied for by any third party. Purchasers are aware of the present net equity position of the Companies and in particular of Demedis and DDD and the existing subordination agreements signed by the relevant Sellers in respect of the Shareholder Loan in order to avoid insolvency risks (for the absence of which Sellers do, however, not assume any responsibility).

6.1.6 AFFILIATES / ENTERPRISE AGREEMENTS. Except as disclosed in Schedule 6.1.6 and Section 1, the Companies have no affiliated companies within the meaning of Section 15 German Stock Corporation Act ("AFFILIATES") nor do they hold any participation or sub-participation in any other company and there exist no

enterprise agreements within the meaning of Sections 291 and 292 German Stock Corporation Act (Aktiengesetz).

6.1.7 SHAREHOLDER LOANS. The Shareholder Loan Agreement has been validly entered into and can be freely sold and transferred by Seller 1 without the consent of any third party being required, except only for the consent of Demedis as borrower which has already been granted pursuant to the consent declaration attached hereto as Exhibit 3.3. Sellers do not assume any guarantee that the Shareholder Loan is enforceable or collectable and Purchasers are in particular aware of the subordination agreement signed by Seller 1 in respect of the Shareholder Loan and of the fact that it might legally be treated as deemed equity irrespective of such subordination (eigenkapitalersetzende Gesellschafterdarlehen).

6.1.8 MATERIAL INTELLECTUAL PROPERTY RIGHTS. The Companies own, or lawfully use, all such patents, trade marks, copyrights, software, domain names, which are material to carrying on the Demedis Dental Business taken as a whole (herein after collectively referred to as "INTELLECTUAL PROPERTY RIGHTS"). Schedule 6.1.8 (a) contains a true and complete list of the Intellectual Property Rights (except for off the shelf standard software) of which the Companies are the legal owners indicating (i) the nature and the registered owner of the Intellectual Property Rights and (ii) if applicable, the jurisdiction in which such Intellectual Property Rights have been registered. Except as disclosed in Schedule 6.1.8 (a), the Companies are entitled to dispose freely of the Intellectual Property Rights, which are owned by the Companies. No other than the Intellectual Property Rights are necessary for the Demedis Dental Business to conduct its business as currently conducted. Except as listed in Schedule 6.1.8 (b), the Intellectual Property Rights are not subject to any pending or threatened proceedings for opposition or cancellation which may adversely affect the operation of the Demedis Dental Business taken as a whole nor, to Seller's Knowledge, being infringed by any third party. All fees necessary to maintain the Intellectual Property Rights have been paid, except for non-payments which will not have and can not reasonably be expected to have a Material Adverse Effect. To Seller's Knowledge, the Companies do not infringe any material intellectual property rights owned by a third party.

The Companies either own and hold valid leases and/or licenses to all material computer hardware, software and other information technology ("IT"), which is currently used by the Companies to conduct their business as currently conducted. All material leases or licenses in respect of such IT are effective. Except as disclosed in Schedule 6.1.8 (c), since the Economic Transfer Date,

there were no material interruptions, material data losses or material similar incidents attributable to the IT owned or used by the Companies, and which, in addition, had or are likely to have a Material Adverse Effect on the Demedis Dental Business. To Sellers' Knowledge, the IT has the capacity and performance necessary to conduct the business operations of the Companies as conducted on the Signing Date.

- 6.1.9 INSURANCE. As of the Signing Date, the Companies, maintain for their own benefit the insurance policies which are listed in Schedule 6.1.9 (i), and except as set forth in Schedule 6.1.9 (ii), all due premiums under such insurance policies have been paid. Except as disclosed in Schedule 6.1.9 (ii), there are no material claims pending under any of the insurance policies and, to Seller's Knowledge, no facts exist which could give rise to any such claims.
- 6.1.10 MATERIAL ASSETS. Except as disclosed in Schedule 6.1.10, the Companies own, or hold lawful possession of, all fixed assets (Anlagevermögen) material to the Demedis Dental Business and capitalized in the Financial Statements 2003, except for such assets which were sold, abandoned or otherwise disposed of since the Economic Transfer Date in the ordinary course of business ("MATERIAL ASSETS"). Except as disclosed in Schedule 6.1.10, the Material Assets are not encumbered with any liens, pledges or other encumbrances in favour of third parties, except for:
- (i) rights of retention of title (Eigentumsvorbehalte), liens or pledges in favour of suppliers, mechanics, landlords and carriers granted in the ordinary course of business; and
 - (ii) security rights granted to banks and other lenders in respect of the Bank Debt which will be released on the Closing Date;
 - (iii) encumbrances (Belastungen) other than rights under (i) and (ii) above which individually or in the aggregate do not exceed EUR 150,000 (in words: Euro one hundred fifty thousand).
- 6.1.11 MATERIAL AGREEMENTS. Schedule 6.1.11 contains a correct list, as of the Signing Date, of all of the following written agreements to which any of the Companies is a party and which have not yet been completely fulfilled (hereinafter collectively referred to as the "MATERIAL AGREEMENTS"):

- (i) agreements providing for a consideration in excess of EUR 250,000 (in words: Euro two hundred fifty thousand) and relating to the acquisition or sale of (a) interests in other companies or (b) real estate;
- (ii) rental and lease agreements relating to real estate which, individually, provide for annual net payments of EUR 65,000 (in words: Euro sixty five thousand) or more;
- (iii) loan agreements (other than between the Companies), bonds, notes or any other instruments of debt made or issued, as the case may be, by any of the Companies (other than made or issued for the benefit of another Company and other than the Bank Debt);
- (iv) guarantees, suretyships, comfort letters (Patronatserklarungen) and similar instruments issued by any of the Companies for any debt of any third party, i.e., other than for any of the Companies for an amount of EUR 100,000 (in words: Euro one hundred thousand) or more in each individual case;
- (v) employment agreements providing for a fixed annual salary of EUR 75,000 (in words: Euro seventy five thousand) or more;
- (vi) any hedging agreements or derivatives contracts made by any of the Companies;
- (vii) distribution or agency agreements (other than between the Companies or with any company of the Demedis Group) with an annual net sales volume (as per the last completed financial year ending on 30 September 2003) of EUR 1,000,000 (in words: Euro one million) or more;
- (viii) agreements for joint-ventures, strategic alliances, joint development of products or other forms of co-operations;
- (ix) agreements to sell, or otherwise dispose of any fixed assets owned by a Company with a fair market or replacement value in excess of EUR 200,000 (in words: Euro two hundred thousand);
- (x) license agreements with any Company as licensee or licensor, which resulted during the last fiscal year, or are likely to result during the current fiscal year in annual royalties in excess of EUR 100,000 (in words: Euro one hundred thousand);

- (xi) agreements with the top 10 suppliers of DDD, Austrudent and SDS BV based on the volume of purchase orders in the last fiscal year ending on 30 September 2003;
- (xii) except as disclosed in any other Schedule to this Section 6 material agreements outside the ordinary course of business;
- (xiii) agreements expressly imposing restrictions on a Company to compete with any third party, to acquire any products or services from a third party, to sell any products or to perform any services for any third party or to develop any technology, if and to the extent that such restrictions will prevent the Company from conducting its business operations or pursuing its business development activities; it being understood that all distribution, agency or similar agreements containing restrictions on territories shall be disregarded provided that such restrictions are in line with the ordinary standards for distribution, agency or similar agreements in the dental distribution business in general.

To Sellers' Knowledge and except as disclosed in Schedule 6.1.11, each of the Material Agreements is in effect. To Sellers' Knowledge and except as disclosed in Schedule 6.1.11, no party to any of the Material Agreements has indicated in writing that it will terminate the agreement as a result of the Transaction and none of the Material Agreements contains a change-of-control clause entitling the contracting party to terminate the agreement as a result of the Transaction.

6.1.12 PERMITS. Except as disclosed in Schedule 6.1.12, the Companies are in possession of all governmental approvals, licenses and permits necessary to operate the Demedis Dental Business and which are material to the Demedis Dental Business taken as a whole. The Permits are in full force and effect. Except as disclosed in Schedule 6.1.12, none of the Permits has been challenged by any third party and, to Seller's Knowledge, there are no circumstances, which would justify such challenge, and no proceedings regarding a revocation or withdrawal of any Permit has been initiated or threatened, and, to Seller's Knowledge, there are no circumstances, which would justify such revocation or withdrawal.

6.1.13 LITIGATION. Except as disclosed in Schedule 6.1.13, the Companies are not party to any court or administrative proceedings, including arbitration proceedings,

either as plaintiff or defendant, having a litigation value (Streitwert) exceeding EUR 50,000 (in words: Euro fifty thousand) in the individual case.

6.1.14 SHOP AGREEMENTS. Schedule 6.1.14 contains a list of all material shop agreements (i.e. agreements which are entered into between a Company and a representative body of employees of a Company, unless such agreements repeat mandatory statutory law only) existing as of the Signing Date and providing for any of the following:

- (i) benefit or incentive plans relating to a change of control in a Company;
- (ii) limitations to terminate employment agreements, including agreements providing for severance payments; or
- (iii) obligations of a Company to make specific investments or to guarantee the employment of a certain number of employees.

6.1.15. LABOR STRIKES AND VIOLATION OF LAWS. Except as disclosed in Schedule 6.1.15, none of the Companies is experiencing:

- (i) any strike, slowdown, or work stoppage by or lockout of its employees; or
- (ii) any lawsuit relating to the alleged violation of any law or order applicable in Germany and Italy and relating to discrimination, civil rights, workers' safety or working conditions,

which would have a Material Adverse Effect.

6.1.16 TAX MATTERS. Except as disclosed in Schedule 6.1.16

- (i) all taxes owed or to be payable by any Company under applicable laws and relating to periods ending on or before the Economic Transfer Date have been paid or have been accrued for in the year-end accounts of the relevant Company (Einzelabschluss) as at the Economic Transfer Date. For purposes of this Agreement "TAXES" means any taxes and public dues, including but not limited to income tax, value-added tax, trade tax, wage tax, withholding tax, sales tax, property or transfer tax under mandatory law, or customs duties (Zölle) or social security contributions, together with any interest, penalty or addition to taxes (Steuerliche

Nebenleistungen) imposed by any governmental authority responsible for the imposition of such taxes;

- (ii) as of the Signing Date, the Companies are subject only to general tax audits (Allgemeine Betriebsprüfungen) and to special tax audits as far as the type of tax requires them (Besondere Betriebsprüfungen - especially VAT and wage taxes but not subject to any disputes regarding Taxes);
- (iii) all tax returns required to be filed by the Companies on or before the Signing Date have been filed and are true and correct in all material respects;
- (iv) there has been no notice or any written claim, action, suit, proceeding or investigation now pending against or with respect to any Company in respect of any Taxes;
- (v) no tax authority in a jurisdiction where a Company is not paying Taxes has made a claim or written assertion that a Company is or may be subject to Taxes by such jurisdiction, otherwise than by deduction of Taxes at source.

Purchasers, to the degree legally permissible, further agree that they shall not (and Purchasers shall ensure that none of the Companies shall) make, change, modify or withdraw any tax filings for the tax periods until and including 30 September 2003 (or agree to any of the foregoing) without the prior written consent of Sellers which shall not unreasonably be withheld, unless required by law or to make a factually correct filing.

6.1.17 FINANCIAL STATEMENTS 2002 AND 2003. Except as disclosed in Schedule 6.1.17, the audited consolidated year end accounts (Konzernabschluss) of Demedis as at 30 September 2002 and the audited consolidated year end accounts of Demedis as at 30 September 2003, in each case consisting of the balance sheet, the profit and loss statement and the notes (Anhang) thereto ("FINANCIAL STATEMENTS 2002 and FINANCIAL STATEMENTS 2003", respectively) have in all material respects been prepared in accordance with German generally accepted accounting principles applying to Demedis consistent with past practice and present a true and fair view of the assets and liabilities (Vermögenslage), financial position (Finanzlage) and earning positions (Ertragslage) in accordance with Section 297 (2) of the German Commercial Code (HGB) of the

Demedis Group taken as a whole, as of the relevant balance sheet date or the relevant period, as the case may be, provided, however, that Sellers shall not be liable for any deviations of the book values of the participations held by Demedis GmbH, any goodwill and shareholder loans as reflected in the Financial Statements 2002 and Financial Statements 2003 from any valuation in respect of these items that could be inferred from the Purchase Price paid under this Agreement. Sellers shall further not be liable for any deviation of the book value of any real estate as reflected in the Financial Statements 2002 and Financial Statements 2003 from any valuation that could be inferred from a sale of such real estate after the Economic Transfer Date. .

- 6.1.18 NO MATERIAL ADVERSE CHANGES / CONDUCT OF BUSINESS. Except as disclosed in Schedule 6.1.18, and apart from changes resulting from, or relating to, general political developments or developments of the economy in general or in the relevant marketplace, to Sellers' Knowledge during the period from Economic Transfer Date until the Signing Date no event has occurred or action been taken which would qualify as a breach of the covenants set forth in Section 10 had such covenants already been in place for the period of time between the Economic Transfer Date and the Signing Date.
- 6.1.19 DEALINGS WITH SIRONA GROUP. Except as disclosed in Schedule 6.1.19 the supply relationships between Sirona Beteiligungs- und Verwaltungsgesellschaft mbH or any of its Affiliates as supplier and any of the Companies as distributor are at arm's length terms.
- 6.1.20 PRODUCT LIABILITY. Except as disclosed in Schedule 6.1.20, no product liability claims (Produkthaftungsansprüche) in connection with any products sold by the Companies prior to the Economic Transfer Date are pending (anhangig) against any of the Companies. The products of the Companies sold prior to the Economic Transfer Date do not have any defects, which could give rise to any such product liability claims.
- 6.1.21 ENVIRONMENTAL LIABILITIES. To Sellers' Knowledge, except as disclosed in Schedule 6.1.21 and further except where the inaccuracy of the statement would not have a Material Adverse Effect
- (i) the Companies are in compliance with all laws relating to pollution and the protection of the environment and material for the operations of the Demedis Group, taken as a whole (collectively "ENVIRONMENTAL LAWS");

- (ii) as of the Signing Date, no Company has received in writing any notice or communication stating or alleging that it is in violation of any Environmental Laws;
- (iii) between January 2000 and the Signing Date, no Company has received by the competent environmental authorities a written notice or communication to conduct any kind of investigation audit, survey or similar examination of environmental conditions;

provided, however, that Purchasers shall not have any claims under this Section 6.1.21 if after the Signing Date the Purchasers, or after the Closing Date Purchasers or any of the Companies,

- (a) conduct any kind of investigation, audit, survey or similar examination of the soil, ground water or other environmental conditions of the premises of any Company, apart from the review of pertinent documentation and the conduct of interviews and the mere visual inspection of the surface of the soil without any kind of drilling or opening of the soil ("ENVIRONMENTAL EXAMINATION"), without being required to do so under a court judgement or administrative order unless there is a valid business reason other than merely or predominantly to trigger a liability of Sellers under this Section 6.1.21;
- (b) solicit, trigger or otherwise actively cause, directly or indirectly, any Environmental Examination by any governmental authorities or any other party unless there is a valid business reason other than merely or predominantly to trigger a liability of Sellers under this Section 6.1.21.

For the avoidance of doubt, Sellers shall not be liable for any contamination if and to the extent it did not exist as of the Closing Date, in particular if and to the extent a contamination requiring clean-up results from

- (v) any non-compliance of Purchasers or the Companies with Environmental Laws after the Closing Date;
- (w) negligent omissions to take actions required to be taken by the Purchasers or the Companies under applicable laws and relating to environmental matters after the Closing Date;
- (x) any negligent act or omission of any employee or any other representative of, or service provider to, the Companies after the Closing Date.

The other general limitations to Sellers' liability under or in connection with this Agreement shall remain unaffected.

- 6.1.22 COMPLIANCE WITH LAWS. To Sellers' Knowledge, except as disclosed in Schedule 6.1.22, each Company is in all material respects in compliance with the laws and regulations of any jurisdiction applicable to the Companies' and all orders, decrees or rulings of, or restrictions imposed by, any judicial, governmental or regulatory body (collectively "LAWS AND ORDERS") in all relevant jurisdictions. To Sellers' Knowledge, no material non-compliance with the Laws and Orders has been alleged in writing to the Companies and, to Sellers' Knowledge, there are no circumstances, which would justify such allegations. To Sellers' Knowledge, none of the Companies is subject to any material administrative or material criminal investigations and no such material investigations have been threatened in writing to the Companies, and to Seller's Knowledge, no circumstances exist, which would justify the initiation of such a material investigation. Sellers, SDS, NDO BV and NDO Leeflang have informed or will inform until the Closing Date the relevant work councils about the Transaction, irrespective of the relevant form of information.
- 6.1.23 EMPLOYEES. Schedule 6.1.23 (i) includes for each Company a correct and complete list of its employees (Arbeitnehmer) on an anonymous basis with various information related to such employees. Except as disclosed in Schedule 6.1.23 (ii), none of the Companies have increased any of their directors' or employees' remuneration or benefit entitlements after the Economic Transfer Date other than in accordance with (i) the terms of the relevant employment and service agreements in force as of the Economic Transfer Date, (ii) applicable shop or collective bargaining agreements, (iii) past practise or (iv) as part of the Stay Bonus Arrangements. None of the Sellers' Knowledge Individuals has given written notice of termination and, to Seller's Knowledge, no circumstances exist that any of these employees is giving notice of termination (provided that for the purpose of defining Sellers' Knowledge in this particular case, the knowledge of the Sellers' Knowledge Individuals shall be disregarded in respect of themselves). Schedule 6.1.23 (iii) includes for each Company a correct and complete list of certain pension obligations.
- 6.1.24 REAL ESTATE. Except for the real estate listed in Schedule 6.1.24 (i) the Companies do not own any real estate. The real estate used by the Companies is listed in Schedule 6.1.24 (ii).

6.2 CONSENTS. Purchasers acknowledge that certain consents may be required in connection with contracts of the Group Companies containing change-of-control provisions and that such consents have not been obtained. While Sellers shall take reasonable efforts to assist Purchasers in obtaining such consents, Purchasers agree that Sellers shall not have any liability arising from the failure to obtain such consents and that no guarantee, covenant or other obligation of Sellers shall be breached and no condition shall be deemed not to have been satisfied as a result (i) of the failure to obtain such consent, (ii) the termination of any such contract or (iii) any lawsuit commenced or threatened arising from the failure to obtain such consent or the termination of such contract.

6.3 NO OTHER GUARANTEES. Purchasers agree to purchase and accept the Sold Assets and the Demedis Dental Business in their condition they are in on the Closing Date based upon its own inspection, examination and determination with respect thereto as to all matters and without reliance upon any express or implied guarantees, representations or warranties of any nature made by or on behalf of or imputed to Sellers, except only for the guarantees expressly set forth in this Agreement. Sellers do therefore not give or assume any guarantees other than those set forth in this Agreement and none of the Sellers' Guarantees shall be construed as a guarantee or representation with respect to the quality of the purchase object within the meaning of Sections 276 Subsec. 1, 443 German Civil Code (Garantie für die Beschaffenheit der Sache). Without limiting the generality of the foregoing, Purchasers acknowledge that Sellers make no guarantees, representations or warranties with respect to:

- (i) any projections, estimates or budgets delivered or made available to Purchasers of future revenues, future results of operations (or any component thereof), future cash flows or future financial conditions (or any component thereof) or the future business and operations of the Demedis Dental Business or the Demedis Group;
- (ii) any other information or documents made available to Purchasers or their counsel, accountants or other advisers with respect to the Demedis Dental Business or the Demedis Group, except as expressly set forth in Section 6 of this Agreement;
- (iii) the enforceability and collectibility of the Shareholder Loan (i.e., the ability and obligation of Demedis to repay the Shareholder Loan)

provided, however, that to Sellers' Knowledge none of the information nor documents made available to Purchasers or their counsel, accountants or other advisers with respect

to the Demedis Dental Business or the Demedis Group is untrue inaccurate in any material respect.

SECTION 7
PURCHASER'S GUARANTEES

Purchasers guarantee to Sellers as of the Signing Date and Closing Date:

- 7.1 ENFORCEABILITY / NO CONFLICT. This Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchasers in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally and except that the remedy of specific performance and injunction relief and other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding may be brought. Purchasers have the power and authority to execute this Agreement and to perform its obligations under this Agreement, and the Transaction have been duly authorised and approved by all necessary corporate action of Purchasers.
- 7.2 LITIGATION. There is no action, suit, investigation or proceeding pending against, or to the knowledge of Purchasers, as of the Signing Date, threatened against or affecting Purchaser before any court or arbitrator or governmental body, agency or official body which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the Transaction.
- 7.3 FINANCIAL CAPABILITY. Purchasers have sufficient immediately available funds or binding and unconditional and irrevocable financing commitments to make all payments required to be made under or in connection with this Agreement.
- 7.4 FINDERS' FEES. Purchasers have no obligation or liability to pay any fees or commissions to any broker, finder or agent with respect to the Transaction for which Sellers could become wholly or partly liable.

SECTION 8
REMEDIES

- 8.1 LIMITATION OF REMEDIES. In the event of a breach or non-fulfilment of any guarantee, covenant or other obligation of Sellers contained in this Agreement, Sellers shall put the relevant Purchaser, or at the option of the relevant Purchaser, the respective Company

into the same position it would have been in if Sellers' Guarantees, covenants or other obligation contained in this Agreement had been fulfilled or had not been breached (Naturalrestitution), or, at the option of Sellers, pay damages for non-performance (kleiner Schadenersatz). For purposes of determining the liability of Sellers, only the actual losses incurred by the respective Company or Purchasers shall be taken into account and not any potential or actual reduction (Minderung) in the value of the Companies or the relevant Purchaser. Sellers shall in no event be liable for any indirect damages (mittelbare Schaden), consequential damages (Folgeschaden), indirect losses caused by business interruption (Betriebsunterbrechungschaden) or lost profits (entgangener Gewinn), damages incidental to any breach or non-fulfilment of the independent guarantees (Schaden anlässlich einer Verletzung einer selbständigen Garantie) or any internal costs (i.e., non-out of pocket expenses) incurred by the Companies or the relevant Purchaser, it being understood that in case of a third party claim constituting a liability that triggers a Purchaser Claim such liability will be considered as a direct damage within the meaning of this Agreement even if it includes consequential damages, losses and lost profits. If and to the extent damages are paid to any of the Companies, such payments shall be effected as contributions (Einlagen) made by Purchasers into the respective Company.

- 8.2 PURCHASER CLAIM PROCEDURE. In the event of any breach or non-fulfilment of Sellers' Guarantees, covenants or other obligation contained in this Agreement or in case of any other claim of a Purchaser against Sellers' under or in connection with this Agreement ("PURCHASER CLAIM"), Purchaser will give Sellers written notice of such breach or non-fulfilment, without undue delay (ohne schuldhaftes Zögern) after its discovery but within twenty five (25) Business Days thereafter stating in such notice in reasonable detail the nature thereof and the amount involved, to the extent that such amount has been determined at the time when such notice is given. Without prejudice to the validity of the Purchaser Claim or alleged claim in question, Purchaser shall allow, and cause the Companies to allow, Sellers and their accountants and professional advisers to investigate the matter or circumstance alleged to give rise to such Purchaser Claim. Purchaser shall give and cause the Companies to give such information and assistance, including, during normal business hours and upon prior written notice, access to Purchaser's and the Companies' premises and personnel, including the right to examine and copy or photograph any assets, accounts, documents and records, as Sellers or their accountants or professional advisers may request, provided it is done in such a way so as to minimize business disruption.
- 8.3 LIMITATION OF SELLERS' LIABILITY. Sellers shall not be liable for, and Purchasers shall not be entitled to bring any Purchaser Claim, if and to the extent that:

- 8.3.1 the matter to which the Purchaser Claim relates has been taken into account in the Financial Statements 2003 by way of a provision (Rückstellung), or depreciation (Abschreibung), or exceptional depreciation (außerplanmäßige Abschreibung), or depreciation to reflect lower market values (Abschreibung auf den niedrigeren beizulegenden Wert) or otherwise;
- 8.3.2 the amount of the Purchaser Claim is actually recovered from a third party (including any agreement by virtue of which any shares in the Companies have (directly or indirectly) been acquired) or under an insurance policy in force on the Signing Date, provided, however, that if the relevant Purchaser could recover the amount of the Purchaser Claim from a third party or an insurance policy in force on the Signing Date, the relevant Purchaser shall use all reasonable efforts to recover the amount of the Purchaser Claim from the relevant third party or the relevant insurer, as the case may be, as soon as possible and in case of such recovery reimburse Sellers for any payments already made in respect of the Purchaser Claim up to the amount recovered. At the request of Sellers, Purchasers shall assign the relevant claim to Sellers and deliver to Sellers all relevant documents related to such Purchaser Claim subject to applicable law. In the case that Purchasers could not recover such amount within a period of eighteen (18) months as from the Closing Date, Purchasers are entitled to assign the relevant claim to Sellers who are obliged to accept such assignment, unless they release Purchaser from its obligation to further pursue the possibility of recovery;
- 8.3.3 the payment or settlement of any item giving rise to a Purchaser Claim results in a tax benefit realized by the Companies or Purchasers, i.e. when the payment or settlement leads to a tax deductible expense within the fiscal year of the relevant Company in which such payment or settlement is made and this tax deductible expense does not only increase a tax loss carry forward;
- 8.3.4 the Purchaser Claim results from a failure of Purchaser or the Companies to mitigate damages pursuant to Section 254 German Civil Code;
- 8.3.5 the matter to which the Purchaser Claim relates was actually known by the persons listed on Exhibit 8.3.5 (i) as of the Closing Date, taking into account that Purchaser and in particular these persons, prior to entering into this Agreement, had the opportunity to thoroughly review the condition of the Demedis Group and the Demedis Dental Business under commercial, technical, organisational, financial, environmental and legal aspects and, in this connection, to hold discussions with managing directors and other senior employees of the Companies, and to inspect any relevant real estate; without limiting

the generality of the foregoing. Purchaser shall be deemed to have knowledge of all matters disclosed in (i) the Information Memorandum; (ii) the Vendor Due Diligence Report of PricewaterhouseCoopers, (iii) the PricewaterhouseCoopers Tax Status, each as disclosed to Purchaser; (iv) any documents listed in the specific data room index attached hereto as Exhibit 8.3.5 (ii) to the extent that a reasonable purchaser would have logically concluded that a Purchaser Claim exists from such disclosure and (v) the written answers to any information requests of Purchaser attached hereto as Exhibit 8.3.5 (iii);

- 8.3.6 the Purchaser Claim results from or is increased by the passing of, or any change in any law, statute, ordinance, rule, regulation, common law rule or administrative practice of any government, governmental department, agency or regulatory body including (without prejudice to the generality of the foregoing) any increase in the rates of any taxes or any imposition of any taxes or any withdrawal or relief from any taxes, not actually in effect at the Closing Date;
- 8.3.7 Sellers were prejudiced by the Purchasers' failure to observe the procedures set forth in Sections 8.2 and 8.4;
- 8.3.8 in respect of a Purchaser Claim under Section 6.1.16 (without prejudice to the generality of Section 8.3.3), if and to the extent
- (i) the breach of the relevant Sellers' Guarantees results only in a loss or reduction of tax loss carry-forwards;
 - (ii) Purchasers impair any obligation of the Companies or Sellers regarding the preparation of any tax returns of any of the Companies for assessment periods (Veranlagungszeiträume) up to and including the Economic Transfer Date ("TAX RETURNS");
 - (iii) Tax Returns already prepared by Sellers or any of the Companies prior to the Closing Date should not be filed accordingly by Purchasers or any of the Companies, provided that such Tax Returns have been applied in accordance with applicable laws and accounting practices; or
 - (iv) any of the Tax Returns which have already been filed should be changed, modified or withdrawn by Purchaser and/or Companies without prior written consent of Sellers which shall not be unreasonably withheld;

8.3.9 either Purchasers or the Companies have caused or partially caused (verursacht oder mitverursacht) such Purchaser Claim after the Closing Date or by Purchaser after the Signing Date, e.g., by way of any kind of (corporate) restructurings, or by the way the repayment of Bank Debt and the Repaid Shareholder Loan will be booked on the level of the relevant Companies provided however that Purchasers shall be authorized to initiate tax audits with respect to any Companies.

When calculating the amount of the liability of Sellers under this Agreement all advantages in connection with the relevant matter shall be taken into account (Vorteilsausgleich) and Sellers shall not be liable under this Agreement in any respect of any Purchaser Claim for any losses suffered by Purchasers or the Companies to the extent of any corresponding savings by or benefit to Purchasers, any Affiliate of Purchasers or any Company arising therefrom.

8.4 THIRD PARTY CLAIM PROCEDURE. If the Companies or Purchasers are sued or threatened to be sued by a third party, including any governmental agencies, or if the Companies or Purchasers are subjected to any audit or examination by any tax authority ("THIRD PARTY CLAIM"), which may give rise to a Purchaser Claim, Purchasers shall give Sellers immediately (unverzüglich) written notice of such Third Party Claim. Purchasers shall ensure that Sellers shall be provided with all material, information and assistance relevant in relation to the Third Party Claim, be given reasonable opportunity to comment or discuss with Purchasers any measures which Purchasers proposes to take or to omit in connection with a Third Party Claim. In particular, Sellers shall be given the opportunity to comment on, participate in, and review any reports, all relevant tax and social security audits or other measures and receive without undue delay copies of all relevant orders e.g. (Bescheide) of any authority, in each case subject to applicable law. No admission of liability shall be made by or on behalf of Purchasers or the Companies and the Third Party Claim shall not be compromised, disposed of or settled without the prior written consent of Sellers, which shall not be unreasonably withheld. Further, however, subject to prior consultation with Purchasers and subject to Purchasers' prior written consent, which shall not be unreasonably withheld, Sellers shall be entitled at their own discretion to take such action (or cause Purchasers or the Companies to take such action) as it deems necessary to avoid, dispute, deny, defend, resist, appeal, compromise or contest such Third Party Claim (including making counter claims or other claims against third parties) in the name of and on behalf of Purchasers or the Companies concerned and Purchasers will give and cause the Companies to give (subject to them being paid all reasonable out-of-pocket costs and expenses), all such information and assistance, as described above, including during normal business hours and upon prior written notice access to premises and personnel and including the right to examine and copy or photograph any assets,

accounts, documents and records for the purpose of avoiding, disputing, denying, defending, resisting, appealing, compromising or contesting any such claim or liability as Sellers or their professional advisers may reasonably request provided it is done in such a way so as to minimize business disruption. Sellers agree to use all such information confidentially only for such purpose and to treat them confidentially. To the extent that Sellers are in breach of a Sellers' Guarantee or covenant, all costs and expenses reasonably incurred by Sellers in defending such Third Party Claim shall be borne by Sellers.

- 8.5 APPORTIONMENT OF LIABILITY / NO JOINT LIABILITY. Any liability for a breach of the guarantees given under Section 6.1.1, 6.1.2, 2nd Sentence, and 6.1.7 shall accrue only to the Seller that has given the respective guarantee. Each Seller shall only be liable for such remaining portion of the total liability pro rata to the amount of the relevant percentage of its shareholding in Demedis. In no case shall any liability of Sellers under or in connection with this Agreement be a joint liability of Sellers (Gesamtschuld), i.e., no Seller shall be held liable for a liability of any other Seller but Sellers shall be liable for any liabilities of Sellers under or in connection with this Agreement only as single debtors (Teilschuldner).
- 8.6 NO DOUBLE RECOVERY. For the avoidance of doubt, no Party shall be entitled to recover one and the same damage or loss more than once under or in connection with this Agreement.
- 8.7 SOLE REMEDY. Any claims of Purchasers under or in connection with this Agreement shall be limited to claims against Sellers that can be satisfied by the Escrow Amount. Purchasers shall in no event be entitled to make any direct claims against any Sellers which will not be covered by the Holdback Escrow Amount. Any liability of Sellers and recourse by Purchasers shall at all times be solely limited to the Holdback Escrow Amount kept by the Escrow Agent in accordance with the Holdback Escrow Agreement and not be directed to any of the Sellers.
- 8.8 MODIFIED REMEDIES FOR TITLE GUARANTEE. In the case of a breach of Section 6.1.2 (i) or (ii) in respect of the Demedis Shares the following specific amendments to Sellers' liability under this Agreement will apply:
- 8.8.1 Share Purchaser shall be entitled to claims for specific performance (Erfüllung) and consequential damages (Folgeschaden);
- 8.8.2 the Liability Cap will not apply, but the aggregate liability of each individual Seller will be limited to the pro rata portion of the Purchase Price attributable to the Demedis Shares of each individual Seller;

8.8.3 the Time Limitation will be extended to a period ending five (5) years as from the Closing Date;

8.8.4 in the case that the guarantees in Section 6.1.2 (i) or (ii) have been breached in respect of the Demedis Shares due to a mere technical or formal problem (e.g., if a notarial deed contains a technical or formal mistake rendering the transfer of title invalid) all Sellers will use their best efforts to cooperate with each other and with Share Purchaser in order to remedy such defect/problem, in particular to ensure that the split of shares and ownership structure set forth in Section 1.1 will be put in place. This clause shall, however, not increase the overall liability of Sellers for a breach of Sections 6.1.2 (i) and (ii) in respect of the Demedis Shares and the as set forth in Section 8.8.2;

8.8.5 Share Purchaser shall first raise Purchaser Claims against the Holdback Escrow Amount before pursuing any Purchaser Claims against any Sellers directly.

it being understood that no further rights, other than those expressly set forth in this Section 8.8, in particular no further rights of withdrawal, will be conferred on Share Purchaser.

8.9 TREATMENT OF HOLDBACK ESCROW AMOUNT. In view of Sellers' separate liability (teilschuldnerische Haftung) as set forth in Section 8.5, the sole remedy principles set forth in Section 8.7 as well as the modified remedies for title guarantees set forth in Section 8.8 and for the avoidance of doubt, the Parties agree that the Holdback Escrow Amount will not be available to Purchasers as a whole but only in the liability portions set forth in Section 8.5, i.e., the Holdback Escrow Amount of EUR 10,000,000 (in words: Euro ten million) will only be paid into one single account for practicality reasons, but not for reasons of joint liability, so that for purposes of any Purchaser Claim the Holdback Escrow Amount will be separated into 5 different and separate portions reflecting the pro-rata amount of the Purchase Price attributable to Sellers ("PRO-RATA ESCROW AMOUNT"), so that in no event whatsoever, one Seller would ever be jointly liable for any liability of another Seller or for more than the portion of his part of the liability set forth in Section 8.5. However, if the Pro-rata Escrow Amount is already used up by Purchaser Claims based on a breach of Section 6.1.2 (i) or (ii) in respect of the Demedis Shares or other Purchaser Claims, the liability of the relevant Seller will not be limited to the Pro-rata Escrow Amount, but be increased by the amount of the Pro-rata Escrow Amount which has already been used to satisfy Purchaser Claims based on a breach of Section 6.1.2 (i) or (ii) in respect of the Demedis Shares.

Example: If the portion of the Holdback Escrow Amount attributable to Seller 4 was EUR 50,000 and the relevant share sold by Seller 4 under this Agreement is affected by a title defect triggering a liability of EUR 100,000, Purchaser can only claim EUR 50,000 against the Holdback Escrow Amount and the remaining EUR 50,000 from Seller 4 directly but only up to the portion of the Purchase Price attributable to Seller 4. However, if thereafter another general guarantee set forth in Section 6 is breached triggering a liability of EUR 1,000,000, Purchaser will only be able to claim against the Escrow Account the amount recoverable from all Sellers other than Seller 4, as the relevant portion of the Holdback Escrow Amount attributable to Seller 4 has already been used up, so that the remaining liability for all other shareholders will be limited to the amount of EUR 1,000,000 less a percentage equal to the percentage of the Holdback Escrow Amount attributable to Seller 4. The remaining amount up to EUR 50,000 can, however, be claimed directly from the relevant Seller 4.

SECTION 9
EXPIRATION OF CLAIMS / LIMITATION OF CLAIMS

- 9.1 TIME LIMITATIONS. All claims of Purchasers arising under or in connection with this Agreement shall be time-barred on 30 April 2005 except for claims of Purchasers pursuant to Section 8.8 or for claims of Purchasers arising as a result of wilful, fraudulent or intentional breaches of Sellers' obligations under this Agreement which shall be time barred in accordance with the statutory rules in Sections 195, 199 German Civil Code ("TIME LIMITATIONS").
- 9.2 EXCLUSION OF STATUTORY LIMITATION RULES. To the extent legally permissible Sections 203 and 209 German Civil Code shall not apply. Any limitation period pursuant to this Agreement shall be interrupted only in the event that a statement of claims is filed with the arbitral tribunal or competent court, as the case may be, within the relevant Time Limitations.
- 9.3 DE MINIMIS AND BASKET. Sellers shall only be liable under or in connection with this Agreement if and to the extent that: (i) the amount recoverable under this Agreement with respect to the individual claim made exceeds EUR 100,000 (in words: Euro one hundred thousand) ("DE MINIMIS AMOUNT") provided, however, that claims which are based on factually coherent matters (auf demselben Lebenssachverhalt beruhend) can be aggregated and (ii) the aggregate amount recoverable under this Agreement with regard to all claims made (excluding claims which do not exceed the De Minimis Amount in the individual case) exceeds EUR 1,250,000 (in words: Euro one million

two hundred fifty thousand) ("BASKET") i.e., only if both the De Minimis Amount and the Basket are exceeded, Sellers shall be liable under this Agreement in the full amount, subject to the other provisions of this Section 9. The Parties agree that the terms Material Adverse Effect, material or any similar materiality qualifier in any of the guarantees in Section 6 will be disregarded for purposes of determining of whether or not the De Minimis Amount and the Basket are exceeded or reached, as the case may be.

- 9.4 LIABILITY CAP. Subject to Section 8.8.2, the aggregate liability of Sellers for any possible claims under and in connection with this Agreement shall not exceed EUR 10,000,000 (in words: Euro ten million) ("LIABILITY CAP"), which will be covered by the Holdback Escrow Amount and cannot be directly claimed from any of the Sellers.
- 9.5 EXCLUSION OF STATUTORY RIGHTS. The Parties agree that the remedies which Purchasers, or any of the Companies, may have against Sellers for breach of obligations set forth in this Agreement are solely governed by this Agreement, and the remedies provided for in this Agreement shall be the exclusive remedies available to Purchasers or the Companies. Apart from the rights of Purchasers under Section 5 above (i) any right of Purchasers to withdraw (zurücktreten) from this Agreement or to require the winding up of the Transaction (e.g. by way of gro(beta)er Schadensersatz or Schadenersatz statt der Leistung), (ii) any claims for breach of pre-contractual obligations (culpa in contrahendo, including claims arising under Sections 241 Subsec. 2, 311 Subsec. 2 (3) German Civil Code) or ancillary obligations (positive Forderungsverletzung, including to claims arising under Sections 280, 282 German Civil Code), (iii) frustration of contract pursuant to Section 313 German Civil Code (Störung der Geschäftsgrundlage), (iv) all remedies of Purchaser for defects of the Sold Assets under Sections 437 through 441 German Civil Code and (v) any and all other statutory rights and remedies, if any, are hereby expressly excluded and waived by Purchasers, except for claims for wilful deceit (arglistige Täuschung) and other intentional breach of contract (vorsätzliche Vertragsverletzungen). The Parties agree that Sellers' Guarantees are only designed for the specific remedies of Purchasers set forth in Section 6 above and the restrictions contained in this Section 9 and that Sellers' Guarantees shall not serve to provide Purchasers with any other claims than those set forth in this Agreement. The Parties further agree that under no circumstances shall Sellers' Guarantees be construed as representations of Sellers with respect to the quality of the purchase object within the meaning of Sections 276 Subsec. 1, 443 German Civil Code (Garantie für die Beschaffenheit der Sache) and therefore, Purchaser explicitly waives the application of Section 444 German Civil Code.

SECTION 10
SELLERS' COVENANT

SELLERS' COVENANT. Except as set forth in Exhibit 10, during the period between the Signing Date and the Closing Date and to the extent legally permissible,

- 10.1 Sellers shall use all reasonable efforts to ensure that the Companies shall (i) preserve their material customer relationships, (ii) preserve the Material Assets in good working condition, reasonable wear and tear excepted.
- 10.2 Sellers shall undertake and procure that the Companies shall, (i) keep the existing insurance for the Demedis Dental Business in place, (ii) maintain accounting procedures consistent with past practice and (iii) maintain inventory holding levels substantially consistent with past practice.
- 10.3 Sellers shall undertake and procure that the Companies shall conduct the Demedis Dental Business in the ordinary course of business and not, except in the ordinary course of business and consistent with past practice, (i) adopt any material change in the articles of association of the Companies, (ii) make any dividend payments or other distributions of such kind to Sellers or Affiliates of Sellers, (iii) allot, issue, redeem or repurchase any shares of the Companies, (iv) merge or consolidate with any other person (other than the Companies), (v) make any material capital expenditure (i.e. exceeding an amount of EUR 2,000,000) (in words: Euro two million) (unless reflected in the business plan of the Demedis Group which has been disclosed to Purchasers), (vi) enter into any agreements exceeding a contract value of EUR 500,000 (in words: Euro five hundred thousand) or with onerous terms, (vii) cancel or waive any claims or rights of a value exceeding in the individual case EUR 500,000 (in words: Euro five hundred thousand), (viii) enter into any agreement or arrangement with Sellers or an Affiliate with Sellers not at arm's length terms, (ix) commence any litigation with a dispute value (Streitwert) in excess of EUR 250,000 (in words: Euro two hundred fifty thousand), (x) shorten or lengthen the customary payment cycles for any receivables or payables (x) acquire or dispose of any material business or (xi) agree in writing to do any of the foregoing, provided however, that Sellers and any of the Companies may enter into bonus agreements with any of the Companies' employees and/or any of their managing directors in an aggregate maximum amount of EUR 1,268,000.00 (in words: Euro one million two hundred sixty eight thousand), which amounts shall be borne by the Companies and are already reflected in the Purchase Price ("STAY BONUS ARRANGEMENTS").

SECTION 11
INDEMNITY

Sellers will indemnify Purchasers for all materialized liabilities arising from the currently still contingent liabilities in respect of the lease transactions between the Companies and Gefa Gesellschaft fur Absatzfinanzierung GmbH as well as the Dutch VAT issue both as set forth in Exhibit 11 provided, however, that all limitations to Sellers' liability in this Agreement, in particular those set forth in Sections 8 and 9 will also apply to this indemnity, apart from the limitations provided for in Section 9.3, provided, however, that any amounts received by Purchasers under this Section 11 shall be disregarded for purposes of filling the Basket for any other Purchaser Claims.

SECTION 12

RESTRICTION OF ANNOUNCEMENT / STAY BONUS / COOPERATION / CONFIDENTIALITY /
NON-COMPETITION AND NON-SOLICITATION / PARENT LIABILITY / JOINT LIABILITY / USE
OF IP RIGHTS

- 12.1 RESTRICTIONS OF ANNOUNCEMENTS. Each of the Parties undertakes that prior to the Closing Date it will not make an announcement in connection with this Agreement unless required by applicable mandatory law or stock exchange regulations or the other Party hereto has given its consent to such announcement in writing, including the form of such announcement, which consents may not be unreasonably withheld and may be subject to conditions. If and to the extent any announcement or disclosure of information regarding the subject matter of this Agreement is to be made under applicable mandatory laws, in particular any applicable stock exchange regulations, the Party being concerned shall not disclose any such information without prior consultation with the other Party.
- 12.2 STAY BONUS. Purchasers acknowledge the Stay Bonus Arrangements (as defined in Section 10.3) made or to be made to certain of the managing directors and/or employees of the Demedis Group. If and to the extent that the Stay Bonus Arrangements should not have been validly made by any of the Companies, Purchasers agree to provide for such payments to be effected in its own name as if such promises had been validly made by Purchaser itself under full discharge of the original debtors.
- 12.3 COOPERATION. Upon and after the Closing Date, Sellers and Purchaser shall each use their reasonable best efforts to execute and deliver or procure to be done, executed and delivered all such further acts, deeds, documents, instruments of conveyance, assignment and transfer and things as may be reasonably necessary to implement the terms of this Agreement.

- 12.4 CONFIDENTIALITY. The Parties agree to keep strictly confidential any information obtained by them in connection with the negotiation and conclusion of this Agreement with respect to the respective other party and its Affiliates unless otherwise agreed in writing between the Parties or required by applicable law.
- 12.5 CONFIDENTIALITY WAIVER. Each Party authorises every other Party (and each employee, representative or other agent of every other Party) to disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to such party related to such tax treatment and tax structure.
- 12.6 NON-COMPETITION / NON-SOLICITATION Mr. Gotz Mauser and Mr. Martin Fark of Permira Beteiligungsberatung GmbH have entered into the non-competition and non-solicitation agreement with Purchaser attached hereto as Exhibit 12.6 ("NON-COMPETITION/NON-SOLICITATION AGREEMENT"). The Parties expressly agree that none of Sellers shall be subject to any kind of non-competition obligation or non-solicitation obligation with respect to any employees / managing directors of any of the Companies.
- Sellers will reimburse all reasonable costs incurred by Gotz Mauser and Martin Fark under or in connection with the Non-competition / Non-solicitation Agreement, including in particular any reasonable lawyer's fees for defending any claims raised by Purchaser against Gotz Mauser and Martin Fark, to the extent such claims are not validly based on wilful misconduct on the part of Gotz Mauser and Martin Fark. This obligation shall constitute an agreement for the benefit of third parties (echte Vereinbarung zugunsten Dritter) within the meaning of Section 328 of the German Civil Code. No obligations shall attach to Purchasers in respect of Mr. Mauser and Mr. Fark.
- 12.7 PARENT LIABILITY. Henry Schein will be jointly liable for any and all obligations of Purchaser under or in connection with this Agreement, even in case of a transfer of rights and obligations pursuant to Section 14.4
- 12.8 JOINT PURCHASERS' LIABILITY. All Purchasers will be jointly liable for any and all obligations of any Purchaser under or in connection with this Agreement, even in case of a transfer of rights and obligations pursuant to Section 14.4.
- 12.9 USE OF MARKS / DOMAINS / NAMES. Purchasers are aware that Demedis is part of a larger group with Sirona Beteiligungs- und Verwaltungsgesellschaft mbH ("SBV") and its Affiliates ("SIRONA GROUP") as sister company which is engaged in the production, trading and distribution of dental products. After the Closing Date, Purchasers shall ensure that neither Purchasers or any of their Affiliates nor any of the Group

Companies use (as part of its corporate or trade name, internet domains or otherwise) the name "Sirona" or the abbreviation "SDS", any name likely to be confused therewith or any name to which a company of the Sirona Group ("SIRONA GROUP COMPANY") has any right which permits such Sirona Group Company to preclude the use of such name by third parties. Furthermore, except as provided below, Purchasers shall ensure that neither Purchasers nor any of their Affiliates nor any of the Group Companies shall use any brochure, sales literature, letterhead, web page, packaging or promotional or other materials or sell any publications or other products which contain or carry the name "Sirona" or the abbreviation "SDS" or any other mark or names which suggest that a Company is or was part of the Sirona Group unless permitted by relevant agreements between the Sirona Group and the Group Companies. Purchasers acknowledge and agree that between the Signing Date and the Closing Date, Sellers and the Group Companies will take all actions which are necessary or appropriate to delete the name "Sirona" or "SDS" from their corporate name (Firma) of any of the Group Companies which contains the name "Sirona" or the abbreviation "SDS" and to change the corporate name of any of such Group Companies. Without undue delay after the Closing Date, at the latest within one month after the Closing Date, Purchasers shall take, or cause to be taken, all outstanding actions and issue, or cause to be issued, all declarations which are necessary or appropriate to change the corporate name of any of the Group Companies which contains the name "Sirona" or the abbreviation "SDS" to a corporate name which does not contain the name "Sirona" or the abbreviation "SDS" or any name likely to be confused therewith.

SECTION 13
NOTICES / EXERCISE OF RIGHTS

- 13.1. NOTICES. All notices and other communications hereunder shall be made in writing and shall be delivered or sent by registered mail or courier to the addresses below or to such other addresses which may be specified by any Party to the other Parties in the future in writing:

If to Sellers:

Freshfields Bruckhaus Deringer
Dr. Andreas von Werder
Taunusanlage 11
60329 Frankfurt am Main
Germany

with a copy to

Clifford Chance
Volker Kullmann
Theresienstrasse 4-6
80333 Munich
Germany

If to Purchaser:

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

with a copy to:

Baker & McKenzie
Attn.: Dr. Bernd R. Mayer
Neuer Zollhof 3
40221 Dusseldorf
Germany

- 13.2 EXERCISE OF RIGHTS. Any statements, declarations and notices of Sellers under or in connection with this Agreement as well as the Escrow Agreement may be validly made or given only by Volker Kullmann, with the address as set forth in Section 13.1 on behalf of all Sellers and Sellers hereby authorize Seller 1 to act in their name and on their behalf in making such statements, declarations and giving such notices. The same shall apply to the exercise of any rights by Sellers under or in connection with this Agreement.
- 13.3 SETTLEMENT OF PURCHASER CLAIMS. Sellers hereby appoint Volker Kullmann, with the address as set forth in Section 13.1 ("APPOINTEE") to act in their name and on their behalf to negotiate, accept, compromise, admit to settle any Purchaser Claims arising out of or in connection with this Agreement, provided that this Section shall only apply (a) to Purchaser Claims other than in respect of a breach of Sections 6.1.2 (i) and (ii), unless the relevant defect on which the Purchaser Claims is based extends to all Sellers, and (b) to Purchaser Claims in respect of which the Time Limitations have not yet expired, it being understood that in respect of Purchaser Claims based on a breach of Sections 6.1.2 (i) and (ii) and extending to all Sellers (as set forth in Section 13.3

(a)), the Time Limitations of Section 9.1 (and not the extended time limitation set forth in Section 8.8.3) will apply for purposes of this Section 13.3 (b). Any termination of such appointment is valid only if (a) made in writing and (b) if at the same time a new appointee is notified to the Purchaser. Sellers will pay to the Appointee all reasonable fees for Appointee's services and expenses incurred by Appointee. This obligation shall constitute an agreement for the benefit of third parties (echte Vereinbarung zugunsten Dritter) within the meaning of Section 328 of the German Civil Code. Any liability of the Appointee shall be limited to gross negligence (grobe Fahrlässigkeit) and wilful misconduct (Vorsatz) only.

SECTION 14
MISCELLANEOUS

- 14.1 FEES / COSTS / EXPENSES. All expenses, costs, fees and charges in connection with the Transactions including legal services, shall be borne by the Party commissioning the respective costs, fees and charges, in particular, the Companies shall not bear any costs for lawyers, accountants, investment bankers and other advisors advising Sellers' in relation to the Transaction to the extent not already paid before the Economic Transfer Date. All notarial fees incurred with the notarisation of this Agreement and the agreements to be executed to implement the Transactions as well as all official fees charged by the cartel authorities in connection with the merger clearances required under this Agreement shall be borne by Purchaser. Purchaser shall also be responsible for the payment of any sales, transfer or stamp taxes, or other similar charges, payable by reason of the Transaction.
- 14.2 EXHIBITS AND SCHEDULES. All Exhibits and Schedules to this Agreement constitute an integral part of this Agreement and any reference to this Agreement includes this Agreement and its Exhibits as a whole. The disclosure of, or reference to, any matter in this Agreement (including any Exhibit and Schedule thereto) shall be deemed to be a disclosure.
- 14.3 ENTIRE AGREEMENT. This Agreement (including all Exhibits and Schedules hereto) comprises the entire agreement between the Parties concerning the subject matter hereof and supersedes and replaces all oral and written declarations of intention made by the Parties in connection with the contractual negotiations except for the Confidentiality Agreement dated 11 September 2003. Changes or amendments to this Agreement (including this Section 14.3) must be made in writing by the Parties or in any other legally required form, if so required.
- 14.4 NO ASSIGNMENT. No Party shall be entitled to assign any rights, obligations or claims under this Agreement without the prior written consent of the other Party provided

that Purchasers may assign all rights and obligations under this Agreement to an Affiliate of Purchasers without the express consent of the Sellers which is hereby granted, provided however that Purchasers will in any event remain jointly liable for all obligations of the relevant assignee under and in connection with this Agreement.

- 14.5 INTEREST DAYS. Interest payable under any provision of this Agreement shall be calculated on the basis of actual days elapsed divided by 365.
- 14.6 BUSINESS DAYS. "BUSINESS DAYS" shall be the days on which banks are open for business in Frankfurt am Main, Germany.
- 14.7 NO THIRD PARTY RIGHTS. This Agreement shall not grant any rights to, and is not intended to operate for, the benefit of third parties unless otherwise explicitly provided for herein.
- 14.8 HEADINGS. The headings in this Agreement are inserted for convenience only and shall not affect the interpretation of this Agreement; where a German term has been inserted in quotation marks and/or italics it alone (and not the English term to which it relates) shall be authoritative for the purpose of the interpretation of the relevant English term in this Agreement.
- 14.9 SET-OFF / RETENTION. No Party, except as provided otherwise herein, shall be entitled (i) to set-off (aufrechnen) any rights and claims it may have against any rights or claims the other Party may have under this Agreement or (ii) to refuse to perform any obligation it may have under this Agreement on the grounds that it has a right of retention (Zurückbehaltungsrecht) unless the rights or claims of the relevant Party claiming a right of set-off (Aufrechnung) or retention (Zurückbehaltung) have been acknowledged (anerkannt) in writing by the relevant other Party/Parties or have been confirmed by final decision of a competent court (Gericht) or arbitration court (Schiedsgericht).
- 14.10 GOVERNING LAW / ARBITRATION. This Agreement shall be governed by, and be construed in accordance with, the laws of the Federal Republic of Germany, excluding the principles of conflicts of laws and the UN Convention on the Sale of Goods. All disputes arising under or in connection with this Agreement or its validity shall be finally settled in accordance with the arbitration rules set forth in Section 15.
- 14.11 SEVERABILITY. In the event that one or more provisions of this Agreement shall, or shall be deemed to, be invalid or unenforceable, the validity and enforceability of the other provisions of this Agreement shall not be effected thereby. In such case, the Parties hereto agree to recognise and give effect to such valid and enforceable provision

or provisions which correspond as closely as possible to the commercial intent of the Parties. The same shall apply in the event that the Agreement contains any loopholes (Vertragslücken).

- 14.12 EURO. Any reference to EUR shall mean Euro, the currency of the European Union. For the purpose of any disclosure thresholds in the representations and warranties, such reference shall include the equivalent in any foreign currency at the exchange rate officially determined in Frankfurt am Main, Germany, on the Signing Date.
- 14.13 INTERPRETATIONS. Words such as "hereof" or "hereunder" refer (unless otherwise required by the context) to this Agreement as a whole and not to a specific provision of this Agreement. The term "including" shall mean "including, without limitation" and the term "in particular" shall mean "in particular, without limitation".

SECTION 15 ARBITRATION PROCEEDINGS

- 15.1 COMPETENCE OF THE ARBITRAL TRIBUNAL. All disputes arising out of or in connection with the Share Purchase Agreement or its validity shall be finally settled in accordance with the Arbitration Rules of the German Institution for Arbitration e.V. ("DIS RULES") without recourse to the ordinary courts of law. Where this Section 15 deviates from the DIS Rules, this Section 15 shall prevail; where this Section 15 is silent, the DIS Rules apply.
- 15.2 PLACE AND LANGUAGE OF THE ARBITRATION. The place of arbitration is Zurich/Switzerland. The language of the arbitration proceedings is English. However, no party shall be obliged to submit translations of documents drafted in the German language.
- 15.3 APPLICABLE LAW. The arbitral tribunal ("ARBITRAL TRIBUNAL") shall apply the substantive law as provided in this Agreement.
- 15.4 COMPOSITION OF THE ARBITRAL TRIBUNAL. The Arbitral Tribunal shall consist of three arbitrators:
- 15.4.1 if there are only two parties to the arbitration proceedings, each party shall nominate one arbitrator. The two arbitrators nominate a chairman of the Arbitral Tribunal;

15.4.2 several claimants shall nominate one arbitrator jointly; several respondents shall nominate one arbitrator jointly;

15.4.3 if the arbitration proceedings are not brought by all Sellers or Purchasers against all Purchasers or Sellers, respectively, the claimant(s) shall notify all other Parties of the submission of the statement of claim by registered mail including a copy of such statement of claim and request that those of them who wish to join the arbitration proceedings declare such joining and whether they wish to join on the claimants' or respondents' side, by registered mail to the parties to the arbitration proceedings (with a copy to the DIS and with advance fax to all recipients) within two weeks of receipt. Claimant(s) and respondent(s) will not nominate arbitrators before the elapse of the above two week period, at the earliest three weeks from the dispatching of the last of such notifications by the claimant(s). Parties who declare their joining to the arbitration proceedings prior to the expiration of this deadline have to nominate an arbitrator jointly with the party or parties on whose side they join.

15.5 SUBSEQUENT JOINING. Parties who have not joined the arbitration proceedings within the deadline provided under Section 15.4.3 do not take part in the arbitration proceedings. However, they remain entitled to join the arbitration proceedings on the side of either claimant(s) or respondent(s). In case of a subsequent joining, they have to accept the composition of the Arbitral Tribunal and the state of the proceedings at the time of their joining.

15.6 REIMBURSEMENT OF ATTORNEYS' FEES. Several claimants and respondents as well as Parties joining the arbitration proceedings on either side shall appoint the same attorney to act for them in the proceedings. If several claimants or respondents cannot agree on joint representation by the same attorney, they shall - if they prevail in the arbitration - only be jointly entitled to reimbursement of attorneys' fees in the amount of fees they would have incurred in case of joint representation. A joining Party who appoints a different attorney shall not be entitled to reimbursement of attorneys' fees. This does not apply in case the attorney acting for the party on whose side the joining Party intends to join the arbitration proceedings is prevented from acting for such joining Party due to a conflict of interest as defined by mandatory German bar rules. In such case, the joining Contract Party will be entitled to full reimbursement of its attorneys' fees.

- 15.7 PROCEDURAL ACTS OF JOINING PARTY. A Party joining the arbitration proceedings may bring factual submissions in support of or in defence against a claim and other procedural acts insofar as such declarations or acts do not contradict declarations or acts of the party or parties on whose side such Party joined.
- 15.8 BINDING EFFECT OF AWARD. The Arbitral Tribunal's findings of facts and law, that do not exclusively concern the relationship between one or several claimants on the one hand and one or several respondents on the other hand, but also establish a basis for claims in relation between other Parties, become binding on all Parties properly notified of the initiation of the arbitration proceedings regardless of their joining the arbitration proceedings. In subsequent disputes with other Parties, a Party who knew of the initiation of the arbitration proceedings is precluded from relying on the submission that the arbitration proceedings were decided erroneously or that one of the parties to the arbitration proceedings misconducted the proceedings. No Party shall be precluded from relying on grounds to vacate an award in accordance with Sec. 1059 of the German Code of Civil Procedure (ZPO).
- 15.9 LIMITATION PERIOD. The Parties agree that the initiation of in arbitration proceedings expiration of the Limitation Period interrupts the running of the Limitation Periods in relation to the relevant Purchaser Claim and also all other Parties regardless of whether such other Parties are parties to or join the arbitration proceedings. If Parties not participating in the arbitration proceedings but on whom the award will have a binding effect pursuant to Section 15.8, the limitation period is interrupted (gehemmt) from the initiation of the arbitration proceedings until four (4) months after receipt of the award by registered mail. The same applies if the arbitration proceedings are terminated by order of the arbitral tribunal or by the DIS Secretariat in accordance with Sec. 39 of the DIS Rules.

SECTION 16
EXHIBITS / DISCLOSURE SCHEDULES / DEFINITIONS

16.1 EXHIBITS / DISCLOSURE SCHEDULES

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| Schedule 6.1.8 | Intellectual Property Rights |
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| Schedule 6.1.15 | Labor Strikes and Violation of Laws |
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| Schedule 6.1.18 | Material Adverse Changes |
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16.2 DEFINITIONS

The capitalized terms used in this agreement are defined in the following Sections and clauses:

Agreement

Preamble B

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| Austrodent Working Capital Facility Agreement I | Section 2.2.3 |
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| Group Company | Section 1.3 |
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| Party | Preamble |
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[FRESHFIELDS BRUCKHAUS DERINGER LOGO]

SALE AND PURCHASE AGREEMENT

regarding the
sale and purchase of the

EDH Dental Business

Execution Version EDH SPA - 23 December 2003

by and between

1. all shareholders of Euro Dental Holding GmbH:
 - 1.1 Permira Europe I LP1, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 1" -
 - 1.2 Permira Europe I LP1B, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 2" -
 - 1.3 Permira Europe I LP2, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 3" -
 - 1.4 Permira Europe I LP3, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 4" -
 - 1.5 Permira Europe I LP3B, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 5" -
 - 1.6 Permira Europe I LP4, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA; Company No.: 13799
- "EDH SELLER 6" -
 - 1.7 Permira Europe I LP4B, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 7" -

- 1.8 Permira Europe I LP5, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 8" -
- 1.9 Permira Europe I LP5B, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 9" -
- 1.10 Permira Europe I LP6, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 10" -
- 1.11 Permira Europe I PGGMLP, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 11" -
- 1.12 Permira Europe I Co Invest Scheme, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 12" -
- 1.13 Range Park - Servicos de Consultoria Commercial Sociedade Unipessoal, S.A., with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 13" -
- 1.14 Schroder UK Venture Fund IV Trust, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 14" -
- 1.15 Schroder UK Venture Fund IV LP1, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 15" -
- 1.16 Schroder UK Venture Fund IV LP2, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 16" -
- 1.17 Schroder UK Venture Fund IV Co Investment Scheme, with business address at Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 3DA
- "EDH SELLER 17" -

- 1.18 Schroder Ventures International Life Sciences Fund LP1, with business address at 875 Third Avenue, 22nd Floor, New York, New York 10022-6225, USA
- "EDH SELLER 18" -
- 1.19 Schroder Ventures International Life Sciences Fund LP2, with business address at 875 Third Avenue, 22nd Floor, New York, New York 10022-6225, USA
- "EDH SELLER 19" -
- 1.20 Schroder Ventures International Life Sciences Fund Trust, with business address at 22 Church Street, Hamilton HM 11, Bermuda
- "EDH SELLER 20" -
- 1.21 Schroder Ventures International Life Sciences Fund Co Invest Scheme, with business address at 22 Church Street, Hamilton HM 11, Bermuda
- "EDH SELLER 21" -
- 1.22 Metropolitan Life Insurance Company, with business address at 10 Park Avenue, P.O. Box 1902 Morristown NJ 07962-1902, USA
- "EDH SELLER 22" -
- 1.23 Franz Scherer, with address at Kamillenweg 2, 50858 Koln, Germany
- "EDH SELLER 23" -
- 1.24 Gabriele Mauser, Stephanie Mauser, Philippe Mauser as joint heirs of Ulrich Mauser, each, with address at Merianstra(beta)E 7, 69469 Weinheim, Germany
- "EDH SELLERS 24" -
- 1.25 Paul Macdonald, with address at Robert-Schmitt-Stra(beta)e 4, 45884 Gelsenkirchen, Germany
- "EDH SELLER 25" -
- 1.26 Theo Haar, with address at Am Langenmarkstein 32 c, 64686 Lautertal, Germany
- "EDH SELLER 26" -
- 1.27 Michael Geil, with address at Nu(beta)allee 25, 64625 Bensheim, Germany
- "EDH SELLER 27" -

- 1.28 Uwe Meyer, with address at Darmstadter Stra(beta)e 221, 64625 Bensheim,
Germany
- "EDH SELLER 28" -
- 1.29 Franz Stuber, with address at Werrastra(beta)e 24, 64625 Bensheim, Germany
- "EDH SELLER 29" -
- 1.30 Jan Siefert, with address at Bibliserstra(beta)e 1, 64683 Einhausen,
Germany
- "EDH SELLER 30" -
- 1.31 Gerhard Loewen, with address at Im Bollerts 16, 64646 Heppenheim, Germany
- "EDH SELLER 31" -
- 1.32 Christoph Gusenleitner, with address at Josef-Keilberth-Str(beta)e 1,
82031 Grunwald, Germany
- "EDH SELLER 32" -
- 1.33 Regina Kuhnert, with address at Goethestra(beta)e 14, 01454 Radeberg,
Germany
- "EDH SELLER 33" -
- 1.34 Ingeborg Klaus, with address at Muhltalstra(beta)e 9, 64625 Bensheim,
Germany
- "EDH SELLER 34" -
- 1.35 Dr. Joachim Pfeiffer, with address at Jakobsweg 21, 64625 Bensheim,
Germany
- "EDH SELLER 35" -
- 1.36 Walter Petersohn, with address at Auf der Au 17, 64625 Bensheim, Germany
- "EDH SELLER 36" -
- 1.37 Peter Jung, with address at Grunerstrasse 13, 40239 Dusseldorf, Germany
- "EDH SELLER 37" -

- 1.38 Simone Blank, with address at Ernst-Ludwig-Promenade 15, 64625 Bensheim, Germany
- "EDH SELLER 38" -
- 1.39 Tilo Ploger, with address at Albert-Schweizer-Ring 2, 82256 Furstenfeldbruck, Germany
- "EDH SELLER 39" -
- 1.40 Norbert Orth, with address at An den Tannen 23, 64546 Morfelden-Walldorf, Germany
- "EDH SELLER 40" -
- 1.41 Wolfgang Ni(beta)ing, with address at Dorkesdyck 20, 47661 Issum, Germany
- "EDH SELLER 41" -
- 1.42 Rainer Tonies, with address at Vogelsbergstra(beta)e 4, 63571 Gelnhausen, Germany
- "EDH SELLER 42" -
- 1.43 Reinhold Kuhn, with address at Am Obertor 9, 63654 Budingen, Germany
- "EDH SELLER 43" -
- 1.44 VILAO - Trading E Marketing LDA, with business address at Rua dos Murcas 88, 9000-058 Funchal, Madeira
- "EDH SELLER 44" -
- EDH Seller in items 1.1 through 1.44 are collectively referred to as "EDH SELLERS" -
2. Schroder Associati s.r.l., with business address at Corso Europa, 12, 20122 Milan, Italy
- "KRUGG SELLER" -

- - on the one side -

3. Blitz HH 02-650 GmbH, with business address at Am Neumarkt 34, 22041 Hamburg, Germany
- "EDH PURCHASER" -
4. Henry Schein (Hager) GmbH, with business address at Am Neumarkt 34, 22041 Hamburg, Germany,
- "KRUGG PURCHASER" -
5. Henry Schein Europe Inc., with business address at 135 Duryea Road, Melville, New York 11747, USA,
- "LOAN PURCHASER" -
6. Henry Schein, Inc., with business address at 135 Duryea Road, Melville, New York 11747, USA
- "HENRY SCHEIN" -

- - on the other side -

- EDH Sellers and Krugg Seller are collectively referred to as "SELLERS" and individually as "SELLER", ; EDH Purchaser and Krugg Purchaser are collectively referred to as "SHARE PURCHASERS" and individually as "SHARE PURCHASER", Share Purchasers and Loan Purchaser are collectively referred to as "PURCHASERS" and individually as "PURCHASER"; EDH Purchaser, Krugg Purchaser, Loan Purchaser, Henry Schein and Sellers are individually referred to as a "PARTY" and collectively as "PARTIES" -

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PREAMBLE

- (A) EDH Sellers are the sole shareholders of Euro Dental Holding GmbH, a limited liability company organised under German law, registered in the Commercial Register maintained at the Lower Court of Offenbach am Main under registration number HRB 34839 and having its legal domicile in Langen/Hessen, Germany ("EDH"), which through its direct and indirect subsidiaries ("EDH GROUP"), is engaged in the trading and distribution of dental products in Germany and Italy ("EDH DENTAL BUSINESS").

EDH and the Krugg Seller are the sole shareholders of Krugg S.p.A., a company of the EDH Group, holding 99 % and 1 % of the stated capital, respectively.

A corporate chart of the EDH Group is attached as Exhibit A.

- (B) Sellers are interested to sell and transfer all of their shares in EDH and, in case of the Krugg Sellers, in Krugg S.p.A. as well as all shareholder loans granted to EDH to Purchasers and Purchasers are interested to acquire such shares and shareholder loans from Sellers upon the terms and conditions of this sale and purchase agreement including its exhibits and schedules ("AGREEMENT").
- (C) In addition to acquiring the shares in EDH and in Krugg S.p.A., EDH Purchaser, Loan Purchaser and Henry Schein will enter into a sale and purchase agreement ("DEMEDIS AGREEMENT") to acquire all shares in demedis GmbH a limited liability company organised under German law, registered in the Commercial Register maintained at the Lower Court of Offenbach am Main under registration number HRB 34827 and having its legal domicile in Langen/Hessen, Germany ("DEMEDIS"), which through its direct and indirect subsidiaries is engaged in the trading and distribution of dental products in Germany, The Netherlands, Belgium, Luxembourg and Austria ("DEMEDIS GROUP").

NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

SECTION 1
CORPORATE STRUCTURE

1.1 EDH SHARES. EDH Sellers hold the following shares in the following nominal amounts in EDH ("EDH SHARES"):

| SHAREHOLDER | NOMINAL AMOUNT OF SHARE IN EURO (EACH SHAREHOLDER ONLY HOLDS ONE SHARE) |
|---|--|
| Permira Europe I LP1 | 85,050 |
| Permira Europe I LP1B | 51,150 |
| Permira Europe I LP2 | 57,550 |
| Permira Europe I LP3 | 55,100 |
| Permira Europe I LP3B | 55,100 |
| Permira Europe I LP4 | 40,800 |
| Permira Europe I LP4B | 82,600 |
| Permira Europe I LP5 | 64,850 |
| Permira Europe I LP5B | 78,850 |
| Permira Europe I LP6 | 50,050 |
| Permira Europe I PGGMLP | 78,850 |
| Permira Europe I Co Invest Scheme | 2,850 |
| Range Park - Servicos de Consultoria Commercial | |
| Sociedade Unipessoal, S.A | 42,000 |
| Schroder UK Venture Fund IV Trust | 17,850 |
| Schroder UK Venture Fund IV LP1 | 18,800 |
| Schroder UK Venture Fund IV LP2 | 8,100 |
| Schroder UK Venture Fund IV Co Invest Scheme | 400 |
| Schroder Ventures International Life Sciences Fund LP1 | 22,250 |
| Schroder Ventures International Life Sciences Fund LP2 | 4,900 |
| Schroder Ventures International Life Sciences Fund Trust | 7,900 |
| Schroder Ventures International Life Science Co Invest Scheme | 200 |

| | |
|---|--------|
| Metropolitan Life Insurance Company | 56,150 |
| Franz Scherer | 5,000 |
| Gabriele Mauser, Philippe Mauser, Stephanie Mauser as joint heirs of Ulrich Mauser who deceased in September 2003 | 5,000 |
| Paul Macdonald | 10,000 |
| Theo Haar | 500 |
| Michael Geil | 600 |
| Uwe Meyer | 300 |
| Franz Stuber | 500 |
| Jan Siefert | 500 |
| Gerhard Loewen | 500 |
| Christoph Gusenleitner | 300 |
| Regina Kuhnert | 100 |
| Ingeborg Klaus | 300 |
| Dr. Joachim Pfeiffer | 200 |
| Walter Petersohn | 100 |
| Peter Jung | 9,950 |
| Simone Blank | 1,100 |
| Tilo Ploger | 2,000 |
| Norbert Orth | 3,000 |
| Wolfgang Ni(beta)ing | 1,000 |
| Rainer Tonies | 5,000 |
| Reinhold Kuhn | 5,000 |
| VILAO - Trading E Marketing LDA | 67,700 |

1.2 KRUGG SELLER SHARES. Krugg Seller holds 300,000 shares in the nominal amounts of EUR 0.52 each (which together represent 1 % of the total registered share capital in the nominal amount of EUR 15,600,000) in Krugg S.p.A. ("KRUGG SELLER SHARES"), a limited liability company organised under Italian law, registered in the Commercial Register maintained in Milan under registration number 13088630150 and having its legal domicile in Milan, Italy ("KRUGG").

1.3 DIRECT SUBSIDIARIES. EDH holds shares in the following companies:

1.3.1 one share in the nominal amount of EUR 1,000,000 (which represents 100 % of the total registered share capital) in DentalMV GmbH (formerly M + W Dental Beteiligungsgesellschaft mbH) ("DENTALMV SHARE"), a limited liability company organised under German law, registered in the Commercial Register maintained at the Lower Court of Friedberg/Hessen under registration number HRB 3753 and having its legal domicile in

Budingen, Germany ("DENTALMV");

1.3.2 29,700,000 shares in the nominal amount of EUR 0.52 each (which together represent 99 % of the total registered share capital in the amount of EUR 15,600,000) in Krugg; and

1.3.3 one share in the nominal amount of EUR 25,000 (which represents 100 % of the total registered share capital) in DentraNet GmbH ("DENTRANET SHARE"), a limited liability company organised under German law, registered in the Commercial Register maintained at the Lower Court of Munich under registration number HRB 138230 and having its legal domicile in Munich, Germany ("DENTRANET").

(DentalMV, Krugg and DentraNet are hereinafter collectively referred to as the "DIRECT SUBSIDIARIES".)

1.4 INDIRECT SUBSIDIARIES. The Direct Subsidiaries and their respective direct or indirect subsidiaries hold shares and partnership interests in the following companies and partnerships:

1.4.1 DentalMV holds shares and partnership interests in the following companies and partnerships:

(i) one share in the nominal amount of EUR 25,000 (which represents 100 % of the total registered share capital) in M + W Dental Verwaltungsgesellschaft mbH, a limited liability company organised under German law, registered in the Commercial Register maintained at the Lower Court of Friedberg/Hessen under registration number HRB 3756 and having its legal domicile in Budingen, Germany ("M + W VERWALTUNG");

(ii) one limited partnership interest (Kommanditanteil) in the amount of DM 299,500 (which represents 99,833 % of the total registered liability capital (eingetragenes Haftkapital) in M + W Dental Muller & Weygandt GmbH & Co. KG, a limited partnership organised under German law, registered in the Commercial Register maintained at the Lower Court of Friedberg/Hessen under registration number HRA 2186 and having its legal domicile in Budingen, Germany ("M + W KG");

1.4.2 M + W Verwaltung holds one capital interest (Kapitalanteil) as general partner (Komplementar) in the nominal amount of DM 500 (which represents 0,167 % of the total registered liability capital (eingetragenes Haftkapital)) in M + W KG.

(M + W Verwaltung and M + W KG are hereinafter collectively referred to as the "INDIRECT SUBSIDIARIES"; EDH, the Direct Subsidiaries and the Indirect Subsidiaries are collectively referred to as the "COMPANIES" and, individually, as "COMPANY"; the shares and partnership interests directly or indirectly held by the Direct Subsidiaries and the Indirect Subsidiaries in the Direct and Indirect Subsidiaries are hereinafter collectively referred to as the "INDIRECT SHARES"; the EDH Shares, the Krugg Seller Shares and Indirect Shares are collectively referred to as the "SHARES".)

SECTION 2
FINANCIAL DEBT

2.1 SHAREHOLDER LOANS. The following EDH Sellers have granted to EDH the following shareholder loans with the outstanding principal amounts stated below and accruing interest at a variable interest rate of EURIBOR plus 2 %:

| LENDER | PRINCIPAL AMOUNT outstanding in Euro (without accrued interest) | PRINCIPAL AMOUNT outstanding in Euro (including accrued and unpaid interest as of the Economic Transfer Date) |
|---------------------------------|---|---|
| Permira Europe I LP1 | 2,424,586.08 | 2,885,028.06 |
| Permira Europe I LP1B | 1,458,123.03 | 1,735,028.46 |
| Permira Europe I LP2 | 1,640,739.60 | 1,952,324.90 |
| Permira Europe I LP3 | 1,570,502.46 | 1,868,749.35 |
| Permira Europe I LP3B | 1,570,502.46 | 1,868,749.35 |
| Permira Europe I LP4 | 1,163,127.04 | 1,384,011.14 |
| Permira Europe I LP4B | 2,354,348.94 | 2,801,452.51 |
| Permira Europe I LP5 | 1,848,641.53 | 2,199,708.53 |
| Permira Europe I LP5B | 2,247,588.49 | 2,674,417.67 |
| Permira Europe I LP6 | 1,427,218.69 | 1,698,255.22 |
| Permira Europe I PGGMLP | 2,247,588.49 | 2,674,417.67 |
| Permira Europe Co Invest Scheme | 81,475.08 | 96,947.64 |

| | | |
|---|---------------|---------------|
| Range Park - Servicos de Consultoria Commercial Sociedade Unipessoal, S.A | 1,196,840.87 | 1,424,127.41 |
| Schroder UK Venture Fund IV Trust | 508,516.90 | 605,087.00 |
| Schroder UK Venture Fund IV LP1 | 536,611.75 | 638,517.22 |
| Schroder UK Venture Fund IV LP2 | 230,377.81 | 274,127.80 |
| Schroder UK Venture Fund IV Co Invest Scheme | 11,237.94 | 13,372.09 |
| Schroder Ventures International Life Sciences Fund LP1 | 634,943.75 | 755,522.99 |
| Schroder Ventures International Life Sciences Fund LP2 | 140,474.27 | 167,151.09 |
| Schroder Ventures International Life Sciences Fund Trust | 224,758.85 | 267,441.77 |
| Schroder Ventures International Life Sc. Co Invest Scheme | 5,618.97 | 6,686.04 |
| Metropolitan Life Insurance Company VILAO | 1,601,406.80 | 1,905,522.59 |
| - -Trading E Marketing LDA | 1,930,116.58 | 2,296,656.13 |
| Aggregate amounts | 27,055,346.39 | 32,193,302.63 |

(The above shareholder loans are hereinafter collectively referred to as "SHAREHOLDER LOANS"; the shareholders who have granted the Shareholder Loans are hereinafter collectively referred to as "SHAREHOLDER LENDERS"; the loan agreements on the basis of which the Shareholder Loans have been granted (as amended) are hereinafter collectively referred to as "SHAREHOLDER LOAN AGREEMENTS".) The Shareholder Loans have been fully paid out.

2.2 BANK DEBT

- 2.2.1 EDH SENIOR FACILITY. Under a certain senior facility and working capital facility agreement dated 20 December 1999 (as amended) ("EDH SENIOR FACILITY AGREEMENT") EDH and DentalMV have been granted a senior loan facility at varying interest rates ("EDH SENIOR FACILITY") by Bayerische Hypo- und Vereinsbank AG and The Royal Bank of Scotland ("EDH SENIOR LENDERS"). In order to secure the claims of the EDH Senior Lenders under the EDH Senior Facility Agreement, certain security has been granted to the EDH Senior Lenders. As of the Economic Transfer Date (as defined in Section 5.1.3) the principal plus accrued and unpaid interest outstanding under the EDH Senior Facility amounted to EUR 17,383,923.96 (in words: Euro seventeen million three hundred eighty three thousand nine hundred twenty three and ninety six cents) ("EDH SENIOR FACILITY AMOUNT").
- 2.2.2 MEZZANINE FACILITY I. Under a certain mezzanine loan agreement dated 20 December 1999 (as amended) ("MEZZANINE LOAN AGREEMENT I") DentalMV has been granted a mezzanine loan facility at varying interest rates ("MEZZANINE FACILITY I") by Pricoa Private Capital Partners, C., L.P., which has subsequently been taken over by The Royal Bank of Scotland as lender ("MEZZANINE LENDER I"). In order to secure the claims of the Mezzanine Lender I under the Mezzanine Loan Agreement I, certain security has been granted to the Mezzanine Lender I. As of the Economic Transfer Date the principal plus accrued and unpaid interest outstanding under the Mezzanine Facility I amounted to EUR 21,075,491.14 (in words: twenty one million seventy five thousand four hundred ninety one and fourteen cents) ("MEZZANINE FACILITY AMOUNT I").
- 2.2.3 MEZZANINE FACILITY II. Under a certain mezzanine loan agreement dated 17 May 2000 (as amended) ("MEZZANINE LOAN AGREEMENT II") DentalMV has been granted a mezzanine loan facility at varying interest rates ("MEZZANINE FACILITY II") by Pricoa Private Capital Partners, C., L.P. ("MEZZANINE LENDER II") which has been assumed by EDH as new borrower under an amendment agreement dated 14 November 2000. In order to secure the claims of the Mezzanine Lender II under the Mezzanine Loan Agreement II, certain security has been granted to the Mezzanine Lender II. As of the Economic Transfer Date the principal plus accrued and unpaid interest outstanding under the Mezzanine Facility II amounted to EUR 4,691,838.97 (in words: four million six hundred thousand ninety one eight hundred thirty eight and ninety seven cents) ("MEZZANINE FACILITY AMOUNT II").
- 2.2.4 MEZZANINE FACILITY III. Under a certain mezzanine loan agreement dated 9 October 2000 ("MEZZANINE LOAN AGREEMENT III") EDH has been granted mezzanine loan facility at varying interest rates ("MEZZANINE FACILITY III") by

Mezzanine Lender II. As of the Economic Transfer Date the principal plus accrued and unpaid interest outstanding under the Mezzanine Facility III amounted to EUR 286,346.23 (in words: two hundred eighty six thousand three hundred forty six and twenty three cents) ("MEZZANINE FACILITY AMOUNT III").

2.2.5 KRUGG FACILITIES. Under a certain senior facility agreement dated 20 December 2001 (as amended), a certain working capital facility agreement dated 24 May 2001 (as amended) and certain other working capital facilities ("KRUGG FACILITY AGREEMENTS") Krugg has been granted a senior loan facility and certain working capital facilities at varying interest rates ("KRUGG FACILITIES") by Banca IntesaBci MedioCredito S.p.A. and other banks ("KRUGG Lenders"). In order to secure the claims of the Krugg Lenders under the Krugg Facility Agreements, certain security has been granted to the Krugg Lenders. As of the Economic Transfer Date the principal plus accrued and unpaid interest outstanding under the Krugg Facilities amounted to EUR 22,934,707.45 (in words: Euro twenty two million nine hundred thirty four thousand seven hundred seven and forty five cents) ("KRUGG FACILITY AMOUNT").

(The EDH Senior Facility, the Mezzanine Facility I, the Mezzanine Facility II, the Mezzanine Facility III and the Krugg Facilities are hereinafter collectively referred to as "BANK DEBT".)

2.3 REPAYMENT OF BANK DEBT. The Parties agree that the Bank Debt shall be repaid by EDH Purchaser as set out below.

Except as modified by Section 2.4, on the Closing Date (as defined in Section 5.1.3) EDH Purchaser shall:

2.3.1 pay the outstanding principal plus accrued and unpaid interest as well as any prepayment and all other charges in respect of the EDH Senior Facility as of the Closing Date ("EDH SENIOR FACILITY REPAYMENT AMOUNT") in discharge of all payment obligations under the EDH Senior Facility as set forth in Section 5.4.3;

2.3.2 pay the outstanding principal plus accrued and unpaid interest as well as any prepayment and all other charges in respect of the Mezzanine Facility I as of the Closing Date ("MEZZANINE FACILITY I REPAYMENT AMOUNT") in discharge of all payment obligations under the Mezzanine Facility I as set forth in Section 5.4.4;

- 2.3.3 pay the outstanding principal plus accrued and unpaid interest as well as any prepayment and all other charges in respect of the Mezzanine Facility II as of the Closing Date ("MEZZANINE FACILITY II REPAYMENT AMOUNT") in discharge of all payment obligations under the Mezzanine Facility II as set forth in Section 5.4.5;
- 2.3.4 pay the outstanding principal plus accrued and unpaid interest as well as prepayment and all other charges in respect of the Mezzanine Facility III as of the Closing Date ("MEZZANINE FACILITY III REPAYMENT AMOUNT") in discharge of all payment obligations under the Mezzanine Facility III as set forth in Section 5.4.6;
- 2.3.5 pay the outstanding principal plus accrued and unpaid interest as well as prepayment and all other charges in respect of the Krugg Facilities as of the Closing Date ("KRUGG FACILITIES REPAYMENT AMOUNT") in discharge of all payment obligations under the Krugg Facilities as set forth in Section 5.4.7.

Without undue delay following the satisfaction of the Closing Condition (as defined in Section 5.2), but in any event not later than three (3) Business Days thereafter, Sellers shall notify EDH Purchaser in writing of the EDH Senior Facility Repayment Amount, the Mezzanine Facility I Repayment Amount, the Mezzanine Facility II Repayment Amount, the Mezzanine Facility III Repayment Amount and the Krugg Facility Repayment Amount.

- 2.4 ASSUMPTION OF BANK DEBT. Instead of repaying the entire Bank Debt on the Closing Date, EDH Purchaser or Sellers in respect of the Krugg Facilities may also request from the respective other Party in writing that the relevant Bank Debt which does not need to be repaid on the Closing Date due to the exercise of a change-of-control right or other agreement between the relevant lenders and borrowers stays within the EDH Group ("DEBT ASSUMPTION REQUEST", such part of the Bank Debt that will not be repaid "ASSUMED BANK DEBT"). The Debt Assumption Request can only be issued before the relevant Companies have agreed with the relevant lenders to repay the relevant Bank Debt on the Closing Date or are required to repay the relevant Bank Debt on the Closing Date for any other reason and in no event later than five (5) Business Days (as defined in Section 14.6) prior to the Closing Date. A Debt Assumption Request issued by EDH Purchaser shall include a confirmation by the relevant lender(s) of the Assumed Bank Debt that it/they agree that the Assumed Bank Debt stays within the relevant Company. In case a valid Debt Assumption Request has been issued, EDH Purchaser will not be required to repay the Assumed Bank Debt as set forth in the relevant Sections 5.4.3 to 5.4.7 on the Closing Date and Sellers will not need to deliver the relevant release and discharge of debt or other confirmations in relation to the Assumed Bank Debt as set forth in the relevant Sections 5.4.12 to 5.4.16.

SECTION 3
SALE AND PURCHASE OF SHARES AND SHAREHOLDER LOANS

- 3.1 OBJECT OF SALE AND PURCHASE. Subject to the terms and conditions of this Agreement,
- 3.1.1 Krugg Seller hereby sells to Krugg Purchaser the Krugg Seller Shares and Krugg Purchaser hereby purchases from Krugg Seller the Krugg Seller Shares, provided however, that the Parties agree that the signing of this Agreement shall in no event be treated as a transfer of title of the Krugg Seller Shares under Italian law;
- 3.1.2 EDH Sellers hereby sell the EDH Shares to EDH Purchaser and EDH Purchaser hereby purchases from EDH Sellers the EDH Shares; and
- 3.1.3 Shareholder Lenders hereby sell the Shareholder Loans to Loan Purchaser and Loan Purchaser hereby purchases from Shareholder Lenders the Shareholder Loans. (The EDH Shares, the Krugg Seller Share and the Shareholder Loans are hereinafter collectively referred to as the "SOLD ASSETS")
- 3.2 RIGHTS AND OBLIGATIONS ATTACHED TO THE SOLD ASSETS. The Sold Assets are sold to Purchasers with all rights and obligations attached thereto as from the Economic Transfer Date including the right to receive the interest accrued on the Shareholder Loans and the right to receive all dividends in respect of the EDH Shares and the Krugg Seller Shares relating to periods as from the Economic Transfer Date.
- 3.3 CONSENT REQUIREMENTS. All consents required under the articles of association of EDH and Krugg to effect the sale and transfer of the EDH Shares and the Krugg Seller Shares have been, or shall have been duly obtained prior to, or on the Closing Date. The consent of EDH for the transfer of the Shareholder Loans is attached hereto as Exhibit 3.3.

SECTION 4
PURCHASE PRICE

- 4.1 PURCHASE PRICE. The aggregate purchase price for the Sold Assets (the "PURCHASE PRICE") is EUR 139,606,434.44 (in words: Euro one hundred thirty nine million six hundred six thousand four hundred thirty four and forty four cents. The Purchase Price shall be fixed and not be subject to any adjustments unless otherwise set forth in this Agreement.

- 4.2 PAYMENT AMOUNT / HOLDBACK ESCROW AMOUNT. The Purchase Price shall consist of a portion of EUR 129,606,434.44 (in words: Euro one hundred twenty nine million six hundred six thousand four hundred thirty four and forty four cents) ("PAYMENT AMOUNT") and EUR 10,000,000 (in words: Euro ten million), subject to Section 5.4.2 in connection with Section 5.9, ("HOLDBACK ESCROW AMOUNT").
- 4.3 PURCHASE PRICE INTEREST. The Purchase Price shall bear interest at a rate of six per cent (6%) p.a. as from and including the Economic Transfer Date until and including the Closing Date ("PURCHASE PRICE INTEREST"), provided, however, that in case of a Down Payment in accordance with Section 4.3a, the amount subject to interest pursuant to this Section shall be, as from the Down Payment Date, reduced to the Purchase Price minus the Down Payment.
- 4.3a DOWN PAYMENT. Purchasers shall make a down payment in the amount of EUR 10,000,000 (in words: Euro ten million) to the Escrow Account (as defined in the Escrow Agreement) on January 20, 2004 ("DOWN PAYMENT") if the Closing has not yet occurred by this date ("DOWN PAYMENT DATE").
- 4.4 PURCHASE PRICE AND PURCHASE PRICE INTEREST ALLOCATION. The Parties agree that the Purchase Price and the Purchase Price Interest shall be allocated to the EDH Shares, the Krugg Seller Shares and the Shareholder Loans as set out in Exhibit 4.4.
- 4.5 PAYMENT OF PAYMENT AMOUNT / PURCHASE PRICE INTEREST. On the Closing Date, Purchasers shall pay the Payment Amount (minus the Down Payment if already paid in accordance with Section 4.3a) and the Purchase Price Interest into the Sellers' Account (as defined in Section 4.7) pursuant to Section 5.4.1.
- 4.6 PAYMENT OF HOLDBACK ESCROW AMOUNT. On the Closing Date, Purchasers shall pay the Holdback Escrow Amount to the escrow agent under the Escrow Agreement (as defined in Section 4.10) ("ESCROW AGENT") in accordance with Section 5.4.2.
- 4.7 SELLERS' ACCOUNT. Except for the Holdback Escrow Amount and the Down Payment, all payments owed by Purchasers to Sellers under this Agreement, including the Purchase Price and the Purchase Price Interest, shall be paid by Purchasers in immediately available funds free of any charges, taxes or other deductions by wire transfer to Sellers' bank account, the details of which will be notified in writing by Sellers to Purchasers at the latest five (5) Business Days prior to the Closing Date ("SELLERS' ACCOUNT").
- 4.8 DEFAULT INTEREST. If Purchasers fail to pay the Purchase Price or the Purchase Price Interest on the Closing Date (in accordance with Section 5.4.1), with value (Wertstellung) prior to 5:00 p.m. Central European Time or to make any other payment when

due under this Agreement, interest at the rate of 600 basis points above EURIBOR as from and including the relevant due date until, and including, the date of payment shall become due and payable on the relevant due date, without prejudice to any other rights and remedies of Sellers arising from such failure.

- 4.9 NO RETENTION OR SET-OFF. Purchasers shall not be entitled to exercise a right of set-off (Aufrechnung) or retention (Zurückbehaltungsrecht) with respect to its obligations to pay the Purchase Price and Purchase Price Interest or to make any other payments under this Agreement, unless Purchasers' claim on which Purchasers have based their right of set-off or retention has been acknowledged by Sellers in writing or has been determined by a final and non-appealable court judgement or arbitral award, as the case may be.
- 4.10 RELEASE OF HOLDBACK ESCROW AMOUNT. The Holdback Escrow Amount shall be released to Sellers and/or Purchasers, as the case may be, in accordance with the escrow agreement to be entered into prior to 20 January 2003 or the Closing (whichever occurs earlier) and substantially in the form as set forth in Exhibit 4.10 ("ESCROW AGREEMENT").
- 4.11 FUTURE CAPITAL SUPPLY AND FINANCING. Purchasers are aware that the EDH Group, besides its bank credit lines, depends on capital supply and financing by its shareholders which is presently provided by the Shareholder Loans. With effect as of the Closing Date, Sellers have no continuing responsibility to provide capital or financing to the EDH Group; rather, the capital supply and financing of the EDH Group will be assumed, as of the Closing Date, by Purchasers.
- 4.12 PAYMENT GUARANTEE. At any time prior to the Closing Date, Purchasers will, upon written request of Sellers, deliver an unconditional and irrevocable guarantee payable on first written demand for the obligations of Purchasers to pay the Purchase Price and the Purchase Price Interest (less the Down Payment if already paid in accordance with Section 4.3a) under, or in connection with, this Agreement issued by a German saving institution (Sparkasse) or a Standard & Poor's AA or better rated German or US bank of international standing ("PAYMENT GUARANTEE"). Sellers' will bear the costs of the guarantee fee (Avalprovision) for the Payment Guarantee, provided, however, that the costs need to be agreed by Sellers before delivery of the Payment Guarantee and provided further that Purchasers will have no obligation to deliver the Payment Guarantee if Sellers cannot agree on the relevant costs.

SECTION 5

ECONOMIC TRANSFER DATE / SIGNING DATE / CLOSING DATE / REFERENCE DATE / CLOSING

- 5.1 DEFINITIONS. Economic Transfer Date, Signing Date, Closing Date and Reference Date shall have the following meanings in this Agreement:
- 5.1.1 "ECONOMIC TRANSFER DATE" shall be 30 September 2003, 24:00 o'clock;
- 5.1.2 "SIGNING DATE" shall be the day on which this Agreement has been duly executed before a notary public;
- 5.1.3 "CLOSING DATE" shall be the day defined in Section 5.4;
- 5.1.4 "REFERENCE DATE " shall be 23 December 2003.
- 5.2 CLOSING CONDITION. The transactions contemplated under this Agreement (the "TRANSACTION") shall be completed (erfullt) pursuant to Section 5.4 below only if (a) the Federal Cartel Office (Bundeskartellamt) has notified Sellers or Purchasers that the Transaction does not fulfil the prohibition prerequisites of Sec. 36 (1) of the Act Against Restraints of Competition (Gesetz gegen Wettbewerbsbeschränkungen, GWB) or (b) the one month period pursuant to Sec. 40 (1) sentence 1 GWB has expired, unless the Federal Cartel Office has stated to enter into an examination of the Transaction in accordance with Sec. 40 (1) sentence 1 GWB or (c) the Federal Cartel Office has cleared the Transaction pursuant to Sec. 40 (2) sentence 1 GWB or (d) the examination period set forth in Sec. 40 (2) sentences 2 and 3 GWB has expired, unless the Federal Cartel Office has issued a decision to prohibit the Transaction.
- (The condition precedent listed in Section 5.2 is hereinafter referred to as "CLOSING CONDITION".)
- The Parties shall inform each other in writing without undue delay as soon as the Closing Condition has been fulfilled.
- 5.3 MERGER CONTROL AND OTHER GOVERNMENTAL FILINGS.
- 5.3.1 The Parties shall make all reasonable endeavours and render to each other all reasonably necessary support and cooperation to ensure that the Closing Condition is fulfilled as soon as possible after the Signing Date. In particular, Purchasers shall ensure that any filings to be made pursuant to Section 5.2 with the German Federal Cartel Office and the relevant filing with the Italian

merger control authorities will be made within five (5) Business Days after the Signing Date unless the applicable laws and regulations require an earlier filing, and in such case the filing shall be made at the earlier date. Although each Party remains responsible for preparing and making its own required filings, Sellers and Purchasers shall fully cooperate with one another in preparing and making the relevant filings and in furnishing all information required in connection therewith. Purchasers shall fully involve Sellers in any proceedings with the relevant merger control authorities, in particular Purchasers shall (i) not take any actions in respect of the relevant merger control filings or contact the merger control authorities without Sellers' prior consultation, (ii) provide Sellers with all reasonable information on the filing(s), allow Sellers, at their request, to attend all meetings or other contacts with the merger control authorities without getting actively involved in such contacts and meetings, (iii) promptly notify Sellers about any contacts planned or made, actions planned or taken or information received in respect of any relevant merger control filings or contacts with any merger control authorities and (iv) provide Sellers with all relevant documents related thereto.

5.3.2 Purchasers shall undertake or cause to be undertaken all reasonable steps necessary to remove any impediments, restrictions, or conditions that may affect the timely satisfaction of the Closing Conditions set forth in Section 5.2.1, however, Purchasers shall not be obliged to dispose of any of their assets or any assets of their Affiliates.

5.4 CLOSING ACTIONS. The consummation of the Transaction ("CLOSING") shall take place six (6) Business Days after the Closing Condition has been fulfilled at the offices of Freshfields Bruckhaus Deringer, Taunusanlage 11, 60329 Frankfurt am Main, Germany, starting at 9.00 a.m., or at such place, day and time as agreed between the Parties ("CLOSING DATE"). On the Closing Date and subject to Sections 2.4 and 5.9, the Parties shall take, or cause to be taken, the following actions ("CLOSING ACTIONS") which shall be taken in the order set forth below and which shall be deemed to have been taken simultaneously (Zug um Zug):

5.4.1 Purchasers shall pay the Payment Amount and the Purchase Price Interest (minus the Down Payment, if already paid in accordance with Section 4.3a, and minus the portion of the Purchase Price attributed to the Krugg Seller Shares in accordance with Exhibit 4.4 ("RETAINED KRUGG PURCHASE PRICE") if the provisions of Section 5.9 apply in respect of the Krugg Seller Shares) in immediately

available funds free of any charges, taxes or other deductions by wire transfer to Sellers' Account;

- 5.4.2 Purchasers shall pay the Holdback Escrow Amount (minus the amount allocated to the Krugg Seller liability set forth in Exhibit 8.5 ("RETAINED KRUGG ESCROW AMOUNT")) if the provisions of Section 5.9 apply in respect of the Krugg Seller Shares) in immediately available funds free of any charges, taxes or other deductions by wire transfer to the Escrow Agent's account as set forth in the Escrow Agreement ("ESCROW ACCOUNT");
- 5.4.2a Sellers and Purchasers shall instruct in writing the Escrow Agent to (i) release the Down Payment and (ii) pay the amount of the Down Payment in immediately available funds free of any charges, taxes or other deductions by wire transfer to Sellers' Account;
- 5.4.3 EDH Purchaser shall pay the EDH Senior Facility Repayment Amount in immediately available funds free of any charges, taxes or other deductions by wire transfer to the EDH Senior Lenders. The payment shall be made to a bank account to be notified in writing by the Sellers to EDH Purchaser at the latest 5 (five) Business Days prior to the Closing Date ("EDH SENIOR LENDERS' ACCOUNT");
- 5.4.4 EDH Purchaser shall pay the Mezzanine Facility I Repayment Amount in immediately available funds free of any charges, taxes or other deductions by wire transfer to the Mezzanine I Lender. The payment shall be made to a bank account to be notified in writing by the Sellers to EDH Purchaser at the latest 5 (five) Business Days prior to the Closing Date ("MEZZANINE I LENDER'S ACCOUNT");
- 5.4.5 EDH Purchaser shall pay the Mezzanine Facility II Repayment Amount in immediately available funds free of any charges, taxes or other deductions by wire transfer to the Mezzanine II Lender. The payment shall be made to a bank account to be notified in writing by the Sellers to EDH Purchaser at the latest 5 (five) Business Days prior to the Closing Date ("MEZZANINE II LENDER'S ACCOUNT");
- 5.4.6 EDH Purchaser shall pay the Mezzanine Facility III Repayment Amount in immediately available funds free of any charges, taxes or other deductions by wire transfer to the Mezzanine II Lender's Account;
- 5.4.7 EDH Purchaser shall pay the Krugg Facilities Repayment Amount in immediately available funds free of any charges, taxes or other deductions by wire

transfer to the Krugg Lenders'. The payment shall be made to a bank account to be notified in writing by the Sellers to EDH Purchaser at the latest 5 (five) Business Days prior to the Closing Date ("KRUGG LENDERS' ACCOUNT");

- 5.4.8 Sellers shall revoke Norbert Orth's position as managing director of EDH and grant discharge of his duties (Entlastung erteilen) for the time of his service as managing director of EDH up to and including the Closing Date (unless the Demedis Agreement will be consummated at the same time as or earlier than this Agreement) and shall procure that Norbert Orth's (unless the Demedis Agreement will be consummated at the same time as or earlier than this Agreement) and Flavio Abbondati's positions as members of the board of Krugg are revoked and that discharge of their duties (Entlastung erteilen) for the time of their service as members of the board of Krugg up to and including the Closing Date is granted.
- 5.4.9 EDH Purchaser and EDH Sellers shall execute a notarial deed in respect of the assignment of the EDH Shares before a German notary in the form attached hereto as Exhibit 5.4.9;
- 5.4.10 [Intentionally left blank];
- 5.4.11 Loan Purchaser and Shareholder Lenders shall execute an agreement providing for the transfer of the Shareholder Loans by way of the assumption of all rights and obligations arising under and in connection with the Shareholder Loan Agreements by Purchaser with full discharging effect for the Shareholder Lenders (Vertragsubernahme mit schuldbefreiender Wirkung) in the form attached hereto as Exhibit 5.4.11;
- 5.4.12 Sellers shall deliver to EDH Purchaser a letter of the EDH Senior Lenders (i) confirming that all payment obligations under the EDH Senior Facility Agreement have been fully discharged and (ii) releasing all security rights granted to the Lenders in connection with the EDH Senior Facility;
- 5.4.13 Sellers shall deliver to EDH Purchaser a letter of the Mezzanine I Lender (i) confirming that all payment obligations under the Mezzanine Loan Agreement I have been fully discharged and (ii) releasing all security rights granted to the Mezzanine I Lender in connection with the Mezzanine I Facility;
- 5.4.14 Sellers shall deliver to EDH Purchaser a letter of the Mezzanine II Lender (i) confirming that all payment obligations under the Mezzanine Loan Agreement II and the Mezzanine Loan Agreement III have been fully discharged and

(ii) releasing all security rights granted to the Mezzanine II Lender in connection with the Mezzanine II Facility;

5.4.15 Sellers shall deliver to EDH Purchaser a letter of the Krugg Lenders releasing security rights granted to the Krugg Lenders in connection with the Krugg Facilities;

5.4.15a Krugg Purchaser and Krugg Seller shall assign the Krugg Seller Shares before an Italian notary and prepare all further actions which can be taken on the same day without any delay in order to implement the assignment, even if this only happens subsequent to the Closing;

5.4.16 EDH Purchaser and EDH Seller shall execute all agreements necessary to implement the release of all security rights granted to the Krugg Lenders as set forth in Section 5.4.15 before an Italian notary;

5.4.17 Sellers shall deliver to Purchasers a certificate confirming that, to Sellers' Knowledge, (i) the guarantees given in Section 6 were and/or are true and correct in all "material" respects as of the date applicable to such guarantees (ignoring, however, for the purpose of confirming that these guarantees were and are true in all "material" respects that certain guarantees are already qualified by materiality, Material Adverse Effect or similar words, i.e., the materiality standard shall not be taken into account twice in respect of one and the same guarantee) or, (ii), list in the form of subject headings (schlagwortartig) whether and to which extent these guarantees were not or are not true and correct as of the relevant date ("GUARANTEE CONFIRMATION"). For the avoidance of doubt, the Guarantee Confirmation shall not create or increase any liability of Sellers or confer any withdrawal right to the Parties not otherwise existing under this Agreement;

5.4.18 Sellers shall deliver a letter substantially in the form attached hereto as Exhibit 5.4.18 confirming that following the completion of Closing Actions in Sections 5.4.1 to 5.4.17 they have no more claims in connection with this Transaction against any of the Companies other than those (i) expressly set forth in this Agreement or (ii) related to any employment matters;

5.5 WITHDRAWAL RIGHTS. The Parties may withdraw from this Agreement as follows:

5.5.1 the Sellers may withdraw from this Agreement if

- (i) the Closing Condition has not been satisfied at the latest 10 (ten) months after the Reference Date;

- (ii) if any of the Purchasers has not fully performed its obligations under Section 5.4 at the latest within 10 (ten) Business Days following the Closing Date.

5.5.2 prior to the Closing Date, Purchasers may withdraw from this Agreement

- (i) if a MAC (as defined in Section 5.5.3) has occurred and the withdrawal is expressly based on the MAC ("MAC WITHDRAWAL")
- (ii) for any other reason ("NON MAC WITHDRAWAL").

5.5.3 "MAC" shall mean if between the Reference Date and the beginning of the Closing set forth in Section 5.4 or the end of the 90th day following the Reference Date (whichever occurs earlier) an act, event or occurrence or a series of acts, events or occurrences has occurred that has a material adverse effect on the business, operations, assets, liabilities or financial condition of the EDH Group, taken as a whole, that either result or are reasonably likely to result in a reduction of the (a) Net Equity (as defined below) of more than EUR 20,000,000 (in words: Euro twenty million), or, (b) Sustainable Annual Operating Profit (as defined below) of more than EUR 6,000,000 (in words: Euro six million), in each case of the EDH Group on a consolidated basis, and in case of the Sustainable Annual Operating Profit in comparison to the fiscal year of the EDH Group ending on 30 September 2003 (i.e., EUR 21,970,636.50 (in words: Euro twenty-one million nine hundred seventy thousand six hundred thirty six and fifty cents)), provided that;

- (i) adverse effects from the development or changes of the general economic, financial, regulatory, legal or political conditions (including the relevant market in which the EDH Group is active and the financing market);
- (ii) adverse effects to the extent related to, or caused by, the acquisition of the EDH Group by Purchasers, including the identity of Purchasers and its shareholders;
- (iii) adverse effects to the extent they are covered by insurance or valid claims against third parties to the extent such claims would be recorded as a receivable on the asset side of a balance sheet in accordance with German generally accepted accounting principles on a balance sheet end date (Bilanzstichtag) and

(iv) effects resulting from changes in (i) accounting principles or standards, or (ii) good will,

shall be disregarded (if and to the extent applicable) for purposes of determining whether or not a material adverse effect within the meaning of this clause has occurred.

("NET EQUITY" shall be determined in accordance with German general accepted accounting principles (German Commercial Code - HGB) applied on a basis consistent with the audited Financial Statements 2003 and is defined as the equity position of the Demedis Group as set out in the audited Financial Statements 2003. According to this definition, Net Equity shall consist of the following items: equity (Eigenkapital) as per Section 266 subsec. 3, no. A I, A II, A III, A IV and A V HGB; goodwill as per Section 301 subsec. 3 HGB; minority interests as per Section 307 subsec. 1 HGB, foreign exchange differences as per Section 244 and Section 298 subsec. 1 HGB. To the extent that Net Equity as defined above is negative, Section 268 subsec. 3 HGB applies.)

("SUSTAINABLE ANNUAL OPERATING PROFIT" shall mean earnings before interest, taxes and good will effects as prepared by the management of the EDH Group and reflected in the Financial Statements 2003 and adjusted for the following items in order to arrive at "sustainable" earnings:

- (a) effects from changes in accounting principles, policies and procedures since the Economic Transfer Date;
- (b) effects from changes in the principles applied in establishing accounting estimates since the Economic Transfer Date;
- (c) effects from changes in the group of consolidated companies or other non-organic growth (acquisitions / disposals) since the Economic Transfer Date;
- (d) effects on the EDH Group to the extent related to, or caused by, the acquisition of the EDH Group by Purchasers, including the identity of Purchasers and its shareholders;
- (e) extraordinary income / expenses as defined by the German Commercial Code;
- (f) other one-off, non-recurring income / expense items;
- (g) restructuring and restructuring related expenses;

(h) non-periodic income / expense items unless of a recurring nature.)

5.6 NOTICE OF WITHDRAWAL. A withdrawal (Rücktritt) pursuant to Section 5.5 is only valid if the other party and the Escrow Agent have received a notice of withdrawal (Rücktrittserklärung) in writing ("WITHDRAWAL NOTICE"). In the event that the Closing Condition has not been satisfied within twelve (12) months after the Signing Date and neither Party has withdrawn from this Agreement, this Agreement shall be deemed void.

5.7 CONSEQUENCES OF WITHDRAWAL. In case of a withdrawal under Section 5.5 the following rules shall apply:

5.7.1 In case of a:

- (i) MAC Withdrawal by Purchasers, the Parties shall instruct the Escrow Agent to (a) release the Down Payment and (b) pay the Down Payment to Purchasers within 5 (five) Business Days following the Withdrawal Notice to an account to be notified by Purchasers to Sellers in writing together with the Withdrawal Notice. The provisions of Sections 5.5 to 5.7 and Sections 12.4, 12.5, 13, 14.1, 14.2, 14.3, 14.7 and 14.10 shall survive a withdrawal pursuant to Section 5.5 to 5.7.
- (ii) Non MAC Withdrawal by Purchasers or a withdrawal by Sellers based on Section 5.5.1 or an automatic termination of this Agreement pursuant to Section 5.5.6 2nd sentence the Parties shall instruct the Escrow Agent to (a) release the Down Payment and (b) pay the Down Payment to Sellers by wire transfer to an account to be notified by Sellers and Sellers shall be irrevocably entitled to retain the Down Payment as a compensation for the significant efforts, costs and expenses incurred in connection with the sales process, the significant risk of the EDH Dental Business being seriously adversely affected in case a closing has not occurred by this date as well as the additional efforts, costs and expenses to be incurred in connection with a new sales process to be initiated with a view to disposing of the EDH Dental Business. Purchasers are fully aware that in case of a Non MAC Withdrawal Sellers will retain the Down Payment, have received legal advice in this respect and acknowledge that the Down Payment will be an amount for an adequate compensation for all such efforts, risks, costs and expenses involved in case of such withdrawal. The provisions of Sections 5.5 to 5.7 and Sections 12.4, 12.5, 13, 14.1, 14.2, 14.3, 14.7 and 14.10 shall survive a withdrawal pursuant to Section 5.5 to 5.7.

5.7.2 Save as provided for in Section 5.7.1, if a Party withdraws from this Agreement in accordance with Section 5.5, such withdrawal shall be without any liability of either Party (or any shareholder, director, officer, employee, agent, consultant, adviser or representative of such Party) to the other Party.

5.8 NO FURTHER CONDITIONS / WITHDRAWAL RIGHTS. The Parties agree that except for the Closing Condition (as defined in Section 5.2) and the withdrawal rights set forth in Section 5.5 the obligations of the Parties to consummate the Transaction shall not be subject to any other conditions, requirements or withdrawal rights and none of the Parties may withdraw from, rescind or terminate this Agreement or refuse to fulfil any of its obligations thereunder, except as expressly provided for in this Agreement.

5.9 NON-TRANSFER OF KRUGG SELLER SHARES. If on the Closing Date the Krugg Lenders have neither released the pledge over the Krugg Shares ("KRUGG SHARE PLEDGE") or the further security granted to the Krugg Lenders nor approved the sale and transfer of the Krugg Seller Shares, the Parties agree that the Closing shall be consummated nonetheless, provided, however that the following rules will apply:

5.9.1 Krugg Seller shall not be obliged to (i) transfer the Krugg Seller Shares as set forth in Section 5.4.15a. (ii) deliver a release letter regarding the security granted in respect of the Krugg Facilities as set forth in Section 5.4.15, and (iii) execute all agreements necessary to implement the release of all security rights granted to the Krugg Lenders as set forth in as set forth in Section 5.4.16.

5.9.2 Purchasers shall pay only the reduced Purchase Price and the reduced Holdback Escrow Amount as set forth in Sections 5.4.1 and 5.4.2, respectively.

5.9.3 Krugg Purchaser shall repay or cause Krugg to repay the Krugg Facilities as soon as possible following the Closing Date, if not already repaid as part of the Closing.

5.9.4 Krugg Seller shall transfer the Krugg Seller Shares as soon as (i) the Krugg Share Pledge has been released or (ii) the Krugg Lenders have approved such transfer, whatever occurs earlier ("KRUGG SHARE TRANSFER").

5.9.5 Upon the Krugg Share Transfer Krugg Purchaser shall pay:

- (i) the Retained Krugg Purchase Price to Sellers' Account;
- (ii) the Retained Krugg Escrow Amount to the Escrow Account.

- 5.9.6 Between the Closing Date and the date on which the Krugg Share Transfer occurs ("KRUGG SHARE TRANSFER DATE"), Krugg Seller shall, to the extent legally permissible and permissible under the relevant Krugg share pledge agreement ("KRUGG SHARE PLEDGE AGREEMENT") only exercise its rights in respect of the Krugg Seller Shares with the prior written consent of Krugg Purchaser.
- 5.9.7 Between the Closing Date and the Krugg Share Transfer Date, Krugg Seller shall, to the extent legally permissible and permissible under the Krugg Share Pledge Agreement, not be entitled to any rights of dividends or liquidation proceeds.
- 5.9.8 The Time Limitations of any Purchaser Claims against Krugg Sellers based on a breach of Sections 6.1.2 (i) and (ii) with respect to the Krugg Seller Shares shall, in deviation from Section 8.8.3, start to run as from the Krugg Share Transfer Date.

SECTION 6
SELLERS' GUARANTEES

- 6.1 SELLERS' GUARANTEES. Sellers hereby guarantee, except as set forth in the disclosure letter attached hereto as Exhibit 6.1 and subject to any limitations contained in this Agreement, including the remedies set out in Section 8 and the limitations set out in Section 9, in particular the Time Limitations, the De Minimis Amount, the Basket and the Liability Cap (each as defined in Section 9) by way of an independent guarantee (selbstständige Garantie) pursuant to Section 311 (1) German Civil Code (Bürgerliches Gesetzbuch) that the statements set forth hereinafter are correct as of the Signing Date and will be correct at the Closing Date, unless expressly specified otherwise herein; provided, however, that
- (i) in respect of Section 6.1.1 the guarantee shall be given by each Seller only with respect to itself;
 - (ii) in respect of Section 6.1.2, 2nd sentence the guarantee shall be given by each Seller only with respect to the share sold by such Seller;
 - (iii) in respect of Section 6.1.7 the guarantee shall be given by each Seller only with respect to the portion of the Shareholder Loan sold by such Seller;

- (iv) guarantees made as of a specific date shall be correct only as of such date;
- (v) guarantees which are subject to Sellers' Knowledge (as defined below) shall only be correct as of the Signing Date;
- (vi) the term "SELLERS' KNOWLEDGE" shall mean the actual knowledge (positive Kenntnis) as of the Signing Date of Norbert Orth, Rainer Tonies, Reinhold Kuhn, Alberto Barbi, Giorgio Beretta, Laura Gori and Chiara Gori ("SELLERS' KNOWLEDGE INDIVIDUALS") and in respect of the guarantees in Sections 6.1.8, 6.1.11, 6.1.13, 6.1.21 and 6.1.22 the term Sellers' Knowledge shall mean the actual knowledge as of the Signing Date of the Sellers' Knowledge Individuals and the knowledge they could have obtained after due inquiry with the relevant key employees of the Companies responsible for the relevant aspects covered by the guarantees in Sections 6.1.8, 6.1.11, 6.1.13, 6.1.21 and 6.1.22;
- (vii) the term "MATERIAL ADVERSE EFFECT" shall mean any state of facts, events, changes or effects having a material adverse effect on the assets, liabilities, financial condition or business operations of the EDH Group as a whole.

6.1.1 ENFORCEABILITY / CORPORATE IDENTITY. This Agreement constitutes a valid and binding obligation of Sellers, enforceable under German law against each of the Sellers in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganisation, moratorium, or other similar laws relating to or affecting the rights of creditors generally and except that the remedy of specific performance and injunctive relief and other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding may be brought. Each of the Sellers have the corporate authority to execute this Agreement and to perform its obligations under this Agreement.

6.1.2 EXISTENCE OF COMPANIES / OWNERSHIP OF SHARES. Each of the Companies is duly incorporated and validly existing under the laws of its jurisdiction. Except as listed in Schedule 6.1.2,

- (i) the Shares are held by Sellers and the Companies as set out in Section 1;

- (ii) the Shares are free and clear of any liens, encumbrances or other third party rights, except for the pledges granted to the lenders under the Bank Debt;
- (iii) there are no pre-emptive rights, rights of first refusal, options, voting agreements or other rights of third parties (granted in favour of or agreed between any of the Companies) to acquire any of the Shares;
- (iv) the Shares are fully paid up, have not been repaid and are non-assessable (nicht nachschusspflichtig);
- (v) there are no silent partnerships or other rights to participate in any of the Companies' revenues or profits; and

in each case except for rights given under statutory law, or the articles of association or by-laws.

- 6.1.3 COMPANY INFORMATION. Schedule 6.1.3 contains a complete list of the articles of association and by-laws (or their equivalent formation documents in the relevant jurisdiction) of the Companies valid as of the Signing Date. Copies of such documents have been made available to Purchasers prior to the execution of this Agreement. The description of the group structure set forth in Section 1 of this Agreement hereof is correct, and the Companies do not hold any legal or beneficial interest in any other businesses.
- 6.1.4 SUPERVISORY AND ADVISORY BOARDS. Schedule 6.1.4 contains a complete list of all supervisory and advisory boards of all Companies including the names of the relevant members.
- 6.1.5 INSOLVENCY PROCEEDINGS. No insolvency proceedings against the Companies are pending (i.e., a court has formally commenced insolvency proceedings (Insolvenzverfahren eröffnet) in accordance with the German Insolvency Code (Insolvenzordnung) or the corresponding procedure under Italian law in respect of Krugg) or have been applied for by the Companies, or, to Sellers' Knowledge, have been applied for by any third party. Purchasers are aware of the present net equity position of the Companies and in particular of EDH and the existing subordination agreements signed by the relevant EDH Sellers in respect of the Shareholder Loans in order to avoid insolvency risks (for the absence of which Sellers do, however, not assume any responsibility).
- 6.1.6 AFFILIATES / ENTERPRISE AGREEMENTS. Except as disclosed in Schedule 6.1.6 and Section 1, the Companies have no affiliated companies within the meaning

of Section 15 German Stock Corporation Act ("AFFILIATES") nor do they hold any participation or sub-participation in any other company and there exist no enterprise agreements within the meaning of Sections 291 and 292 German Stock Corporation Act (Aktiengesetz).

6.1.7 SHAREHOLDER LOANS. The Shareholder Loan Agreements have been validly entered into and can be freely sold and transferred by the Shareholder Lenders without the consent of any third party being required, except only for the consent of EDH as borrower which has already been granted pursuant to the consent declaration attached hereto as Exhibit 3.3. Shareholder Lenders and Sellers do not assume any guarantee that the Shareholder Loans are enforceable or collectable and Purchasers are in particular aware of the subordination agreements signed by Seller in respect of the Shareholder Loan and of the fact that they might legally be treated as deemed equity irrespective of such subordination (eigenkapitalersetzende Gesellschafterdarlehen).

6.1.8 MATERIAL INTELLECTUAL PROPERTY RIGHTS. The Companies own, or lawfully use, all such patents, trade marks, copyrights, software, domain names, which are material to carrying on the EDH Dental Business taken as a whole (herein after collectively referred to as "INTELLECTUAL PROPERTY RIGHTS"). Schedule 6.1.8 (a) contains a true and complete list of the Intellectual Property Rights (except for off the shelf standard software) of which the Companies are the legal owners indicating (i) the nature and the registered owner of the Intellectual Property Rights and (ii) if applicable, the jurisdiction in which such Intellectual Property Rights have been registered. Except as disclosed in Schedule 6.1.8 (a), the Companies are entitled to dispose freely of the Intellectual Property Rights, which are owned by the Companies. No other than the Intellectual Property Rights are necessary for the EDH Dental Business to conduct its business as currently conducted. Except as listed in Schedule 6.1.8 (b), the Intellectual Property Rights are not subject to any pending or threatened proceedings for opposition or cancellation which may adversely affect the operation of the EDH Dental Business taken as a whole nor, to Seller's Knowledge, being infringed by any third party. All fees necessary to maintain the Intellectual Property Rights have been paid, except for non-payments which will not have and can not reasonably be expected to have a Material Adverse Effect. To Sellers' Knowledge, the Companies do not infringe any material intellectual property rights owned by a third party.

The Companies either own and hold valid leases and/or licenses to all material computer hardware, software and other information technology ("IT"), which is currently used by the Companies to conduct their business as currently conducted. All material leases or licenses in respect of such IT are effective.

Except as disclosed in Schedule 6.1.8 (c), since the Economic Transfer Date, there were no material interruptions, material data losses or material similar incidents attributable to the IT owned or used by the Companies, and which, in addition, had or are likely to have a Material Adverse Effect on the EDH Dental Business. To Sellers' Knowledge, the IT has the capacity and performance necessary to conduct the business operations of the Companies as conducted on the Signing Date.

- 6.1.9 INSURANCE. As of the Signing Date, the Companies, maintain for their own benefit the insurance policies which are listed in Schedule 6.1.9 (i), and except as set forth in Schedule 6.1.9 (ii), all due premiums under such insurance policies have been paid. Except as disclosed in Schedule 6.1.9 (ii), there are no material claims pending under any of the insurance policies and, to Seller's Knowledge, no facts exist which could give rise to any such claims.
- 6.1.10 MATERIAL ASSETS. Except as disclosed in Schedule 6.1.10, the Companies own, or hold lawful possession of, all fixed assets (Anlagevermögen) material to the EDH Dental Business and capitalized in the Financial Statements 2003, except for such assets which were sold, abandoned or otherwise disposed of since the Economic Transfer Date in the ordinary course of business ("MATERIAL ASSETS"). Except as disclosed in Schedule 6.1.10, the Material Assets are not encumbered with any liens, pledges or other encumbrances in favour of third parties, except for:
- (i) rights of retention of title (Eigentumsvorbehalte), liens or pledges in favour of suppliers, mechanics, landlords and carriers granted in the ordinary course of business; and
 - (ii) security rights granted to banks and other lenders in respect of the Bank Debt which will be released on the Closing Date;
 - (iii) encumbrances (Belastungen) other than rights under (i) and (ii) above which individually or in the aggregate do not exceed EUR 150,000 (in words: Euro one hundred fifty thousand).
- 6.1.11 MATERIAL AGREEMENTS. Schedule 6.1.11 contains a correct list, as of the Signing Date, of all of the following written agreements to which any of the Companies is a party and which have not yet been completely fulfilled (hereinafter collectively referred to as the "MATERIAL AGREEMENTS"):

- (i) agreements providing for a consideration in excess of EUR 250,000 (in words: Euro two hundred fifty thousand) and relating to the acquisition or sale of (a) interests in other companies or (b) real estate;
- (ii) rental and lease agreements relating to real estate which, individually, provide for annual net payments of EUR 65,000 (in words: Euro sixty five thousand) or more;
- (iii) loan agreements (other than between the Companies), bonds, notes or any other instruments of debt made or issued, as the case may be, by any of the Companies (other than made or issued for the benefit of another Company and other than the Bank Debt);
- (iv) guarantees, suretyships, comfort letters (Patronatserklarungen) and similar instruments issued by any of the Companies for any debt of any third party, i.e., other than for any of the Companies for an amount of EUR 100,000 (in words: Euro one hundred thousand) or more in each individual case;
- (v) employment agreements providing for a fixed annual salary of EUR 75,000 (in words: Euro seventy five thousand) or more;
- (vi) any hedging agreements or derivatives contracts made by any of the Companies;
- (vii) distribution or agency agreements (other than between the Companies or with any company of the Demedis Group) with an annual net sales volume (as per the last completed financial year ending on 30 September 2003) of EUR 1,000,000 (in words: Euro one million) or more;
- (viii) agreements for joint-ventures, strategic alliances, joint development of products or other forms of co-operations;
- (ix) agreements to sell, or otherwise dispose of any fixed assets owned by a Company with a fair market or replacement value in excess of EUR 200,000 (in words: Euro two hundred thousand);
- (x) license agreements with any Company as licensee or licensor, which resulted during the last fiscal year, or are likely to result during the current fiscal year in annual royalties in excess of EUR 100,000 (in words: Euro one hundred thousand);

- (xi) agreements with the top 10 suppliers of M+W KG and Krugg based on the volume of purchase orders in the last fiscal year ending on 30 September 2003;
- (xii) except as disclosed in any other Schedule to this Section 6 material agreements outside the ordinary course of business;
- (xiii) agreements expressly imposing restrictions on a Company to compete with any third party, to acquire any products or services from a third party, to sell any products or to perform any services for any third party or to develop any technology, if and to the extent that such restrictions will prevent the Company from conducting its business operations or pursuing its business development activities; it being understood that all distribution, agency or similar agreements containing restrictions on territories shall be disregarded provided that such restrictions are in line with the ordinary standards for distribution, agency or similar agreements in the dental distribution business in general.

To Sellers' Knowledge and except as disclosed in Schedule 6.1.11, each of the Material Agreements is in effect. To Sellers' Knowledge and except as disclosed in Schedule 6.1.11, no party to any of the Material Agreements has indicated in writing that it will terminate the agreement as a result of the Transaction and none of the Material Agreements contains a change-of-control clause entitling the contracting party to terminate the agreement as a result of the Transaction.

- 6.1.12 PERMITS. Except as disclosed in Schedule 6.1.12, the Companies are in possession of all governmental approvals, licenses and permits necessary to operate the EDH Dental Business and which are material to the EDH Dental Business taken as a whole. The Permits are in full force and effect. Except as disclosed in Schedule 6.1.12, none of the Permits has been challenged by any third party and, to Seller's Knowledge, there are no circumstances, which would justify such challenge, and no proceedings regarding a revocation or withdrawal of any Permit has been initiated or threatened, and, to Seller's Knowledge, there are no circumstances, which would justify such revocation or withdrawal.
- 6.1.13 LITIGATION. Except as disclosed in Schedule 6.1.13, the Companies are not party to any court or administrative proceedings, including arbitration proceedings, either as plaintiff or defendant, having a litigation value (Streitwert) exceeding EUR 50,000 (in words: Euro fifty thousand) in the individual case.

6.1.14 SHOP AGREEMENTS. Schedule 6.1.14 contains a list of all material shop agreements (i.e. agreements which are entered into between a Company and a representative body of employees of a Company, unless such agreements repeat mandatory statutory law only) existing as of the Signing Date and providing for any of the following:

- (i) benefit or incentive plans relating to a change of control in a Company;
- (ii) limitations to terminate employment agreements, including agreements providing for severance payments; or
- (iii) obligations of a Company to make specific investments or to guarantee the employment of a certain number of employees.

6.1.15. LABOR STRIKES AND VIOLATION OF LAWS. Except as disclosed in Schedule 6.1.15, none of the Companies is experiencing:

- (i) any strike, slowdown, or work stoppage by or lockout of its employees; or
- (ii) any lawsuit relating to the alleged violation of any law or order applicable in Germany and Italy and relating to discrimination, civil rights, workers' safety or working conditions,

which would have a Material Adverse Effect.

6.1.16 TAX MATTERS. Except as disclosed in Schedule 6.1.16

- (i) all taxes owed or to be payable by any Company under applicable laws and relating to periods ending on or before the Economic Transfer Date have been paid or have been accrued for in the year-end accounts of the relevant Company (Einzelabschluss) as at the Economic Transfer Date. For purposes of this Agreement "TAXES" means any taxes and public dues, including but not limited to income tax, value-added tax, trade tax, wage tax, withholding tax, sales tax, property or transfer tax under mandatory law, or customs duties (Zolle) or social security contributions, together with any interest, penalty or addition to taxes (Steuerliche Nebenleistungen) imposed by any governmental authority responsible for the imposition of such taxes;
- (ii) as of the Signing Date, the Companies are subject only to general tax audits (Allgemeine Betriebsprüfungen) and to special tax audits as far

as the type of tax requires them (Besondere Betriebsprüfungen - especially VAT and wage taxes but not subject to any disputes regarding Taxes);

- (iii) all tax returns required to be filed by the Companies on or before the Signing Date have been filed and are true and correct in all material respects;
- (iv) there has been no notice or any written claim, action, suit, proceeding or investigation now pending against or with respect to any Company in respect of any Taxes;
- (v) no tax authority in a jurisdiction where a Company is not paying Taxes has made a claim or written assertion that a Company is or may be subject to Taxes by such jurisdiction, otherwise than by deduction of Taxes at source.

Purchasers, to the degree legally permissible, further agree that they shall not (and Purchasers shall ensure that none of the Companies shall) make, change, modify or withdraw any tax filings for the tax periods until and including 30 September 2003 (or agree to any of the foregoing) without the prior written consent of Sellers which shall not unreasonably be withheld, unless required by law or to make a factually correct filing.

- 6.1.17 FINANCIAL STATEMENTS 2002 AND 2003. Except as disclosed in Schedule 6.1.17, the audited consolidated year end accounts (Konzernabschluss) of EDH as at 30 September 2002 and the audited consolidated year end accounts of EDH as at 30 September 2003, in each case consisting of the balance sheet, the profit and loss statement and the notes (Anhang) thereto ("FINANCIAL STATEMENTS 2002 and FINANCIAL STATEMENTS 2003", respectively) have in all material respects been prepared in accordance with German generally accepted accounting principles applying to EDH consistent with past practice and present a true and fair view of the assets and liabilities (Vermögenslage), financial position (Finanzlage) and earning positions (Ertragslage) in accordance with Section 297 (2) of the German Commercial Code (HGB) of the EDH Group taken as a whole, as of the relevant balance sheet date or the relevant period, as the case may be.
- 6.1.18 NO MATERIAL ADVERSE CHANGES / CONDUCT OF BUSINESS. Except as disclosed in Schedule 6.1.18, and apart from changes resulting from, or relating to, general political developments or developments of the economy in general or in the

relevant marketplace, to Sellers' Knowledge during the period from Economic Transfer Date until the Signing Date no event has occurred or action been taken which would qualify as a breach of the covenants set forth in Section 10 had such covenants already been in place for the period of time between the Economic Transfer Date and the Signing Date.

6.1.19 DEALINGS WITH SIRONA GROUP. Except as disclosed in Schedule 6.1.19 the supply relationships between Sirona Beteiligungs- und Verwaltungsgesellschaft mbH or any of its affiliates as supplier and any of the Companies as distributor are at arm's length terms.

6.1.20 PRODUCT LIABILITY. Except as disclosed in Schedule 6.1.20, no product liability claims (Produkthaftungsansprüche) in connection with any products sold by the Companies prior to the Economic Transfer Date are pending (anhangig) against any of the Companies. The products of the Companies sold prior to the Economic Transfer Date do not have any defects, which could give rise to any such product liability claims.

6.1.21 ENVIRONMENTAL LIABILITIES. To Sellers' Knowledge, except as disclosed in Schedule 6.1.21 and further except where the inaccuracy of the statement would not have a Material Adverse Effect

- (i) the Companies are in compliance with all laws relating to pollution and the protection of the environment and material for the operations of the EDH Group, taken as a whole (collectively "ENVIRONMENTAL LAWS");
- (ii) as of the Signing Date, no Company has received in writing any notice or communication stating or alleging that it is in violation of any Environmental Laws;
- (iii) between January 2000 and the Signing Date, no Company has received by the competent environmental authorities a written notice or communication to conduct any kind of investigation audit, survey or similar examination of environmental conditions;

provided, however, that Purchasers shall not have any claims under this Section 6.1.21 if after the Signing Date Purchasers, or after the Closing Date Purchasers or any of the Companies,

- (a) conduct any kind of investigation, audit, survey or similar examination of the soil, ground water or other environmental conditions of the premises of any Company, apart from the

review of pertinent documentation and the conduct of interviews and the mere visual inspection of the surface of the soil without any kind of drilling or opening of the soil ("ENVIRONMENTAL EXAMINATION"), without being required to do so under a court judgement or administrative order unless there is a valid business reason other than merely or predominantly to trigger a liability of Sellers under this Section 6.1.21,

- (b) solicit, trigger or otherwise actively cause, directly or indirectly, any Environmental Examination by any governmental authorities or any other party unless there is a valid business reason other than merely or predominantly to trigger a liability of Sellers under this Section 6.1.21.

For the avoidance of doubt, Sellers shall not be liable for any contamination if and to the extent it did not exist as of the Closing Date, in particular if and to the extent a contamination requiring clean-up results from

- (v) any non-compliance of Purchasers or the Companies with Environmental Laws after the Closing Date;
- (w) negligent omissions to take actions required to be taken by the Purchasers or the Companies under applicable laws and relating to environmental matters after the Closing Date;
- (x) any negligent act or omission of any employee or any other representative of, or service provider to, the Companies after the Closing Date.

The other general limitations to Sellers' liability under or in connection with this Agreement shall remain unaffected.

6.1.22 COMPLIANCE WITH LAWS. To Sellers' Knowledge, except as disclosed in Schedule 6.1.22, each Company is in all material respects in compliance with the laws and regulations of any jurisdiction applicable to the Companies' and all orders, decrees or rulings of, or restrictions imposed by, any judicial, governmental or regulatory body (collectively "LAWS AND ORDERS") in all relevant jurisdictions. To Sellers' Knowledge, no material non-compliance with the Laws and Orders has been alleged in writing to the Companies and, to Sellers' Knowledge, there are no circumstances, which would justify such allegations. To Sellers' Knowledge, none of the Companies is subject to any material administrative or material criminal investigations and no such material investigations

have been threatened in writing to the Companies, and to Seller's Knowledge, no circumstances exist, which would justify the initiation of such a material investigation.

6.1.23 EMPLOYEES. Schedule 6.1.23 (i) includes for each Company a correct and complete list of its employees (Arbeitnehmer) on an anonymous basis with various information related to such employees. Except as disclosed in Schedule 6.1.23 (ii), none of the Companies have increased any of their directors' or employees' remuneration or benefit entitlements after the Economic Transfer Date other than in accordance with (i) the terms of the relevant employment and service agreements in force as of the Economic Transfer Date, (ii) applicable shop or collective bargaining agreements, (iii) past practise or (iv) as part of the Stay Bonus Arrangements. None of the Sellers' Knowledge Individuals has given written notice of termination and, to Seller's Knowledge, no circumstances exist that any of these employees is giving notice of termination (provided that for the purpose of defining Sellers' Knowledge in this particular case, the knowledge of the Sellers' Knowledge Individuals shall be disregarded in respect of themselves). Schedule 6.1.23 (iii) includes for each Company a correct and complete list of certain pension obligations.

6.1.24 REAL ESTATE. Except for the real estate listed in Schedule 6.1.24 (i) the Companies do not own any real estate. The real estate used by the Companies is listed in Schedule 6.1.24 (ii).

6.2 CONSENTS. Purchasers acknowledge that certain consents may be required in connection with contracts of the Group Companies containing change-of-control provisions and that such consents have not been obtained. While Sellers shall take reasonable efforts to assist Purchasers in obtaining such consents, Purchasers agree that Sellers shall not have any liability arising from the failure to obtain such consents and that no guarantee, covenant or other obligation of Sellers shall be breached and no condition shall be deemed not to have been satisfied as a result (i) of the failure to obtain such consent, (ii) the termination of any such contract or (iii) any lawsuit commenced or threatened arising from the failure to obtain such consent or the termination of such contract.

6.3 NO OTHER GUARANTEES. Purchasers agree to purchase and accept the Sold Assets and the EDH Dental Business in their condition they are in on the Closing Date based upon its own inspection, examination and determination with respect thereto as to all matters and without reliance upon any express or implied guarantees, representations or warranties of any nature made by or on behalf of or imputed to Sellers, except only for the guarantees expressly set forth in this Agreement. Sellers do therefore not give or assume any guarantees other than those set forth in this Agreement and none of the

Sellers' Guarantees shall be construed as a guarantee or representation with respect to the quality of the purchase object within the meaning of Sections 276 Subsec. 1, 443 German Civil Code (Garantie für die Beschaffenheit der Sache). Without limiting the generality of the foregoing, Purchasers acknowledge that Sellers make no guarantees, representations or warranties with respect to:

- (i) any projections, estimates or budgets delivered or made available to Purchasers of future revenues, future results of operations (or any component thereof), future cash flows or future financial conditions (or any component thereof) or the future business and operations of the EDH Dental Business or the EDH Group;
- (ii) any other information or documents made available to Purchasers or their counsel, accountants or other advisers with respect to the EDH Dental Business or the EDH Group, except as expressly set forth in Section 6 of this Agreement;
- (iii) the enforceability and collectibility of the Shareholder Loans (i.e., the ability and obligation of EDH to repay the relevant Shareholder Loans)

provided, however, that to Sellers' Knowledge none of the information nor documents made available to Purchasers or their counsel, accountants or other advisers with respect to the EDH Dental Business or the EDH Group is untrue inaccurate in any material respect.

SECTION 7 PURCHASER'S GUARANTEES

Purchasers guarantee to Sellers as of the Signing Date and Closing Date:

- 7.1 ENFORCEABILITY / NO CONFLICT. This Agreement constitutes the legal, valid and binding obligation of Purchasers, enforceable against Purchasers in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting the rights of creditors generally and except that the remedy of specific performance and injunction relief and other forms of equitable relief may be subject to equitable defences and to the discretion of the court before which any proceeding may be brought. Purchasers have the power and authority to execute this Agreement and to perform their obligations under this Agreement, and the Transaction have been duly authorised and approved by all necessary corporate action of Purchasers.

- 7.2 LITIGATION. There is no action, suit, investigation or proceeding pending against, or to the knowledge of Purchasers, as of the Signing Date, threatened against or affecting Purchasers before any court or arbitrator or governmental body, agency or official body which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the Transaction.
- 7.3 FINANCIAL CAPABILITY. Purchasers have sufficient immediately available funds or binding and unconditional and irrevocable financing commitments to make all payments required to be made under or in connection with this Agreement.
- 7.4 FINDERS' FEES. Purchasers have no obligation or liability to pay any fees or commissions to any broker, finder or agent with respect to the Transaction for which Sellers could become wholly or partly liable.

SECTION 8 REMEDIES

- 8.1 LIMITATION OF REMEDIES. In the event of a breach or non-fulfilment of any guarantee, covenant or other obligation of Sellers contained in this Agreement, Sellers shall put the relevant Purchaser, or at the option of the relevant Purchaser, the respective Company into the same position it would have been in if Sellers' Guarantees, covenants or other obligation contained in this Agreement had been fulfilled or had not been breached (Naturalrestitution), or, at the option of Sellers, pay damages for non-performance (kleiner Schadenersatz). For purposes of determining the liability of Sellers, only the actual losses incurred by the respective Company or Purchasers shall be taken into account and not any potential or actual reduction (Minderung) in the value of the Companies or the relevant Purchaser. Sellers shall in no event be liable for any indirect damages (mittelbare Schaden), consequential damages (Folgeschaden), indirect losses caused by business interruption (Betriebsunterbrechungschaden) or lost profits (entgangener Gewinn), damages incidental to any breach or non-fulfilment of the independent guarantees (Schaden anlässlich einer Verletzung einer selbständigen Garantie) or any internal costs (i.e., non-out of pocket expenses) incurred by the Companies or the relevant Purchaser, it being understood that in case of a third party claim constituting a liability that triggers a Purchaser Claim such liability will be considered as a direct damage within the meaning of this Agreement even if it includes consequential damages, losses and lost profits. If and to the extent damages are paid to any of the Companies, such payments shall be effected as contributions (Einlagen) made by Purchasers into the respective Company.
- 8.2 PURCHASER CLAIM PROCEDURE. In the event of any breach or non-fulfilment of Sellers' Guarantees, covenants or other obligation contained in this Agreement or in case of

any other claim of a Purchaser against Sellers' under or in connection with this Agreement ("PURCHASER CLAIM"), Purchaser will give Sellers written notice of such breach or non-fulfilment, without undue delay (ohne schuldhaftes Zögern) after its discovery but within twenty five (25) Business Days thereafter stating in such notice in reasonable detail the nature thereof and the amount involved, to the extent that such amount has been determined at the time when such notice is given. Without prejudice to the validity of the Purchaser Claim or alleged claim in question, Purchaser shall allow, and cause the Companies to allow, Sellers and their accountants and professional advisers to investigate the matter or circumstance alleged to give rise to such Purchaser Claim. Purchaser shall give and cause the Companies to give such information and assistance, including, during normal business hours and upon prior written notice, access to Purchaser's and the Companies' premises and personnel, including the right to examine and copy or photograph any assets, accounts, documents and records, as Sellers or their accountants or professional advisers may request, provided it is done in such a way so as to minimize business disruption.

8.3 LIMITATION OF SELLERS' LIABILITY. Sellers shall not be liable for, and Purchasers shall not be entitled to bring any Purchaser Claim, if and to the extent that:

8.3.1 the matter to which the Purchaser Claim relates has been taken into account in the Financial Statements 2003 by way of a provision (Rückstellung), or depreciation (Abschreibung), or exceptional depreciation (außerplanmäßige Abschreibung), or depreciation to reflect lower market values (Abschreibung auf den niedrigeren beizulegenden Wert) or otherwise;

8.3.2 the amount of the Purchaser Claim is actually recovered from a third party (including any agreement by virtue of which any shares in the Companies have (directly or indirectly) been acquired) or under an insurance policy in force on the Signing Date, provided, however, that if the relevant Purchaser could recover the amount of the Purchaser Claim from a third party or an insurance policy in force on the Signing Date, the relevant Purchaser shall use all reasonable efforts to recover the amount of the Purchaser Claim from the relevant third party or the relevant insurer, as the case may be, as soon as possible and in case of such recovery reimburse Sellers for any payments already made in respect of the Purchaser Claim up to the amount recovered. At the request of Sellers, Purchasers shall assign the relevant claim to Sellers and deliver to Sellers all relevant documents related to such Purchaser Claim subject to applicable law. In the case that Purchasers could not recover such amount within a period of eighteen (18) months as from the Closing Date, the relevant Purchaser is entitled to assign the relevant claim to Sellers who are obliged to accept such assignment, unless they release the relevant Purchaser from its obligation to further pursue the possibility of recovery.

- 8.3.3 the payment or settlement of any item giving rise to a Purchaser Claim results in a tax benefit realized by the Companies or Purchasers, i.e. when the payment or settlement leads to a tax deductible expense within the fiscal year of the relevant Company in which such payment or settlement is made and this tax deductible expense does not only increase a tax loss carry forward;
- 8.3.4 the Purchaser Claim results from a failure of Purchasers or the Companies to mitigate damages pursuant to Section 254 German Civil Code;
- 8.3.5 the matter to which the Purchaser Claim relates was actually known by the persons listed on Exhibit 8.3.5 (i) as of the Closing Date, taking into account that Purchasers and in particular these persons, prior to entering into this Agreement, had the opportunity to thoroughly review the condition of the EDH Group and the EDH Dental Business under commercial, technical, organisational, financial, environmental and legal aspects and, in this connection, to hold discussions with managing directors and other senior employees of the Companies, and to inspect any relevant real estate; without limiting the generality of the foregoing. Purchaser shall be deemed to have knowledge of all matters disclosed in (i) the Information Memorandum; (ii) the Vendor Due Diligence Report of PricewaterhouseCoopers, (iii) the PricewaterhouseCoopers Tax Status, each as disclosed to Purchaser; (iv) any documents listed in the specific data room index attached hereto as Exhibit 8.3.5 (ii) to the extent that a reasonable purchaser would have logically concluded that a Purchaser Claim exists from such disclosure, and (v) the written answers to any information requests of Purchaser attached hereto as Exhibit 8.3.5 (iii);
- 8.3.6 the Purchaser Claim results from or is increased by the passing of, or any change in any law, statute, ordinance, rule, regulation, common law rule or administrative practice of any government, governmental department, agency or regulatory body including (without prejudice to the generality of the foregoing) any increase in the rates of any taxes or any imposition of any taxes or any withdrawal or relief from any taxes, not actually in effect at the Closing Date;
- 8.3.7 Sellers were prejudiced by the Purchasers' failure to observe the procedures set forth in Sections 8.2 and 8.4;
- 8.3.8 in respect of a Purchaser Claim under Section 6.1.16 (without prejudice to the generality of Section 8.3.3), if and to the extent

- (i) the breach of the relevant Sellers' Guarantees results only in a loss or reduction of tax loss carry-forwards;
- (ii) Purchasers impair any obligation of the Companies or Sellers regarding the preparation of any tax returns of any of the Companies for assessment periods (Veranlagungszeiträume) up to and including the Economic Transfer Date ("TAX RETURNS");
- (iii) Tax Returns already prepared by Sellers or any of the Companies prior to the Closing Date should not be filed accordingly by Purchasers or any of the Companies, provided that such Tax Returns have been applied in accordance with applicable laws and accounting practices; or
- (iv) any of the Tax Returns which have already been filed should be changed, modified or withdrawn by Purchasers and/or Companies without prior written consent of Sellers which may not be unreasonably withheld;

8.3.9 either Purchasers or the Companies have caused or partially caused (verursacht oder mitverursacht) such Purchaser Claim after the Closing Date or by Purchasers after the Signing Date, e.g., by way of any kind of (corporate) restructurings leading to a retroactive reclassification of the tax treatment of M+W KG, DentalMV or M+W Verwaltung, or by the way the repayment of Bank Debt will be booked on the level of the relevant Companies, provided however that Purchasers shall be authorized to initiate tax audits with respect to any of the Companies.

When calculating the amount of the liability of Sellers under this Agreement all advantages in connection with the relevant matter shall be taken into account (Vorteilsausgleich) and Sellers shall not be liable under this Agreement in any respect of any Purchaser Claim for any losses suffered by Purchasers or the Companies to the extent of any corresponding savings by or benefit to the Purchasers, any Affiliate of Purchasers or any Company arising therefrom.

8.4 THIRD PARTY CLAIM PROCEDURE. If the Companies or Purchasers are sued or threatened to be sued by a third party, including any governmental agencies, or if the Companies or Purchasers are subjected to any audit or examination by any tax authority ("THIRD PARTY CLAIM"), which may give rise to a Purchaser Claim, Purchasers shall give Sellers immediately (unverzüglich) written notice of such Third Party Claim. Purchasers shall ensure that Sellers shall be provided with all material, information and assistance relevant in relation to the Third Party Claim, be given reasonable opportunity to comment or discuss with Purchasers any measures which Purchasers

proposes to take or to omit in connection with a Third Party Claim. In particular, Sellers shall be given the opportunity to comment on, participate in, and review any reports, all relevant tax and social security audits or other measures and receive without undue delay copies of all relevant orders e.g. (Bescheide) of any authority, in each case subject to applicable law. No admission of liability shall be made by or on behalf of Purchasers or the Companies and the Third Party Claim shall not be compromised, disposed of or settled without the prior written consent of Sellers, which shall not be unreasonably withheld. Further, however, subject to prior consultation with Purchasers and subject to Purchasers' prior written consent, which shall not be unreasonably withheld, Sellers shall be entitled at their own discretion to take such action (or cause Purchasers or the Companies to take such action) as it deems necessary to avoid, dispute, deny, defend, resist, appeal, compromise or contest such Third Party Claim (including making counter claims or other claims against third parties) in the name of and on behalf of Purchasers or the Companies concerned and Purchasers will give and cause the Companies to give (subject to them being paid all reasonable out-of-pocket costs and expenses), all such information and assistance, as described above, including during normal business hours and upon prior written notice access to premises and personnel and including the right to examine and copy or photograph any assets, accounts, documents and records for the purpose of avoiding, disputing, denying, defending, resisting, appealing, compromising or contesting any such claim or liability as Sellers or their professional advisers may reasonably request provided it is done in such a way so as to minimize business disruption. Sellers agree to use all such information confidentially only for such purpose and to treat them confidentially. To the extent that Sellers are in breach of a Sellers' Guarantee or covenant, all costs and expenses reasonably incurred by Sellers in defending such Third Party Claim shall be borne by Sellers.

- 8.5 APPORTIONMENT OF LIABILITY / NO JOINT LIABILITY. Any liability for a breach of the guarantees given under Section 6.1.1, 6.1.2, 2nd Sentence, and 6.1.7 shall accrue only to the Seller that has given the respective guarantee. In case of any other liability under or in connection with this Agreement the Krugg Seller shall only be liable for the percentage set forth in Exhibit 8.5 of the total liability and the remaining percentage of the total liability set forth in Exhibit 8.5 shall accrue to the EDH Sellers, provided, however that each EDH Seller shall only be liable for such portion of this remaining liability (after deducting the portion for which Krugg Seller is liable) pro rata to the amount of the relevant percentage of its shareholding in EDH. In no case shall any liability of Sellers under or in connection with this Agreement be a joint liability of Sellers (Gesamtschuld), i.e., no Seller shall be held liable for a liability of any other Seller but Sellers shall be liable for any liabilities of Sellers under or in connection with this Agreement only as single debtors (Teilschuldner).

- 8.6 NO DOUBLE RECOVERY. For the avoidance of doubt, no Party shall be entitled to recover one and the same damage or loss more than once under or in connection with this Agreement.
- 8.7 SOLE REMEDY. Any claims of Purchasers under or in connection with this Agreement shall be limited to claims against Sellers that can be satisfied by the Holdback Escrow Amount. Purchasers shall in no event be entitled to make any direct claims against any Sellers which will not be covered by the Holdback Escrow Amount. Any liability of Sellers and recourse by Purchasers shall at all times be solely limited to the Holdback Escrow Amount kept by the Escrow Agent in accordance with the Escrow Agreement and not be directed to any of the Sellers.
- 8.8 MODIFIED REMEDIES FOR TITLE GUARANTEE. In the case of a breach of Section 6.1.2 (i) or (ii) in respect of the EDH Shares and the Krugg Seller Shares the following specific amendments to Sellers' liability under this Agreement will apply:
- 8.8.1 Share Purchasers shall be entitled to claims for specific performance (Erfüllung) and consequential damages (Folgeschaden);
- 8.8.2 the Liability Cap will not apply, but the aggregate liability of each individual Seller will be limited to the pro rata portion of the Purchase Price attributable to the EDH Shares and the Krugg Seller Shares of each individual Seller;
- 8.8.3 the Time Limitation will be extended to a period ending five (5) years as from the Closing Date;
- 8.8.4 in the case that the guarantees in Section 6.1.2 (i) or (ii) have been breached in respect of the EDH Shares and the Krugg Seller Shares due to a mere technical or formal problem (e.g., if a notarial deed contains a technical or formal mistake rendering the transfer of title invalid) all Sellers will use their best efforts to cooperate with each other and with Share Purchasers in order to remedy such defect/problem, in particular to ensure that the split of shares and ownership structure set forth in Section 1.1 will be put in place. This clause shall, however, not increase the overall liability of Sellers for a breach of Sections 6.1.2 (i) and (ii) in respect of the EDH Shares and the Krugg Seller Shares as set forth in Section 8.8.2;
- 8.8.5 Share Purchasers shall first raise Purchaser Claims against the Holdback Escrow Amount before pursuing any Purchaser Claims against any Sellers directly.

it being understood that no further rights, other than those expressly set forth in this Section 8.8, in particular no further rights of withdrawal, will be conferred on Share Purchasers.

- 8.9 TREATMENT OF HOLDBACK ESCROW AMOUNT. In view of Sellers' separate liability (teilschuldnerische Haftung) as set forth in Section 8.5, the sole remedy principles set forth in Section 8.7 as well as the modified remedies for title guarantees set forth in Section 8.8 and for the avoidance of doubt, the Parties agree that the Holdback Escrow Amount will not be available to Purchasers as a whole but only in the relevant liability portions set forth in Section 8.5, i.e., the Holdback Escrow Amount of EUR 10,000,000 (in words: Euro ten million) will only be paid into one single account for practicality reasons, but not for reasons of joint liability, so that for purposes of any Purchaser Claim the Holdback Escrow Amount will be separated into 45 different and separate portions reflecting the pro-rata amount of the Purchase Price attributable to Sellers ("PRO-RATA ESCROW AMOUNT"), so that in no event whatsoever, one Seller would ever be jointly liable for any liability of another Seller or for more than the portion of his part of the liability set forth in Section 8.5. However, if the Pro-rata Escrow Amount is already used up by Purchaser Claims based on a breach of Section 6.1.2 (i) or (ii) in respect of the EDH Shares or the Krugg Seller Shares or other Purchaser Claims, the liability of the relevant Seller will not be limited to the Pro-rata Escrow Amount, but be increased by the amount of the Pro-rata Escrow Amount which has already been used to satisfy Purchaser Claims based on a breach of Section 6.1.2 (i) or (ii) in respect of the EDH Shares or the Krugg Seller Shares.

Example: If the portion of the Holdback Escrow Amount attributable to Seller 25 was EUR 200,000 and the relevant share sold by Seller 25 under this Agreement is affected by a title defect triggering a liability of EUR 300,000, Purchasers can only claim EUR 200,000 against the Holdback Escrow Amount and the remaining EUR 100,000 from Seller 25 directly but only up to the portion of the Purchase Price attributable to Seller 25. However, if thereafter another general guarantee set forth in Section 6 is breached triggering a liability of EUR 1,000,000, Purchasers will only be able to claim against the Escrow Account the amount recoverable from all Sellers other than Seller 25, as the relevant portion of the Holdback Escrow Amount attributable to Seller 25 has already been used up, so that the remaining liability for all other shareholders will be limited to the amount of EUR 1,000,000 less a percentage equal to the percentage of the Holdback Escrow Amount attributable to Seller 25. The remaining amount up to EUR 200,000 can, however, be claimed directly from the relevant Seller 25.

SECTION 9
EXPIRATION OF CLAIMS / LIMITATION OF CLAIMS

- 9.1 **TIME LIMITATIONS.** All claims of Purchasers arising under or in connection with this Agreement shall be time-barred on 30 April 2005 except for claims of Purchasers pursuant to Section 8.8 or for claims of Purchasers arising as a result of wilful, fraudulent or intentional breaches of Sellers' obligations under this Agreement which shall be time barred in accordance with the statutory rules in Sections 195, 199 German Civil Code ("TIME LIMITATIONS").
- 9.2 **EXCLUSION OF STATUTORY LIMITATION RULES.** To the extent legally permissible Sections 203 and 209 German Civil Code shall not apply. Any limitation period pursuant to this Agreement shall be interrupted only in the event that a statement of claims is filed with the arbitral tribunal or competent court, as the case may be, within the relevant Time Limitations.
- 9.3 **DE MINIMIS AND BASKET.** Sellers shall only be liable under or in connection with this Agreement if and to the extent that: (i) the amount recoverable under this Agreement with respect to the individual claim made exceeds EUR 100,000 (in words: Euro one hundred thousand) ("DE MINIMIS AMOUNT") provided, however, that claims which are based on factually coherent matters (auf demselben Lebenssachverhalt beruhend) can be aggregated and (ii) the aggregate amount recoverable under this Agreement with regard to all claims made (excluding claims which do not exceed the De Minimis Amount in the individual case) exceeds EUR 1,250,000 (in words: Euro one million two hundred fifty thousand) ("BASKET") i.e., only if both the De Minimis Amount and the Basket are exceeded, Sellers shall be liable under this Agreement in the full amount, subject to the other provisions of this Section 9. The Parties agree that the terms Material Adverse Effect, material or any similar materiality qualifier in any of the guarantees in Section 6 will be disregarded for purposes of determining of whether or not the De Minimis Amount and the Basket are exceeded or reached, as the case may be.
- 9.4 **LIABILITY CAP.** Subject to Section 8.8.2, the aggregate liability of Sellers for any possible claims under and in connection with this Agreement shall not exceed EUR 10,000,000 (in words: Euro ten million) ("LIABILITY CAP"), which will be covered by the Holdback Escrow Amount and cannot be directly claimed from any of the Sellers.
- 9.5 **EXCLUSION OF STATUTORY RIGHTS.** The Parties agree that the remedies which Purchasers, or any of the Companies, may have against Sellers for breach of obligations set forth in this Agreement are solely governed by this Agreement, and the remedies provided for in this Agreement shall be the exclusive remedies available to Purchasers or the Companies. Apart from the rights of Purchasers under Section 5 above (i) any right of

Purchasers to withdraw (zurücktreten) from this Agreement or to require the winding up of the Transaction (e.g. by way of gro(beta)er Schadensersatz or Schadenersatz statt der Leistung), (ii) any claims for breach of pre-contractual obligations (culpa in contrahendo, including claims arising under Sections 241 Subsec. 2, 311 Subsec. 2 (3) German Civil Code) or ancillary obligations (positive Forderungsverletzung, including to claims arising under Sections 280, 282 German Civil Code), (iii) frustration of contract pursuant to Section 313 German Civil Code (Störung der Geschäftsgrundlage), (iv) all remedies of Purchaser for defects of the Sold Assets under Sections 437 through 441 German Civil Code and (v) any and all other statutory rights and remedies, if any, are hereby expressly excluded and waived by Purchasers, except for claims for wilful deceit (arglistige Täuschung) and other intentional breach of contract (vorsätzliche Vertragsverletzungen). The Parties agree that Sellers' Guarantees are only designed for the specific remedies of Purchasers set forth in Section 6 above and the restrictions contained in this Section 9 and that Sellers' Guarantees shall not serve to provide Purchasers with any other claims than those set forth in this Agreement. The Parties further agree that under no circumstances shall Sellers' Guarantees be construed as representations of Sellers with respect to the quality of the purchase object within the meaning of Sections 276 Subsec. 1, 443 German Civil Code (Garantie für die Beschaffenheit der Sache) and therefore, Purchaser explicitly waives the application of Section 444 German Civil Code.

SECTION 10
SELLERS' COVENANT

SELLERS' COVENANT. Except as set forth in Exhibit 10, during the period between the Reference Date and the Closing Date and to the extent legally permissible,

- 10.1 Sellers shall use all reasonable efforts to ensure that the Companies shall (i) preserve their material customer relationships, (ii) preserve the Material Assets in good working condition, reasonable wear and tear excepted.
- 10.2 Sellers shall undertake and procure that the Companies shall (i) keep the existing insurance for the EDH Dental Business in place, (ii) maintain accounting procedures consistent with past practice and (iii) maintain inventory holding levels substantially consistent with past practice.
- 10.3 Sellers shall undertake and procure that the Companies shall conduct the EDH Dental Business in the ordinary course of business and not, except in the ordinary course of business and consistent with past practice, (i) adopt any material change in the articles of association of the Companies, (ii) make any dividend payments or other distributions of such kind to Sellers or Affiliates of Sellers, (iii) allot, issue, redeem or

repurchase any shares of the Companies, (iv) merge or consolidate with any other person (other than the Companies), (v) make any material capital expenditure (i.e. exceeding an amount of EUR 2,000,000) (in words: Euro two million) (unless reflected in the business plan of the EDH Group which has been disclosed to Purchaser), (vi) enter into any agreements exceeding a contract value of EUR 500,000 (in words: Euro five hundred thousand) or with onerous terms, (vii) cancel or waive any claims or rights of a value exceeding in the individual case EUR 500,000 (in words: Euro five hundred thousand), (viii) enter into any agreement or arrangement with Sellers or an Affiliate with Sellers not at arm's length terms, (ix) commence any litigation with a dispute value (Streitwert) in excess of EUR 250,000 (in words: Euro two hundred fifty thousand), (x) shorten or lengthen the customary payment cycles for any receivables or payables, (xi) acquire or dispose of any material business or (xii) agree in writing to do any of the foregoing, provided however, that Sellers and any of the Companies may enter into bonus agreements with any of the Companies' employees and/or any of their managing directors in an aggregate maximum amount of EUR 1,077,000 (in words: Euro one million seventy seven thousand), which amounts shall be borne by the Companies and are already reflected in the Purchase Price ("STAY BONUS ARRANGEMENTS").

SECTION 11

[INTENTIONALLY LEFT BLANK.]

SECTION 12

RESTRICTION OF ANNOUNCEMENT / STAY BONUS / COOPERATION / CONFIDENTIALITY /
NON-COMPETITION AND NON-SOLICITATION / PARENT LIABILITY / JOINT PURCHASER
LIABILITY

- 12.1 RESTRICTIONS OF ANNOUNCEMENTS. Each of the Parties undertakes that prior to the Closing Date it will not make an announcement in connection with this Agreement unless required by applicable mandatory law or stock exchange regulations or the other Party hereto has given its consent to such announcement in writing, including the form of such announcement, which consents may not be unreasonably withheld and may be subject to conditions. If and to the extent any announcement or disclosure of information regarding the subject matter of this Agreement is to be made under applicable mandatory laws, in particular any applicable stock exchange regulations, the Party being concerned shall not disclose any such information without prior consultation with the other Party.
- 12.2 STAY BONUS. Purchasers acknowledge the Stay Bonus Arrangements (as defined in Section 10.3) made or to be made to certain of the managing directors and/or

employees of the EDH Group. If and to the extent that the Stay Bonus Arrangements should not have been validly made by any of the Companies, Purchasers agrees to provide for such payments to be effected in its own name as if such promises had been validly made by Purchaser itself under full discharge of the original debtors.

- 12.3 COOPERATION. Upon and after the Closing Date, Sellers and Purchasers shall each use their reasonable best efforts to execute and deliver or procure to be done, executed and delivered all such further acts, deeds, documents, instruments of conveyance, assignment and transfer and things as may be reasonably necessary to implement the terms of this Agreement.
- 12.4 CONFIDENTIALITY. The Parties agree to keep strictly confidential any information obtained by them in connection with the negotiation and conclusion of this Agreement with respect to the respective other party and its Affiliates unless otherwise agreed in writing between the Parties or required by applicable law.
- 12.5 CONFIDENTIALITY WAIVER. Each Party authorises every other Party (and each employee, representative or other agent of every other Party) to disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the Transaction and all materials of any kind (including opinions or other tax analyses) that are provided to such party related to such tax treatment and tax structure.
- 12.6 NON-COMPETITION/ NON-SOLICITATION MAUSER AND FARK. Mr. Gotz Mauser and Mr. Martin Fark of Permira Beteiligungsberatung GmbH have entered into the non-competition and non-solicitation agreement with Purchaser attached hereto as Exhibit 12.6 ("NON-COMPETITION / NON-SOLICITATION AGREEMENT"). The Parties expressly agree that none of the Sellers shall be subject to any kind of non-competition obligation or non-solicitation obligation with respect to any employees / managing directors of any of the Companies.

Sellers will reimburse all reasonable costs incurred by Gotz Mauser and Martin Fark under or in connection with the Non-competition / Non-solicitation Agreement, including in particular any reasonable lawyer's fees for defending any claims raised by Purchaser against Gotz Mauser and Martin Fark, to the extent such claims are not validly based on wilful misconduct on the part of Gotz Mauser and Martin Fark. This obligation shall constitute an agreement for the benefit of third parties (echte Vereinbarung zugunsten Dritter) within the meaning of Section 328 of the German Civil Code. No obligations shall attach to Purchasers in respect of Gotz Mauser and Martin Fark.

- 12.7 PARENT LIABILITY. Henry Schein will be jointly liable for any and all obligations of Purchaser under or in connection with this Agreement, even in case of a transfer of rights and obligations pursuant to Section 14.4.

12.8 JOINT PURCHASERS' LIABILITY. All Purchasers will be jointly liable for any and all obligations of any Purchaser under or in connection with this Agreement, even in case of a transfer of rights and obligations pursuant to Section 14.4.

SECTION 13
NOTICES / EXERCISE OF RIGHTS

13.1. NOTICES. All notices and other communications hereunder shall be made in writing and shall be delivered or sent by registered mail or courier to the addresses below or to such other addresses which may be specified by any Party to the other Parties in the future in writing:

If to Sellers:

Freshfields Bruckhaus Deringer
Dr. Andreas von Werder
Taunusanlage 11
60329 Frankfurt am Main
Germany

with a copy to:

Clifford Chance
Volker Kullmann
Theresienstrasse 4-6
80333 Munich
Germany

If to Purchaser:

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

with a copy to:

Baker & McKenzie
 Attn.: Dr. Bernd R. Mayer
 Neuer Zollhof 3
 40221 Dusseldorf
 Germany

13.2 EXERCISE OF RIGHTS. Any statements, declarations and notices of Sellers under or in connection with this Agreement as well as the Escrow Agreement may be validly made or given only by Dr. Volker Kullmann (with the address set forth in Section 13.1) on behalf of all Sellers and Sellers hereby authorize Dr. Volker Kullmann (with the address set forth in Section 13.1) to act in their name and on their behalf in making such statements, declarations and giving such notices. The same shall apply to the exercise of any rights by Sellers under or in connection with this Agreement.

13.3 SETTLEMENT OF PURCHASER CLAIMS. Sellers hereby appoint Dr. Volker Kullmann (with the address set forth in Section 13.1) ("APPOINTEE") to act in their name and on their behalf to negotiate, accept, compromise, admit to settle any Purchaser Claims arising out of or in connection with this Agreement, provided that this Section shall only apply (a) to Purchaser Claims other than in respect of a breach of Sections 6.1.2 (i) and (ii), unless the relevant defect on which the Purchaser Claims is based extends to all Shareholders, and (b) to Purchaser Claims in respect of which the Time Limitations have not yet expired, it being understood that in respect of Purchaser Claims based on a breach of Sections 6.1.2 (i) and (ii) and extending to all Sellers (as set forth in Section 13.3 (a)), the Time Limitations of Section 9.1 (and not the extended time limitation set forth in Section 8.8.3) will apply for purposes of this Section 13.3 (b). Any termination of such appointment is valid only if (a) made in writing and (b) if at the same time a new appointee is notified to the Purchaser. Sellers will pay to the Appointee all reasonable fees for Appointee's services and expenses incurred by Appointee. This obligation shall constitute an agreement for the benefit of third parties (echte Vereinbarung zugunsten Dritter) within the meaning of Section 328 of the German Civil Code. Any liability of the Appointee shall be limited to gross negligence (grobe Fahrlässigkeit) and wilful misconduct (Vorsatz) only.

SECTION 14 MISCELLANEOUS

14.1 FEES / COSTS / EXPENSES. All expenses, costs, fees and charges in connection with the Transactions including legal services, shall be borne by the Party commissioning the respective costs, fees and charges, in particular, the Companies shall not bear any

costs for lawyers, accountants, investment bankers and other advisors advising Sellers' in relation to the Transaction to the extent not already paid before the Economic Transfer Date. All notarial fees incurred with the notarisation of this Agreement and the agreements to be executed to implement the Transactions as well as all official fees charged by the cartel authorities in connection with the merger clearances required under this Agreement shall be borne by Purchasers. Purchasers shall also be responsible for the payment of any sales, transfer or stamp taxes, or other similar charges, payable by reason of the Transaction.

- 14.2 EXHIBITS AND SCHEDULES. All Exhibits and Schedules to this Agreement constitute an integral part of this Agreement and any reference to this Agreement includes this Agreement and its Exhibits as a whole. The disclosure of, or reference to, any matter in this Agreement (including any Exhibit and Schedule thereto) shall be deemed to be a disclosure.
- 14.3 ENTIRE AGREEMENT. This Agreement (including all Exhibits and Schedules hereto) comprises the entire agreement between the Parties concerning the subject matter hereof and supersedes and replaces all oral and written declarations of intention made by the Parties in connection with the contractual negotiations except for the Confidentiality Agreement dated 11 September 2003. Changes or amendments to this Agreement (including this Section 14.3) must be made in writing by the Parties or in any other legally required form, if so required.
- 14.4 NO ASSIGNMENT. No Party shall be entitled to assign any rights, obligations or claims under this Agreement without the prior written consent of the other Party provided that the Purchasers may assign all rights and obligations under this Agreement to an Affiliate of the Purchasers without the express consent of the Sellers which is hereby granted, provided however that Purchasers will in any event remain jointly liable for all obligations of the relevant assignee under and in connection with this Agreement.
- 14.5 INTEREST DAYS. Interest payable under any provision of this Agreement shall be calculated on the basis of actual days elapsed divided by 365.
- 14.6 BUSINESS DAYS. "BUSINESS DAYS" shall be the days on which banks are open for business in Frankfurt am Main, Germany.
- 14.7 NO THIRD PARTY RIGHTS. This Agreement shall not grant any rights to, and is not intended to operate for, the benefit of third parties unless otherwise explicitly provided for herein.
- 14.8 HEADINGS. The headings in this Agreement are inserted for convenience only and shall not affect the interpretation of this Agreement; where a German term has been

inserted in quotation marks and/or italics it alone (and not the English term to which it relates) shall be authoritative for the purpose of the interpretation of the relevant English term in this Agreement.

- 14.9 SET-OFF / RETENTION. No Party, except as provided otherwise herein, shall be entitled (i) to set-off (aufrechnen) any rights and claims it may have against any rights or claims the other Party may have under this Agreement or (ii) to refuse to perform any obligation it may have under this Agreement on the grounds that it has a right of retention (Zurückbehaltungsrecht) unless the rights or claims of the relevant Party claiming a right of set-off (Aufrechnung) or retention (Zurückbehaltung) have been acknowledged (anerkannt) in writing by the relevant other Party/Parties or have been confirmed by final decision of a competent court (Gericht) or arbitration court (Schiedsgericht).
- 14.10 GOVERNING LAW / ARBITRATION. This Agreement shall be governed by, and be construed in accordance with, the laws of the Federal Republic of Germany, excluding the principles of conflicts of laws and the UN Convention on the Sale of Goods. All disputes arising under or in connection with this Agreement or its validity shall be finally settled in accordance with the arbitration rules set forth in Section 15.
- 14.11 SEVERABILITY. In the event that one or more provisions of this Agreement shall, or shall be deemed to, be invalid or unenforceable, the validity and enforceability of the other provisions of this Agreement shall not be effected thereby. In such case, the Parties hereto agree to recognise and give effect to such valid and enforceable provision or provisions which correspond as closely as possible to the commercial intent of the Parties. The same shall apply in the event that the Agreement contains any loopholes (Vertragslücken).
- 14.12 EURO. Any reference to EUR shall mean Euro, the currency of the European Union. For the purpose of any disclosure thresholds in the representations and warranties, such reference shall include the equivalent in any foreign currency at the exchange rate officially determined in Frankfurt am Main, Germany, on the Signing Date.
- 14.13 INTERPRETATIONS. Words such as "hereof" or "hereunder" refer (unless otherwise required by the context) to this Agreement as a whole and not to a specific provision of this Agreement. The term "including" shall mean "including, without limitation" and the term "in particular" shall mean "in particular, without limitation".

SECTION 15
ARBITRATION PROCEEDINGS

- 15.1 COMPETENCE OF THE ARBITRAL TRIBUNAL. All disputes arising out of or in connection with the Share Purchase Agreement or its validity shall be finally settled in accordance with the Arbitration Rules of the German Institution for Arbitration e.V. ("DIS RULES") without recourse to the ordinary courts of law. Where this Section 15 deviates from the DIS Rules, this Section 15 shall prevail; where this Section 15 is silent, the DIS Rules apply.
- 15.2 PLACE AND LANGUAGE OF THE ARBITRATION. The place of arbitration is Zurich/Switzerland. The language of the arbitration proceedings is English. However, no party shall be obliged to submit translations of documents drafted in the German language.
- 15.3 APPLICABLE LAW. The arbitral tribunal ("ARBITRAL TRIBUNAL") shall apply the substantive law as provided in this Agreement.
- 15.4 COMPOSITION OF THE ARBITRAL TRIBUNAL. The Arbitral Tribunal shall consist of three arbitrators:
- 15.4.1 if there are only two parties to the arbitration proceedings, each party shall nominate one arbitrator. The two arbitrators nominate a chairman of the Arbitral Tribunal;
- 15.4.2 several claimants shall nominate one arbitrator jointly; several respondents shall nominate one arbitrator jointly;
- 15.4.3 if the arbitration proceedings are not brought by all Sellers or Purchasers against all Purchasers or Sellers, respectively, the claimant(s) shall notify all other Parties of the submission of the statement of claim by registered mail including a copy of such statement of claim and request that those of them who wish to join the arbitration proceedings declare such joining and whether they wish to join on the claimants' or respondents' side, by registered mail to the parties to the arbitration proceedings (with a copy to the DIS and with advance fax to all recipients) within two weeks of receipt. Claimant(s) and respondent(s) will not nominate arbitrators before the elapse of the above two week period, at the earliest three weeks from the dispatching of the last of such notifications by the claimant(s). Parties who declare their joining to the arbitration proceedings prior to the expiration of this deadline have to nominate an arbitrator jointly with the party or parties on whose side they join.
- 15.5 SUBSEQUENT JOINING. Parties who have not joined the arbitration proceedings within the deadline provided under Section 15.4.3 do not take part in the arbitration proceedings. However, they remain entitled to join the arbitration proceedings on the side of

either claimant(s) or respondent(s). In case of a subsequent joining, they have to accept the composition of the Arbitral Tribunal and the state of the proceedings at the time of their joining.

- 15.6 REIMBURSEMENT OF ATTORNEYS' FEES. Several claimants and respondents as well as Parties joining the arbitration proceedings on either side shall appoint the same attorney to act for them in the proceedings. If several claimants or respondents cannot agree on joint representation by the same attorney, they shall - if they prevail in the arbitration - only be jointly entitled to reimbursement of attorneys' fees in the amount of fees they would have incurred in case of joint representation. A joining Party who appoints a different attorney shall not be entitled to reimbursement of attorneys' fees. This does not apply in case the attorney acting for the party on whose side the joining Party intends to join the arbitration proceedings is prevented from acting for such joining Party due to a conflict of interest as defined by mandatory German bar rules. In such case, the joining Contract Party will be entitled to full reimbursement of its attorneys' fees.
- 15.7 PROCEDURAL ACTS OF JOINING PARTY. A Party joining the arbitration proceedings may bring factual submissions in support of or in defence against a claim and other procedural acts insofar as such declarations or acts do not contradict declarations or acts of the party or parties on whose side such Party joined.
- 15.8 BINDING EFFECT OF AWARD. The Arbitral Tribunal's findings of facts and law, that do not exclusively concern the relationship between one or several claimants on the one hand and one or several respondents on the other hand, but also establish a basis for claims in relation between other Parties, become binding on all Parties properly notified of the initiation of the arbitration proceedings regardless of their joining the arbitration proceedings. In subsequent disputes with other Parties, a Party who knew of the initiation of the arbitration proceedings is precluded from relying on the submission that the arbitration proceedings were decided erroneously or that one of the parties to the arbitration proceedings misconducted the proceedings. No Party shall be precluded from relying on grounds to vacate an award in accordance with Sec. 1059 of the German Code of Civil Procedure (ZPO).
- 15.9 LIMITATION PERIOD. The Parties agree that the initiation of in arbitration proceedings expiration of the Limitation Period interrupts the running of the Limitation Periods in relation to the relevant Purchaser Claim and also all other Parties regardless of whether such other Parties are parties to or join the arbitration proceedings. If Parties not participating in the arbitration proceedings but on whom the award will have a binding effect pursuant to Section 15.8, the limitation period is interrupted (gehemmt) from the initiation of the arbitration proceedings until four (4) months after receipt of the award by registered mail. The same applies if the arbitration proceedings are

terminated by order of the arbitral tribunal or by the DIS Secretariat in accordance with Sec. 39 of the DIS Rules.

SECTION 16
EXHIBITS / DISCLOSURE SCHEDULES / DEFINITIONS

16.1 EXHIBITS / DISCLOSURE SCHEDULES

| | |
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| Exhibit A | Corporate Chart |
| Exhibit 3.3 | Consent for Transfer of Shareholder Loans |
| Exhibit 4.3 | Purchase Price Allocation |
| Exhibit 5.4.9 | Assignment of EDH Shares |
| Exhibit 5.4.10 | Assignment of Krugg Seller Share |
| Exhibit 5.4.11 | Transfer of Shareholder Loans |
| Exhibit 6.1 | Sellers, Guarantees |
| Exhibit 6.1 (iv) | Sellers' Knowledge |
| Schedule 6.1.2 | Ownership of Shares |
| Schedule 6.1.3 | Articles of Association and By-laws |
| Schedule 6.1.4 | Supervisory and Advisory Boards |
| Schedule 6.1.6 | Affiliates/Enterprise Agreements |
| Schedule 6.1.8 | Intellectual Property Rights |
| Schedule 6.1.9 | Insurances |
| Schedule 6.1.10 | Material Assets |
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| Schedule 6.1.12 | Governmental Approval, Licences and Permits |
| Schedule 6.1.13 | Litigation |
| Schedule 6.1.14 | Shop Agreements |
| Schedule 6.1.15 | Labor Strikes and Violation of Laws |
| Schedule 6.1.16 | Tax Matters |
| Schedule 6.1.17 | Financial Statements 2002 and 2003 |
| Schedule 6.1.18 | Material Adverse Changes |
| Schedule 6.1.19 | Dealings with Sirona Group |
| Exhibit 8.3.5 | Data Room Index |
| Exhibit 8.3.5 (ii) | Written Answers to Information Requests |
| Exhibit 12.2 | Stay Bonus |
| Exhibit 12.6 | Non-competition / Non-solicitation Agreement |
| Exhibit 14.10 | Arbitration Agreement |

16.2 DEFINITIONS

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| Bank Debt | Section 2.2.4 |
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| Closing | Section 5.4 |
| Closing Actions | Section 5.4 |
| Closing Condition | Section 5.2 |
| Closing Date | Section 5.1.3 |
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| Companies | Section 1.4 |
| Company | Section 1.4 |
| De Minimis Amount | Section 9.3 |
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| Demedis Group | Preamble C |
| Demedis Call Option Agreement | Preamble C |
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| DentraNet Share | Section 1.3.3 |
| Direct Shares | Section 1.3.3 |
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| EDH | Preamble A |
| EDH Dental Business | Preamble A |
| EDH Group | Preamble A |
| EDH Sellers | Preamble 1. |
| EDH Senior Facility | Section 2.2.1 |
| EDH Senior Facility Agreement | Section 2.2.1 |
| EDH Senior Facility Amount | Section 2.2.1 |

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| EDH Senior Facility Repayment Amount | Section 2.3.1 |
| EDH Senior Lenders | Section 2.2.1 |
| EDH Senior Lenders' Account | Section 5.4.2 |
| EDH Share | Section 1.1 |
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| Environmental Investigation | Section 6.1.23 |
| Escrow Account | Section 5.4.2 |
| Escrow Agent | Section 4.6 |
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| Krugg Facilities | Section 2.2.5 |
| Krugg Facility Agreements | Section 2.2.5 |
| Krugg Facility Amount | Section 2.2.5 |
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| Krugg Lenders | Section 2.2.5 |
| Krugg Lenders' Account | Section 5.4.6 |
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| Krugg Seller Shares | Section 1.2 |
| Krugg Share Pledge | Section 5.9 |
| Krugg Share Pledge Agreement | Section 5.9.6 |
| Krugg Share Transfer | Section 5.9.4 |
| Krugg Share Transfer Date | Section 5.9.6 |
| Liability Cap | Section 9.4 |
| M + W Beteiligung | Section 1.3.1 |
| M + W Beteiligung Share | Section 1.3.1 |
| M + W KG | Section 1.4.1 (ii) |

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| M + W Verwaltung | Section 1.4.1 (i) |
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| MAC Withdrawal | Section 5.5.2 (i) |
| Material Adverse Effect | Section 6.1 (vii) |
| Material Agreements | Section 6.1.11 |
| Material Assets | Section 6.1.10 |
| Material Permits | Section 6.1.12 |
| Mezzanine Facility I | Section 2.2.2 |
| Mezzanine Facility II | Section 2.2.3 |
| Mezzanine Facility III | Section 2.2.4 |
| Mezzanine Facility Amount I | Section 2.2.2 |
| Mezzanine Facility Amount II | Section 2.2.3 |
| Mezzanine Facility Amount III | Section 2.2.4 |
| Mezzanine Facility I Repayment Amount | Section 2.3.2 |
| Mezzanine Facility II Repayment Amount | Section 2.3.3 |
| Mezzanine Facility III Repayment Amount | Section 2.3.4 |
| Mezzanine Lender I | Section 2.2.2 |
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| Mezzanine Loan Agreement II | Section 2.2.3 |
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| Non MAC Withdrawal | Section 5.5.2 (ii) |
| Parties | Preamble |
| Party | Preamble |
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| Pension Commitments | Section 6.1.23 |
| Pro-rata Escrow Amount | Section 8.9 |
| Purchase Price | Section 4.1 |
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| Sellers | Preamble 3. |
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| Sustainable Operating Profits | Section 5.5.1 (ii) |
| Taxes | Section 6.1.16 |
| Third Party Claim | Section 8.4 |
| Tax Returns | Section 8.3.8 (iv) |
| Time Limitations | Section 9.1 |
| Transaction | Section 5.2 |

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\$150,000,000

CREDIT AGREEMENT

dated as of June 17, 2004

among

HENRY SCHEIN, INC.,
as Borrower,

The Several Guarantors from Time to Time Parties Hereto,

The Several Lenders Party Hereto,

JPMORGAN CHASE BANK,
as Administrative Agent,

and

LEHMAN COMMERCIAL PAPER INC.,
as Syndication Agent

=====
J.P. MORGAN SECURITIES INC.,
as Lead Arranger and Joint Bookrunner,

LEHMAN BROTHERS INC.,
as Lead Arranger and Joint Bookrunner

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CREDIT AGREEMENT, dated as of June 17, 2004, among (i) Henry Schein, Inc., a Delaware corporation (the "Borrower"), (ii) the several guarantors from time to time parties hereto (the "Guarantors"), (iii) JPMorgan Chase Bank ("JPMCB"), as administrative agent for the Lenders hereunder (in such capacity, the "Administrative Agent"), (iv) Lehman Commercial Paper Inc., as syndication agent (in such capacity, the "Syndication Agent"), (v) J.P. Morgan Securities Inc. and Lehman Brothers Inc., as lead arrangers and joint bookrunners (collectively, in such capacity, the "Joint Bookrunners"), and (vi) the several lenders and other financial institutions or entities from time to time parties hereto (the "Lenders").

W I T N E S S E T H :

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WHEREAS, the Borrower has entered into Sale and Purchase Agreements, effective as of January 6, 2004 and January 7, 2004, as the case may be (the "Purchase Agreements"), to acquire all of the capital stock of demedis GmbH and Euro Dental Holding GmbH (collectively, the "Target") for cash consideration of E270,000,000 (the "Transaction");

WHEREAS, the Borrower has requested that the Lenders make available a six-month term loan facility as described herein to finance the Transaction and to pay related fees and expenses; and

WHEREAS, the Lenders have agreed to make such term loan facility available upon the terms and subject to the conditions set forth herein;

NOW, THEREFORE, in consideration of the premises, and of the mutual covenants and agreements herein contained and other good and valuable consideration, receipt of which is hereby acknowledged, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 Defined Terms.

As used in this Agreement, the following terms shall have the following meanings:

"ABR": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the greater of (a) the Prime Rate in effect on such day, and (b) the Federal Funds Effective Rate in effect on such day plus - 1/4 of 1%. For purposes hereof: "Prime Rate" shall mean the rate of interest per annum publicly announced from time to time by JPMCB as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by JPMCB in connection with extensions of credit to debtors); and "Federal Funds Effective Rate" shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a

Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it. Any change in the ABR due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"ABR Loans": Loans bearing interest at a rate per annum determined by reference to the ABR.

"Acquisition": the acquisition of (a) a controlling equity or other ownership interest in a Person (including the purchase of an option, warrant or convertible or similar type security to acquire such a controlling interest at the time it becomes exercisable by the holder thereof), whether by purchase of such controlling equity or other ownership interest or upon exercise of an option or warrant for, or conversion of securities into, such controlling equity or other ownership interest, or (b) assets of a Person which constitute all or substantially all of the assets of such Person or of a line or lines of business conducted by such Person; provided that, for purposes of this Agreement, the Transaction shall not be considered an "Acquisition".

"Adjusted LIBO Rate": with respect to each day during each Interest Period pertaining to a LIBOR Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

LIBO Rate
1.00 - Eurocurrency Reserve Requirements

"Administrative Agent": JPMCB, as the Administrative Agent for the Lenders under this Agreement and the other Loan Documents.

"Administrative Questionnaire": an administrative questionnaire in a form supplied by the Administrative Agent.

"Affiliate": as to any Person, any other Person (other than a Subsidiary) which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 25% or more of the securities having ordinary voting power for the election of directors of (or persons performing similar functions for) such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"Agents": the collective reference to the Administrative Agent, the Joint Bookrunners and the Syndication Agent.

"Agreement": this Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"Applicable Margin": 0.925%.

"Approved Fund": as defined in subsection 10.6(b).

"Assignee": as defined in subsection 10.6(b).

"Assignment and Acceptance": as defined in subsection 10.6(b).

"Attorney Costs": all reasonable fees and disbursements of any law firm or other external counsel.

"Borrower": as defined in the preamble to this Agreement.

"Business": as defined in subsection 4.10.

"Business Day": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close; provided, that if such day relates to any LIBOR Loan, such term shall mean a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close which is also a London Business Day.

"Capital Lease Obligations": as to any Person, the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP and, for the purposes of this Agreement, the amount of such obligations at any time shall be the capitalized amount thereof at such time determined in accordance with GAAP.

"Capital Markets Transaction": the issuance or sale by the Borrower or any of its Subsidiaries in a registered public offering, Rule 144A/Regulation S transaction or private placement of Equity Interests (including equity-linked securities) or notes, debentures, instruments or other debt securities with a maturity in excess of one year; provided that, any such issuance or sale of Equity Interests of the Borrower pursuant to any equity compensation plans or arrangements shall not constitute a "Capital Markets Transaction."

"CLO": as defined in subsection 10.6(b).

"Closing Date": the date, on or before the earlier of (x) October 15, 2004 and (y) the date that is five Business Days after execution and delivery of this Agreement by all of the parties hereto, on which date the conditions precedent set forth in subsection 5.1 shall be satisfied.

"Code": the Internal Revenue Code of 1986, as amended from time to time.

"Commitment": as to any Lender, its obligation to make a Loan to the Borrower on the Closing Date in an amount equal to the amount set forth opposite such Lender's name in Schedule 1.1 under the heading "Commitment" or, if applicable, in the Assignment and Acceptance pursuant to which such Lender becomes a party to this Agreement; collectively, as to all such Lenders, the "Commitments".

"Commitment Percentage": as to any Lender, the percentage of the aggregate Commitments then constituted by such Lender's Commitment (or, after the Loans are made on the Closing Date, the percentage of the aggregate principal amount of Loans then constituted by the principal amount of such Lender's Loans).

"Commonly Controlled Entity": an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the Borrower and which is treated as a single employer under Section 414 of the Code, except that for purposes of Title IV of ERISA, a "Commonly Controlled Entity" means an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA.

"Consolidated EBITDA": for any period, Consolidated Operating Income plus, without duplication, (a) Consolidated Interest Income, (b) depreciation, (c) amortization and (d) the Designated Charges of the Borrower and its Subsidiaries for such period, determined on a consolidated basis and as calculated consistent with the manner disclosed by the Borrower in its Annual Report on Form 10-K for the fiscal year ended December 27, 2003.

"Consolidated Gross Profit": for any period, net sales less cost of sales of the Borrower and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP and as calculated consistent with the manner disclosed by the Borrower in its Annual Report on Form 10-K for the fiscal year ended December 27, 2003.

"Consolidated Interest Coverage Ratio": for any date of determination, the ratio of (a) Consolidated EBITDA for the period of the four prior fiscal quarters ending on (or most recently ended prior to) such date to (b) Consolidated Interest Expense for such period.

"Consolidated Interest Expense": for any period, total interest expense (including, without limitation, rent or interest expense pursuant to Capital Lease Obligations that is treated as interest in accordance with GAAP) of the Borrower and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP and as calculated consistent with the manner disclosed by the Borrower in its Annual Report on Form 10-K for the fiscal year ended December 27, 2003.

"Consolidated Interest Income": for any period, the interest income of the Borrower and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP and as calculated consistent with the manner disclosed by the Borrower in its Annual Report on Form 10-K for the fiscal year ended December 27, 2003.

"Consolidated Leverage Ratio": at any date of determination, the ratio of (a) Consolidated Total Debt on such date to (b) Consolidated EBITDA for the period of the four fiscal quarters ending on (or most recently ended prior to) such date.

"Consolidated Operating Expenses": for any period, total expenses related to salaries, employee benefits and general and administrative expenses of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP and as calculated consistent with the manner disclosed by the Borrower in its Annual Report on Form 10-K for the fiscal year ended December 27, 2003.

"Consolidated Operating Income": for any period, Consolidated Gross Profit less Consolidated Operating Expenses of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP and as calculated consistent with the manner disclosed by the Borrower in its Annual Report on Form 10-K for the fiscal year ended December 27, 2003.

"Consolidated Total Assets": at any date of determination, the net book value of all assets of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP and as calculated consistent with the manner disclosed by the Borrower in its Annual Report on Form 10-K for the fiscal year ended December 27, 2003.

"Consolidated Total Debt": at any date of determination, the aggregate amount of all Indebtedness of the Borrower and its Subsidiaries determined on a consolidated basis in accordance with GAAP and as calculated consistent with the manner disclosed by the Borrower in its Annual Report on Form 10-K for the fiscal year ended December 27, 2003.

"Continuing Directors": as to the Borrower, the directors of the Borrower on the Closing Date and each other director of the Borrower whose nomination for election to the Board of Directors of Borrower is recommended by a majority of the then Continuing Directors.

"Contractual Obligation": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"Default": any event or circumstance that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Designated Charges": for any period, to the extent deducted in computing Consolidated Operating Income, the aggregate of total (a) non-cash, non-recurring merger and integration costs, and (b) non-cash, non-recurring restructuring costs, of the Borrower and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP and as calculated consistent with the manner disclosed by the Borrower in its Annual Report on Form 10-K for the fiscal year ended December 27, 2003.

"Disposition" or "Dispose": the sale, transfer, license or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal, with or without recourse, of any notes or accounts receivable or any rights and claims associated therewith.

"Disposition Value": (a) in the case of property that does not constitute Subsidiary Stock, the book value thereof, valued at the time of such Disposition in good faith by the Borrower, and (b) in the case of property that constitutes Subsidiary Stock, an amount equal to that percentage of book value of the assets of the Subsidiary that issued such stock as is equal to the percentage that the book value of such Subsidiary Stock represents of the book value of all of the outstanding Equity Interests of such Subsidiary (assuming, in making such calculations, that all securities convertible into such Equity Interests are so converted and giving full effect to all transactions that would occur or be required in connection with such conversion) determined at the time of the Disposition thereof, in good faith by the Borrower.

"Domestic Subsidiary": any Subsidiary other than a Foreign Subsidiary.

"Dollars" and "\$": lawful currency of the United States of America.

"Environmental Laws": any and all applicable foreign, Federal, state, local or municipal laws, rules, regulations, statutes, ordinances, codes, decrees, or other enforceable requirements or orders of any Governmental Authority or other Requirements of Law regulating, relating to or imposing liability or standards of conduct concerning protection of human health or the environment, as now or may at any time hereafter be in effect.

"Equity Interests": any and all shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interests.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"Eurocurrency Reserve Requirements": for any day as applied to a Loan, the aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements actually imposed on such day (including, without limitation, basic, supplemental, marginal and emergency reserves) under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of such Board) maintained by a member bank of such System. The determination of Eurocurrency Reserve Requirements by the Administrative Agent shall be conclusive in the absence of manifest error.

"Event of Default": any of the events specified in Section 8.

"Existing Credit Agreement": the \$200,000,000 Credit Agreement, dated as of May 2, 2002, among the Borrower, the guarantors and lenders party thereto and JPMCB, as administrative agent thereunder, as amended, restated, refinanced, supplemented or otherwise modified.

"Fair Market Value": at any time and with respect to any property, the sale value of such property that would be realized in an arm's-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"Federal Funds Effective Rate": as defined in the definition of "ABR" in this subsection 1.1.

"Fee Commencement Date": the Closing Date.

"Financing Lease": any lease of property, real or personal, the obligations of the lessee in respect of which are Capital Lease Obligations on a balance sheet of the lessee.

"Foreign Subsidiary": any Subsidiary incorporated or otherwise organized in any jurisdiction outside the United States of America, its territories and possessions.

"GAAP": generally accepted accounting principles in the United States of America consistently applied with respect to those utilized in preparing the audited financial statements referred to in subsection 4.1.

"Governmental Authority": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"Guarantors": each of Roane Barker, Inc., Dentrax Dental Systems, Inc., HSI Service Corp., Micro Bio-Medics, Inc. and GIV Holdings, Inc., any Subsidiaries or Affiliates that are guarantors under or with respect to any of the Note Purchase Agreements or the Existing Credit Agreement from time to time from and after the date hereof, and any Significant Subsidiary of the Borrower from time to time formed, acquired, organized or existing from and after the date hereof.

"Guarantee Obligation": as to any Person (the "guaranteeing person"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "primary obligations") of any other unrelated third Person (the "primary obligor") in any manner, whether directly or

indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; provided, however, that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee Obligation is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith.

"Indebtedness": of any Person at any date, without duplication, (a) all indebtedness of such Person for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services, (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all obligations of such person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, (e) all Capital Lease Obligations of such Person, (f) all obligations of such Person, contingent or otherwise, as an account party or applicant under or in respect of bankers' acceptances, letters of credit, surety bonds or similar arrangements, (g) all indebtedness of such Person, determined in accordance with GAAP, arising out of a Receivables Transaction, (h) all Guarantee Obligations of such Person, (i) all obligations of such Person secured by (or for which the holder of such obligation has an existing right, contingent or otherwise, to be secured by) any Lien on property (including accounts and contract rights) owned by such Person, whether or not such Person has assumed or become liable for the payment of such obligation; provided, however, that in the event that liability of such Person is non-recourse to such Person and is recourse only to specified property owned by such Person, the amount of Indebtedness attributed thereto shall not exceed the greater of the Fair Market Value of such property or the net book value of such property, and (j) for the purposes of subsection 8(d) only (except to the extent otherwise included above), all obligations of such Person in respect of Swap Agreements; provided that for the purposes of subsection 8(d), the "principal amount" of the obligations of such Person in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that such Person would be required to pay if such Swap Agreement were terminated at such time. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is actually liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness expressly provide that such Person is not actually liable therefor.

"Insolvency": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"Insolvent": pertaining to a condition of Insolvency.

"Interest Payment Date": (a) as to any ABR Loan, the last day of each March, June, September and December; (b) as to any LIBOR Loan having an Interest Period of three months or less, the last day of such Interest Period; and (c) as to any LIBOR Loan having an Interest Period longer than three months, each day which is three months, or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period.

"Interest Period": with respect to any LIBOR Loan:

(i) initially, the period commencing on the Closing Date or conversion date, as the case may be, with respect to such LIBOR Loan and ending one, two, three or six months thereafter, or, subject to approval by all of the Lenders, seven days thereafter, as selected by the Borrower in its notice of conversion given with respect thereto; and

(ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such LIBOR Loan and ending one, two or three months (or if applicable, seven days) thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto; provided that, all of the foregoing provisions relating to Interest Periods are subject to the following:

(1) if any Interest Period would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(2) any Interest Period in respect of any Loan made by any Lender that would otherwise extend beyond the Maturity Date applicable to such Lender shall end on such Maturity Date; and

(3) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

"IRS": the United States Internal Revenue Service and any successor governmental agency performing a similar function.

"Joint Bookrunners": as defined in the preamble to this Agreement.

"JPMCB": as defined in the preamble to this Agreement.

"Lender Affiliate": (a) any Affiliate of any Lender, (b) any Person that is administered or managed by any Lender and that is engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business and (c) with respect to any Lender which is a fund that invests in commercial loans and similar extensions of credit, any other fund that invests in commercial loans and similar extensions of credit and is managed or advised by the same investment advisor as such Lender or by an Affiliate of such Lender or investment advisor.

"Lenders": as defined in the preamble hereto, and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption; provided, that unless the context otherwise requires, each reference herein to the Lenders shall be deemed to include any Approved Fund.

"LIBOR Loans": Loans bearing interest at a rate based upon the Adjusted LIBO Rate.

"LIBO Rate": with respect to each day during each Interest Period pertaining to a LIBOR Loan, the rate per annum determined by the Administrative Agent to be the offered rate for deposits in Dollars with a term comparable to such Interest Period that appears on the applicable Telerate Page (or on any successor or substitute page or service, or any successor to or substitute for such page or service, providing rate quotations comparable to those currently provided on such page or service, as reasonably determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to deposits in Dollars in the London interbank market) at approximately 11:00 A.M., London time, two Business Days prior to the beginning of such Interest Period; provided, however, that if at any time for any reason such offered rate shall not be available, "LIBO Rate" shall mean, with respect to each day during each Interest Period pertaining to a LIBOR Loan, the rate per annum reasonably determined by the Administrative Agent as the rate of interest at which deposits in Dollars for delivery on the first day of such Interest Period in same day funds in the amount of \$5,000,000 and with a term equivalent to such Interest Period would be offered by JPMCB's London branch or London Affiliate to major banks in the London interbank market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period. The determination of the LIBO Rate by the Administrative Agent shall be conclusive in the absence of manifest error.

"Lien": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any Financing Lease having substantially the same economic effect as any of the foregoing).

"Loan": as defined in subsection 2.1.

"Loan Documents": this Agreement, any Notes, the Fee Letter (as defined in subsection 2.3), and all other instruments and documents heretofore or hereafter executed or delivered to or in favor of any Lender or the Administrative Agent in connection with the Loans made and transactions contemplated by this Agreement.

"London Business Day": any day on which banks in London are open for general banking business, including dealings in foreign currency and exchange.

"Majority Lenders": at any time, Lenders whose Commitment Percentages aggregate more than 50%; provided that, in the event that there are no more than two Lenders (for purposes of this definition, Affiliates of Lenders shall not be considered additional Lenders), "Majority Lenders" shall mean Lenders whose Commitment Percentages aggregate 100%.

"Material Adverse Effect": a material adverse effect on (i) the business, assets, property or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, or (ii) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Administrative Agent and the Lenders thereunder, provided that events, developments or circumstances ("Changes") (including general economic or political conditions) generally affecting the Borrower's industry which are not reasonably likely to have a material adverse effect on (x) the business, assets, property or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, or (y) the validity or enforceability of any of the Loan Documents or the rights or remedies of the Administrative Agent or Lenders thereunder, will not be deemed Changes for purposes of determining whether a Material Adverse Effect shall have occurred.

"Materials of Environmental Concern": any gasoline or petroleum (including crude oil or any fraction thereof) or petroleum products or any hazardous or toxic substances, materials or wastes, defined or regulated as such in or under any Environmental Law, including, without limitation, friable asbestos, polychlorinated biphenyls and urea-formaldehyde insulation.

"Maturity Date": the six-month anniversary of the Closing Date.

"Multiemployer Plan": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Net Cash Proceeds": (a) in connection with any Capital Markets Transaction, the actual cash proceeds received from the related issuance or sale, net of attorneys' fees, investment banking fees, accountants' fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith and (b) in connection with any Disposition permitted by subsection 7.4(f), the proceeds thereof in the form of cash (including any such proceeds received by way of deferred payment of principal pursuant to a note or installment receivable or purchase price adjustment receivable or otherwise, but only as and when received in the form of cash) of such Disposition, net of attorneys' fees, investment banking fees, accountants' fees, amounts required to be applied to the repayment of Indebtedness

secured by a Lien expressly permitted hereunder on any asset that is the subject of such Disposition, net of reasonable amounts, determined in accordance with GAAP, required to be provided as a reserve against liabilities associated with the assets which are the subject of such Disposition and other customary fees and expenses actually incurred in connection therewith and net of taxes paid or reasonably estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements).

"Non-Excluded Taxes": as defined in subsection 3.10(a).

"Notes": as defined in subsection 3.13(d).

"Note Purchase Agreements": those certain Note Purchase Agreements dated as of June 30, 1999 and September 25, 1998, respectively, between the Borrower and the various note holders party thereto, as amended, restated, refinanced, supplemented or otherwise modified.

"Obligations": collectively, the unpaid principal of and interest on the Loans and all other obligations and liabilities of the Borrower under this Agreement and the other Loan Documents to which it is a party (including, without limitation, interest accruing at the then applicable rate provided in this Agreement or any other applicable Loan Document after the maturity of the Loans and interest accruing at the then applicable rate provided in this Agreement or any other applicable Loan Document after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding, relating to the Borrower, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding), whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, which may arise under, out of, or in connection with, this Agreement, the Notes, the other Loan Documents, Swap Agreements entered into with Lenders or any other document made, delivered or given in connection therewith, in each case whether on account of principal, interest, reimbursement obligations, fees, indemnities, costs, expenses or otherwise (including, without limitation, all Attorney Costs of counsel to the Administrative Agent or to the Lenders that are required to be paid by the Borrower pursuant to the terms of this Agreement or any other Loan Document).

"Participant": as defined in subsection 10.6(c).

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA and each successor thereto.

"Permitted Acquisitions": as defined in subsection 7.12.

"Permitted Investments":

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the

extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) certificates of deposit of any Lender, certificates of deposit, eurodollar deposits, time deposits, overnight bank deposits, bankers acceptances and repurchase agreements of any commercial bank which has capital and surplus in excess of \$200,000,000 and having maturities of one year or less from the date of acquisition;

(c) corporate securities, including commercial paper, rated at least A-2 by Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies ("S&P") and P-2 by Moody's Investors Service, Inc. ("Moody's") and corporate debt instruments including medium term notes and floating rate notes issued by foreign or domestic corporations which pay in Dollars rated at least A by S&P or Moody's;

(d) short term tax exempt securities including municipal notes, commercial paper, auction rate floaters and floating rate notes rated at least A-1 by S&P or P-1 by Moody's;

(e) municipal notes rated at least SP-1 by S&P or MIG-2 by Moody's, and bonds rated at AA by S&P or Moody's;

(f) auction rate preferred stock or bonds issued with a rate set mechanism and a maximum term of 180 days rated at least AA by Moody's;

(g) securities with maturities of one year or less from the date of acquisition issued or fully guaranteed by any state, commonwealth or territory of the United States, by any political subdivision or taxing authority of any such state, commonwealth or territory or by any foreign government, the securities of which state, commonwealth, territory, political subdivision, taxing authority or foreign government (as the case may be) are rated at least AA by S&P or A by Moody's;

(h) securities with maturities of one year or less from the date of acquisition fully backed by standby letters of credit issued by any Lender or any commercial bank satisfying the requirements of clause (b) of this definition; and

(i) money market accounts or funds which invest primarily in the types of securities described in (a) through (h) above.

If both S&P and Moody's cease publishing ratings of investments of any of the types described above, then equivalent ratings of a nationally recognized rating agency will apply.

"Person": an individual, partnership, corporation, business trust, limited liability company, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"Plan": at a particular time, any "employee pension benefit plan," as such term is defined in Section 3(2) of ERISA and which is subject to Title IV of ERISA and/or Section 412 of the Code, other than a Multiemployer Plan, and in respect of which the Borrower or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA or to which the Borrower or a Commonly Controlled Entity contributes or has an obligation to contribute.

"Prime Rate": as defined in the definition of "ABR" in this subsection 1.1.

"Properties": as defined in subsection 4.10(a).

"Purchase Agreements": as defined in the recitals to this Agreement.

"Receivables": any accounts receivable of any Person, including, without limitation, any thereof constituting or evidenced by chattel paper, instruments or general intangibles, and all proceeds thereof and rights (contractual and other) and collateral related thereto.

"Receivables Subsidiary": any special purpose, bankruptcy-remote Subsidiary that purchases Receivables generated by the Borrower or any of its Subsidiaries.

"Receivables Transaction": any transaction or series of transactions providing for the financing of Receivables of the Borrower or any of its Subsidiaries, involving one or more sales, contributions or other conveyances by the Borrower or any of its Subsidiaries of its/their Receivables to Receivables Subsidiaries which finance the purchase thereof by means of the incurrence of Indebtedness or otherwise. Notwithstanding anything contained in the foregoing to the contrary: (a) no portion of the Indebtedness (contingent or otherwise) with respect to any Receivables Transactions shall (i) be guaranteed by the Borrower or any of its Subsidiaries, (ii) involve recourse to the Borrower or any of its Subsidiaries (other than the relevant Receivables Subsidiary), or (iii) require or involve any credit support or credit enhancement from the Borrower or any of its Subsidiaries (other than the relevant Receivables Subsidiary), provided that the Borrower and its Subsidiaries will be permitted to agree to representations, warranties, covenants and indemnities that are reasonably customary in accounts receivable securitization transactions of the type contemplated (none of which representations, warranties, covenants or indemnities will result in recourse to the Borrower or any of its Subsidiaries (other than the relevant Receivables Subsidiary) beyond the limited recourse that is reasonably customary in accounts receivable securitization transactions of the type contemplated); and (b) the securitization facility and structure relating to such Receivables Transactions shall be on market terms and conditions customary for Receivables transactions of the type contemplated.

"Register": as defined in subsection 10.6(b).

"Related Parties": with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, and agents of such Person or such Person's Affiliates.

"Reorganization": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"Reportable Event": any of the events set forth in Section 4043(c) of ERISA, other than those events as to which the thirty day notice period is waived under PBGC Reg. Section 4043 or otherwise.

"Requirement of Law": as to any Person, the certificate of incorporation and by-laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Responsible Officer": with respect to any Person, the chief executive officer and the president of such Person as well as, in the case of the Borrower, the Vice President and General Counsel of the Borrower, and in the case of any Guarantor, a duly elected Vice President of such Guarantor, or, with respect to financial matters, the chief financial officer and the treasurer of such Person.

"Restricted Payment": any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests or other equity interest of the Borrower or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests or other equity interest or of any option, warrant or other right to acquire any such Equity Interests or other equity interest.

"Significant Subsidiary":

(a) each domestic (i.e., incorporated or organized in the United States or any state or territory thereof; hereinafter, "domestic") wholly-owned Subsidiary or other entity formed or acquired by the Borrower or any direct or indirect Subsidiary (whether existing at the date hereof, or formed or acquired after the date hereof), if such Subsidiary or entity, after giving effect to the formation/acquisition of the same, has total assets that exceed five percent of the domestic "Consolidated Total Assets," valued as of the occurrence/closing of such formation/acquisition or as of the last day of any fiscal year thereafter; and

(b) each domestic Subsidiary or entity (whether existing at the date hereof, or formed or acquired after the date hereof) in which the Borrower or any Guarantor has, directly or indirectly, a 66.67% or greater but less than 100% ownership interest which becomes or is a Subsidiary if such Subsidiary or entity, after giving effect to the formation/acquisition of the same, has total assets that exceed five percent of the domestic "Consolidated Total Assets," valued as of the occurrence/closing of such formation/acquisition or as of the last day of any fiscal year thereafter.

"Signing Date": the date on which the Lenders have signed this Agreement.

"Single Employer Plan": any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"Subsidiary": as to any Person ("parent"), a corporation, partnership or other entity (a) the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, or (b) of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a direct or indirect Subsidiary or Subsidiaries of the Borrower and shall include the Target and its subsidiaries.

"Subsidiary Stock": with respect to any Person, the Equity Interests of any Subsidiary of such Person.

"Swap Agreement": any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Borrower or any of its Subsidiaries shall be a Swap Agreement.

"Syndication Agent": as defined in the preamble to this Agreement.

"Target": as defined in the recitals to this Agreement.

"Transaction": as defined in the recitals to this Agreement.

"Transferee": as defined in subsection 10.6(e).

"Type": as to any Loan, its nature as an ABR Loan or a LIBOR Loan.

1.2 Other Definitional Provisions

(a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in any Notes or any other Loan Documents delivered pursuant hereto.

(b) As used herein or in any of the other Loan Documents, accounting terms relating to the Borrower and its Subsidiaries not defined in subsection 1.1, and accounting terms partly defined in subsection 1.1, but only to the extent not so defined, shall have the respective meanings given to them under GAAP. If at any time any change in GAAP or in the manner in which the Borrower shall be required or permitted to disclose its financial results in its filings with the Securities and Exchange Commission (i.e., a change which is inconsistent with the manner disclosed by the Borrower in its Annual Report on Form 10-K for the fiscal year ended December 27, 2003) would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Majority Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change (subject to the approval of the Majority Lenders); provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP and as calculated consistent with the manner disclosed by the Borrower in its Annual Report on Form 10-K for the fiscal year ended December 27, 2003 prior to such change therein and (ii) the Borrower shall provide to the Administrative Agent and the Lenders financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified. In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including;" the words "to" and "until" each mean "to but excluding;" and the word "through" means "to and including." Each reference to "basis points" or "bps" shall be interpreted in accordance with the convention that 100 bps = 1.0%.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

1.3 Rounding

Any financial ratios required to be maintained by the Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

1.4 References to Agreements and Laws

Unless otherwise expressly provided herein, (a) references to agreements (including the Loan Documents) and other contractual instruments shall be deemed to include all subsequent amendments, restatements, extensions, supplements and other modifications thereto, but only to the extent that such amendments, restatements, extensions, supplements and other modifications are not prohibited by any Loan Document; and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

SECTION 2. AMOUNT AND TERMS OF LOANS

2.1 Loans

(a) Subject to the terms and conditions hereof, each Lender severally agrees to make a loan (individually, a "Loan" and collectively, the "Loans") to the Borrower on the Closing Date, in an aggregate principal amount equal to such Lender's Commitment.

(b) The Loans may from time to time be (i) LIBOR Loans, (ii) ABR Loans or (iii) a combination thereof, as determined by the Borrower and notified to the Administrative Agent in accordance with subsections 2.2 and 3.2. Each Lender may at its option make any LIBOR Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) The failure of any Lender to make the Loan to be made by it shall not relieve any other Lender of its obligation, if any, hereunder to make its Loan on the Closing Date, but no Lender shall be responsible for the failure of any other Lender to make the Loan to be made by such other Lender on the Closing Date.

2.2 Procedure for Borrowing

The Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 10:00 A.M., New York City time, three Business Days prior to the anticipated Closing Date, in the case of LIBOR Loans and on the Closing Date, in the case of ABR Loans) requesting that the Lenders make the Loans on the Closing Date. Any such notice shall specify (x) whether the borrowing is to be comprised of LIBOR Loans, ABR Loans or a combination thereof and (y) if the borrowing is to be entirely or partly comprised of LIBOR Loans, the amount of such LIBOR Loan and the length of the initial Interest Period therefor. Upon receipt of such notice the Administrative Agent shall promptly notify each Lender thereof. Prior to 11:00 A.M., New York City time in the case of LIBOR Loans, and prior to 12:00 Noon, New York City time in the case of ABR Loans, on the Closing Date, each Lender shall make available to the Administrative Agent at its office specified in subsection 10.2 an amount in immediately available funds in Dollars equal to the Loan to be

made by such Lender. The Administrative Agent shall credit the account of the Borrower on the books of such office of the Administrative Agent with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent.

2.3 Fees

The Borrower shall pay an arrangement fee to the Joint Bookrunners for their account, in the amount and at the time specified in the letter agreement, dated January 8, 2004 (the "Fee Letter"), between the Borrower, the Joint Bookrunners, JPMCB and Lehman Commercial Paper Inc. Such fee shall be nonrefundable for any reason whatsoever.

2.4 Termination or Reduction of Commitments

(a) The Borrower shall have the right, upon not less than four Business Days' notice to the Administrative Agent, to terminate the Commitments or to reduce the amount of the Commitments; provided that no such termination or reduction shall be permitted if, after giving effect thereto, either (a) the Commitments would not be greater than or equal to zero or (b) the Commitment of any Lender would not be greater than or equal to zero. Any such reduction shall be in an amount equal to \$5,000,000 or a whole multiple of \$1,000,000 in excess thereof, and shall reduce permanently the Commitments. The Administrative Agent shall give each Lender prompt notice of any notice received from the Borrower pursuant to this subsection 2.4.

(b) If the Borrower or any of its Subsidiaries consummates any Capital Markets Transaction on or prior to the Closing Date which results in the receipt by the Borrower or any of its Subsidiaries of Net Cash Proceeds with respect thereto, the Commitments shall be reduced, on the same Business Day on which such Net Cash Proceeds are received, in an amount equal to the amount of such Net Cash Proceeds.

(c) If the Borrower or any of its Subsidiaries consummates any Disposition permitted by subsection 7.4(f) on or prior to the Closing Date which requires a reduction of the Commitments pursuant to such subsection, the Commitments shall be reduced, on the same Business Day on which the relevant Net Cash Proceeds are received, in an amount equal to the amount of such Net Cash Proceeds.

(d) Any Commitments not drawn on the date the Transaction is consummated shall terminate.

2.5 Repayment of Loans

The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan on the Maturity Date. The Borrower hereby further agrees to pay to the Administrative Agent for the account of each Lender interest on the unpaid principal amount of the Loans outstanding until payment in full thereof at the rates per annum, and on the dates, set forth in subsection 3.4.

SECTION 3. CERTAIN PROVISIONS
APPLICABLE TO THE LOANS

3.1 Optional and Mandatory Prepayments

(a) If the Borrower or any of its Subsidiaries consummates any Capital Markets Transaction subsequent to the Closing Date which results in the receipt by the Borrower or any of its Subsidiaries of Net Cash Proceeds with respect thereto, the Borrower shall prepay, on the Business Day next succeeding the day on which such Net Cash Proceeds are received, any outstanding Loans, with the amount of such prepayment being equal to the amount of such Net Cash Proceeds.

(b) If the Borrower or any of its Subsidiaries consummates any any Disposition permitted by subsection 7.4(f) subsequent to the Closing Date which requires that the Loans be prepaid pursuant to such subsection, the Borrower shall prepay, on the Business Day next succeeding the day on which the relevant Net Cash Proceeds are received, any outstanding Loans, with the amount of such prepayment being equal to the amount of such Net Cash Proceeds.

(c) The Borrower may at any time and from time to time prepay outstanding Loans, in whole or in part, without premium or penalty (other than any amounts payable pursuant to subsection 3.11 if such prepayment is of LIBOR Loans and is made on a day other than the last day of the Interest Period with respect thereto), upon at least four Business Days' irrevocable notice to the Administrative Agent specifying the date and amount of prepayment and whether the prepayment is of LIBOR Loans, ABR Loans, a combination thereof, if of a combination thereof, the amount allocable to each. Upon receipt of any such notice the Administrative Agent shall promptly notify each Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable by the Borrower on the date specified therein. Partial prepayments of Loans shall be in an aggregate principal amount of at least \$5,000,000 or an integral multiple of \$1,000,000 in excess thereof.

(d) Amounts to be applied to prepayments of Loans pursuant to subsections 3.1(a) and (b) shall be applied, without duplication, first, to prepay ABR Loans, if applicable, and, second, to prepay LIBOR Loans. Each prepayment of the Loans under this subsection 3.1 shall be accompanied by payment of accrued interest to the date of such prepayment on the amount prepaid.

3.2 Conversion and Continuation Options

(a) The Borrower may elect from time to time to convert LIBOR Loans to ABR Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election. The Borrower may elect from time to time to convert ABR Loans to LIBOR Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election. Any such notice of conversion to LIBOR Loans shall specify the length of the initial Interest Period therefor. Upon receipt of any such notice the Administrative Agent shall promptly notify each Lender thereof. All or any part of outstanding LIBOR Loans and ABR Loans may be converted as provided herein, provided that (i) no Loan may be converted into a LIBOR Loan when any Event of Default has occurred and is continuing and the Administrative Agent has or the Majority Lenders have determined that such a conversion is not appropriate and (ii) no Loan may be converted into a LIBOR Loan after the date that is one month prior to the Maturity Date.

(b) Any LIBOR Loans may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving notice to the Administrative Agent, in accordance with the applicable provisions of the term "Interest Period" set forth in subsection 1.1, of the length of the next Interest Period to be applicable to such Loans, provided that no LIBOR Loan may, except as provided in the following proviso, be continued as such (A) when any Event of Default has occurred and is continuing and the Administrative Agent has or the Majority Lenders have determined that such a continuation is not appropriate or (B) after the date that is one month prior to the Maturity Date, and provided, further, that if the Borrower shall fail to give such notice or if such continuation is not permitted, all Loans shall be automatically converted to ABR Loans on the last day of such then expiring Interest Period. Upon receipt of any notice pursuant to this subsection 3.2(b), the Administrative Agent shall promptly notify each Lender thereof.

3.3 Maximum Number of Tranches

Notwithstanding anything contained herein to the contrary, after giving effect to the transactions contemplated hereby, unless consented to by the Administrative Agent in its sole discretion, there shall not be more than twelve different Interest Periods in effect in respect of all Loans at any one time outstanding.

3.4 Interest Rates and Payment Dates

(a) Each LIBOR Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Adjusted LIBO Rate determined for such Interest Period plus the Applicable Margin.

(b) Each ABR Loan shall bear interest at a rate per annum equal to the ABR.

(c) If all or a portion of (i) any principal of any Loan, (ii) any interest payable thereon, or (iii) any other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), the principal of the Loans and any such overdue interest or other amount shall bear interest at a rate per annum which is (x) in the case of principal, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this subsection plus 2% or (y) in the case of any such overdue interest or other amount, the rate described in paragraph (b) of this subsection plus 2%, in each case from the date of such non-payment until such overdue principal, interest or other amount is paid in full (as well after as before judgment).

(d) Interest pursuant to this subsection shall be payable in arrears on each Interest Payment Date, provided that interest accruing pursuant to paragraph (c) of this subsection shall be payable from time to time on demand.

3.5 Computation of Interest and Fees

(a) Whenever interest is calculated on the basis of the Prime Rate, interest shall be calculated on the basis of a 365 (or 366, as the case may be) day year for the actual days elapsed; and, otherwise, interest and fees shall be calculated on the basis of a 360-day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of an Adjusted LIBO Rate. Any change in the interest rate on a Loan resulting from a change in the ABR or the Eurocurrency Reserve Requirements, shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to subsection 3.4(a) or (b).

3.6 Inability to Determine Interest Rate

If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined in good faith (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from the Majority Lenders that the Adjusted LIBO Rate determined or to be determined for such Interest Period

will not adequately and fairly reflect the cost to such Lenders (as given in good faith and conclusively certified by such Lenders) of making or maintaining their affected Loans during such Interest Period, the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the Lenders as soon as practicable thereafter. If such notice is given, (w) any LIBOR Loans requested to be made on the first day of such Interest Period shall be made as ABR Loans, provided, that, notwithstanding the provisions of subsection 2.2, the Borrower may cancel the request for such LIBOR Loan by written notice to the Administrative Agent one Business Day prior to the first day of such Interest Period and the Borrower shall not be subject to any liability pursuant to subsection 3.11 with respect to such cancelled request, (x) any Loans that were to have been converted on the first day of such Interest Period to LIBOR Loans shall be continued as ABR Loans, and (y) any outstanding LIBOR Loans shall be converted, on the first day of such Interest Period, to ABR Loans. Until such notice has been withdrawn by the Administrative Agent, no further LIBOR Loans shall be made or continued as such, nor shall the Borrower have the right to convert ABR Loans to LIBOR Loans.

3.7 Pro Rata Treatment and Payments

(a) Except to the extent provided elsewhere in this Agreement to the contrary, each payment of principal or interest in respect of the Loans shall be made pro rata according to the amounts then due and owing to the respective Lenders.

(b) Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Loans shall be made pro rata according to the respective outstanding principal amounts of the Loans then due and owing to the Lenders. All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without set off or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders, at the Administrative Agent's office specified in subsection 10.2, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt. If any payment hereunder (other than payments on the LIBOR Loans) becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension. If any payment on a LIBOR Loan becomes due and payable on a day other than a Business Day, the maturity of such payment shall be extended to the next succeeding Business Day (and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension) unless the result of such extension would be to extend such payment into another calendar month, in which event such payment shall be made on the immediately preceding Business Day.

(c) Unless the Administrative Agent shall have been notified in writing by any Lender prior to the Closing Date that such Lender will not make the amount that would constitute its Commitment (or any portion thereof) available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the

Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Closing Date, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error. If such Lender's Commitment (or any portion thereof) is not made available to the Administrative Agent by such Lender within three Business Days of the Closing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon equal to the rate per annum applicable to ABR Loans hereunder, on demand, from the Borrower (without prejudice to any rights Borrower may have against any such Lender).

3.8 Illegality

Notwithstanding any other provision herein, if any Lender determines that the adoption of or any change in any Requirement of Law or any change in the interpretation or application thereof after the date hereof shall make it unlawful for such Lender to maintain LIBOR Loans as contemplated by this Agreement, then, on notice thereof by such Lender to the Borrower through the Administrative Agent, (a) the commitment of such Lender hereunder to convert ABR Loans to LIBOR Loans shall forthwith be suspended until such Lender notifies the Administrative Agent and the Borrower that the circumstances giving rise to such determination no longer exists, (b) such Lender's Loans then outstanding as LIBOR Loans, if any, shall be converted automatically to ABR Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion or prepayment of a LIBOR Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to subsection 3.11.

3.9 Requirements of Law

(a) If the adoption of or any change in any Requirement of Law or any change in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Note or any LIBOR Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by subsection 3.10 and changes in the rate of tax on the overall net income or franchise taxes (in lieu of net income taxes) of such Lender imposed by the jurisdiction where such Lender's principal or lending office is located);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender which is not otherwise included in the determination of the Adjusted LIBO Rate; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining LIBOR Loans or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduced amount receivable.

(b) If any Lender shall have determined that after the date hereof the adoption of or any change in any Requirement of Law regarding capital adequacy or any change in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, the Borrower shall promptly pay to such Lender such additional amount or amounts as will compensate such Lender or such corporation for such reduction.

(c) If any Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled; provided that if such Lender fails to notify the Borrower that such Lender intends to claim any such reimbursement or compensation within 120 days after such Lender has knowledge of its claim therefor, the Borrower shall not be obligated to compensate such Lender for the amount of such Lender's claim accruing prior to the date which is 120 days before the date on which such Lender first notifies the Borrower that it intends to make such claim; it being understood that the calculation of the actual amounts may not be practicable within such period and such Lender may provide such calculation as soon as reasonably practicable thereafter without affecting or limiting the Borrower's payment obligations hereunder. A certificate as to any additional amounts payable pursuant to this subsection submitted by such Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. The agreements in this subsection shall survive the termination of this Agreement and each other Loan Document and the payment of the Loans and all other amounts payable hereunder and thereunder.

3.10 Taxes

(a) All payments made by the Borrower under any Loan Document shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, any Loan Document). If any such non-excluded taxes, levies, imposts, duties, charges, fees, deductions or withholdings ("Non-Excluded Taxes") are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder or under any other Loan Document, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in such Loan Document, provided, however, that the Borrower shall not be required to increase any such amounts payable to any Lender that is not organized under the laws of the United States of America or a state thereof if such Lender fails to comply with the requirements of paragraph (b) of this subsection. Whenever any Non-Excluded Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure. The agreements in this subsection shall survive the termination of this Agreement and each other Loan Document and the payment of the Loans and all other amounts payable hereunder and thereunder.

(b) Each Lender (or Transferee) that is not a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America (or any jurisdiction thereof), or any estate or trust that is subject to federal income taxation regardless of the source of its income (a "Non-U.S. Lender") shall deliver to the Borrower and the Administrative Agent (or, in the case of a Participant, to the Lender from which the related participation shall have been purchased) two copies of either U.S. Internal Revenue Service Form W-8BEN or Form W-8ECI, or, in the case of a Non-U.S. Lender claiming exemption from U.S. federal withholding tax under Section 871(h) or 881(c) of the Code with respect to payments of "portfolio interest" a statement substantially in the form of Exhibit B and a Form W-8BEN, or any subsequent versions thereof or successors thereto properly completed and duly executed by such Non-U.S. Lender claiming complete exemption from, or a reduced rate of, U.S. federal withholding tax on all payments by the Borrower under this Agreement and the other Loan Documents. Such forms shall be delivered by each Non-U.S.

Lender on or before the date it becomes a party to any Loan Document (or, in the case of any Participant, on or before the date such Participant purchases the related participation). In addition, each Non-U.S. Lender shall deliver such forms promptly upon the obsolescence or invalidity of any form previously delivered by such Non-U.S. Lender. Each Non-U.S. Lender shall promptly notify the Borrower at any time it determines that it is no longer in a position to provide any previously delivered certificate to the Borrower (or any other form of certification adopted by the U.S. taxing authorities for such purpose). Notwithstanding any other provision of this paragraph, a Non-U.S. Lender shall not be required to deliver any form pursuant to this paragraph that such Non-U.S. Lender is not legally able to deliver.

(c) A Lender that is entitled to an exemption from or reduction of non-U.S. withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law or reasonably requested by the Borrower, such properly completed and executed documentation prescribed by applicable law as will permit such payments to be made without withholding or at a reduced rate, provided that such Lender is legally entitled to complete, execute and deliver such documentation and in such Lender's reasonable judgment such completion, execution or submission would not materially prejudice the legal position of such Lender.

3.11 Break Funding Payments

The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a conversion into or continuation of LIBOR Loans, after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or any other Loan Document, or (c) the making of a prepayment of LIBOR Loans, or the conversion of LIBOR Loans to ABR Loans, on a day which is not the last day of an Interest Period with respect thereto or (d) any assignment as a result of a request by the Borrower pursuant to subsection 3.12 of any LIBOR Loan. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the amount so prepaid or converted, or not so borrowed, prepaid, converted or continued, for the period from the date of such prepayment or conversion or of such failure to borrow, prepay, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) at the applicable rate of interest for such Loans provided for herein over (ii) the amount of interest (as reasonably determined by such Lender) which would have accrued to such Lender on such amount by placing such amount on deposit for a comparable period with leading Lenders in the interbank eurodollar market. This covenant shall survive the termination of this Agreement and each other Loan Document and the payment of the Loans and all other amounts payable hereunder and thereunder. A certificate as to any additional amounts payable pursuant to this subsection submitted by such Lender to the

Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error.

3.12 Change of Lending Office; Removal of Lender

Each Lender agrees that if it makes any demand for payment under subsection 3.9 or 3.10(a), or if any adoption or change of the type described in subsection 3.8 shall occur with respect to it, (i) it will use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions and so long as such efforts would not be disadvantageous to it, as determined in its sole discretion) to designate a different lending office if the making of such a designation would reduce or obviate the need for the Borrower to make payments under subsection 3.9 or 3.10(a), or would eliminate or reduce the effect of any adoption or change described in subsection 3.8 or (ii) it will, upon at least five Business Days' notice from the Borrower to such Lender and the Administrative Agent, assign, pursuant to and in accordance with the provisions of subsection 10.6, to one or more Assignees designated by the Borrower all, but not less than all, of such Lender's rights and obligations hereunder, without recourse to or warranty by, or expense to, such Lender, for a purchase price equal to the outstanding principal amount of each Loan then owing to such Lender plus any accrued but unpaid interest thereon and, in addition, all additional costs and reimbursements, expense reimbursements and indemnities, if any, owing in respect of such Lender's Commitment hereunder at such time (including any amount that would be payable under subsection 3.11 if such assignment were, instead, a prepayment in full of all amounts owing to such Lender and also including all amounts then payable to such Lender pursuant to subsections 3.9 and/or 3.10) shall be paid to such Lender.

3.13 Evidence of Debt

(a) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(b) The Administrative Agent shall maintain the Register pursuant to subsection 10.6(b), and a subaccount therein for each Lender, in which shall be recorded (i) the Type and, in the case of LIBOR Loans, the Interest Period applicable to each Loan, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(c) The entries made in the Register and the accounts of each Lender maintained pursuant to subsection 3.13(a) shall, to the extent permitted by applicable law, be prima facie evidence of the existence and amounts of the obligations of the Borrower therein recorded; provided, however, that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the

obligation of the Borrower to repay (with applicable interest) the Loans made to such Borrower by such Lender in accordance with the terms of this Agreement.

(d) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will execute and deliver to such Lender a promissory note of the Borrower evidencing the Loans of such Lender, substantially in the form of Exhibit C with appropriate insertions as to date and principal amount (a "Note").

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans, the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

4.1 Financial Condition

(a) The consolidated and consolidating balance sheets of the Borrower and its consolidated Subsidiaries as at December 27, 2003 and December 28, 2002, respectively, and the related consolidated and consolidating statements of operations and of cash flows for the fiscal years ended on such dates, reported on by BDO Seidman, LLP, copies of which have heretofore been furnished to each Lender, present fairly, in all material respects, the consolidated and consolidating financial condition of the Borrower and its consolidated Subsidiaries as at such dates, and the consolidated and consolidating results of their operations and of their cash flows for the fiscal years then ended. All such financial statements, including the related schedules and notes thereto, were, as of the date prepared, prepared in accordance with GAAP applied consistently throughout the periods involved (except as otherwise expressly noted therein, and show all material Indebtedness and other liabilities, direct or contingent, of the Borrower and each of its Subsidiaries as of the dates thereof, including liabilities for taxes, material commitments and Indebtedness. Neither the Borrower nor any of its consolidated Subsidiaries had, at the date of the most recent balance sheets referred to above, any material Guarantee Obligation, material contingent liability or material liability for taxes, or any material long-term lease or material forward or long-term commitment, including, without limitation, any interest rate or foreign currency swap or exchange transaction, which is not reflected in the foregoing statements or in the notes thereto.

(b) As of the date hereof, there are no material liabilities or obligations of the Borrower or any of its Subsidiaries, whether direct or indirect, absolute or contingent, or matured or unmatured, other than (i) as disclosed or provided for in the financial statements and notes thereto which are referred to above, or (ii) which are disclosed elsewhere in this Agreement or in the Schedules hereto, or (iii) arising in the ordinary course of business since December 27, 2003 or (iv) created by this Agreement. As of the date hereof, the written information, exhibits and reports furnished by the Borrower to the Lenders in connection with the negotiation of this Agreement, taken as a whole, are complete and correct in all material respects.

4.2 No Change

Since December 27, 2003, there has been no development or event which has had or could reasonably be expected to have a Material Adverse Effect.

4.3 Corporate Existence; Compliance with Law

Each of the Borrower and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the corporate power and authority, and the legal right, to own and operate its property, to lease the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification and (d) is in compliance with all Requirements of Law (provided that no representation or warranty is made in this subsection 4.3(d) with respect to Requirements of Law referred to in subsections 4.8, 4.10, 4.14 or 4.15 (b)), except to the extent that the failure of the foregoing clauses (a) (only with respect to Subsidiaries of the Borrower which are not Guarantors), (c) and (d) to be true and correct could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

4.4 Corporate Power; Authorization; Enforceable Obligations

Each of the Borrower and the Guarantors has the requisite corporate power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and, in the case of the Borrower, to borrow hereunder and has taken all necessary corporate action to authorize (in the case of the Borrower) the borrowings on the terms and conditions of this Agreement and any Notes and to authorize the execution, delivery and performance of the Loan Documents to which it is a party. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required with respect to the Borrower or any of its Subsidiaries in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of the Loan Documents to which the Borrower or any Guarantor is a party. This Agreement and each other Loan Document to which the Borrower or any Guarantor is, or is to become, a party has been or will be, duly executed and delivered on behalf of the Borrower or such Guarantor. This Agreement and each other Loan Document to which the Borrower or any Guarantor is, or is to become, a party constitutes or will constitute, a legal, valid and binding obligation of the Borrower or such Guarantor, as the case may be, enforceable against the Borrower or such Guarantor, as the case may be, in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

4.5 No Legal Bar

The execution, delivery and performance of the Loan Documents, the borrowings hereunder and the use of the proceeds thereof will not violate any Requirement of Law or Contractual Obligation of the Borrower or of any of its Subsidiaries which could reasonably be expected to have a Material Adverse Effect and will not result in, or require, the creation or imposition of any Lien on any of its or their respective properties or revenues pursuant to any such Requirement of Law or Contractual Obligation which could reasonably be expected to have a Material Adverse Effect.

4.6 No Material Litigation

No litigations, investigations or proceedings of or before any arbitrator or Governmental Authority are pending or, to the knowledge of the Borrower, threatened by or against the Borrower or any of its Subsidiaries or against any of its or their respective properties (a) with respect to any of the Loan Documents or any of the transactions contemplated hereby or thereby, or (b) which if adversely determined would, individually or in the aggregate, have a Material Adverse Effect.

4.7 No Default

Neither the Borrower nor any of its Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect which could reasonably be expected to have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing. Each of the Borrower and its Subsidiaries and the Guarantors has satisfied all outstanding judgments (other than any such judgment which has been stayed pending appeal) and neither the Borrower nor any of its Subsidiaries is in default with respect to any outstanding judgment, writ, injunction, decree, rule or regulation of any court, arbitrator or federal, state, municipal or other governmental authority, commission, board, bureau, agency or instrumentality, domestic or foreign, except to the extent that such defaults would not, in any case or in the aggregate, have a Material Adverse Effect.

4.8 Taxes

Except as set forth on Schedule 4.8, each of the Borrower and its Subsidiaries has filed or caused to be filed all Federal, state, and other material tax returns which, to the knowledge of the Borrower, are required to be filed and has paid all taxes shown to be due and payable on said returns or on any assessments made against it (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Subsidiaries, as the case may be), except to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

4.9 Purpose of Loans

The purpose of the Loans is to finance the Transaction and to pay related fees and expenses.

4.10 Environmental Matters

Except to the extent that the failure of the following statements to be true and correct could not reasonably be expected to have a Material Adverse Effect:

(a) The facilities and properties owned, leased or operated by the Borrower or any of its Subsidiaries (the "Properties") do not contain, and have not previously contained, any Materials of Environmental Concern in amounts or concentrations which (i) constitute or constituted a violation of, or (ii) could reasonably be expected to give rise to liability under, any Environmental Law.

(b) The Properties and all operations at the Properties are in compliance, and have in the last five years been in compliance, in all material respects with all applicable Environmental Laws, and there is no contamination at, under or about the Properties or violation of any Environmental Law with respect to the Properties or the business operated by the Borrower or any of its Subsidiaries (the "Business") which could reasonably be expected to materially interfere with the continued operation of the Properties or materially impair the fair saleable value thereof.

(c) Neither the Borrower nor any of its Subsidiaries has received any notice of violation, alleged violation, non-compliance, liability or potential liability regarding environmental matters or compliance with Environmental Laws with regard to any of the Properties or the Business, nor does the Borrower have knowledge or reason to believe that any such notice will be received or is being threatened.

(d) Materials of Environmental Concern have not been transported or disposed of from the Properties in violation of, or in a manner or to a location which could reasonably be expected to give rise to liability under, any Environmental Law, nor have any Materials of Environmental Concern been generated, treated, stored or disposed of at, on or under any of the Properties in violation of, or in a manner that could reasonably be expected to give rise to liability under, any applicable Environmental Law.

(e) No judicial proceeding or governmental or administrative action is pending or, to the knowledge of the Borrower, threatened, under any Environmental Law to which the Borrower or any Subsidiary is or will be named as a party with respect to the Properties or the Business, nor are there any consent decrees or other written decrees, consent orders, administrative orders or other orders, or other final administrative or judicial requirements outstanding under any Environmental Law with respect to the Properties or the Business.

(f) There has been no release or threat of release of Materials of Environmental Concern at or from the Properties, or arising from or related to the operations of the Borrower or any Subsidiary in connection with the Properties or otherwise in connection with the Business, in violation of or in amounts or in a manner that could reasonably be expected to give rise to liability under Environmental Laws.

4.11 Disclosure

The statements and information contained herein and in any of the information provided to the Administrative Agent or the Lenders in writing (other than financial projections) in connection with or pursuant to this Agreement, taken as a whole, do not contain any untrue statement of any material fact, or omit to state a fact necessary in order to make such statements or information not misleading in any material respect, in each case in light of the circumstances under which such statements were made or information provided as of the date so provided; provided that the foregoing shall be limited to the actual knowledge of the appropriate officers of the Borrower solely in respect of information specifically relating to the Target and its subsidiaries on or before the Closing Date. The financial projections furnished to the Administrative Agent and the Lenders in writing in connection with this Agreement, have been prepared in good faith based upon assumptions which were in the Borrower's judgment reasonable when such projections were made, it being acknowledged that such projections are subject to the uncertainty inherent in all projections of future results and that there can be no assurance that the results set forth in such projections will in fact be realized.

4.12 Ownership of Property; Liens

Each of the Borrower and its Subsidiaries has good record and marketable title in fee simple to, or valid leasehold interests in, all real property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. As of the Closing Date, the property of the Borrower and its Subsidiaries is subject to no Liens, other than Liens permitted by subsection 7.2.

4.13 ERISA Compliance

(a) Each Plan, other than any Multiemployer Plan, has been operated and administered in compliance with the applicable provisions of ERISA, the Code and other applicable Requirements of Law, except to the extent of any noncompliance which could not reasonably be likely to result in a Material Adverse Effect. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto or the remedial amendment period for such Plan under Section 401(b) of the Code has not yet expired or the Plan is a prototype plan or volume submitter plan for which a favorable determination letter is not required and, to the best knowledge of the Borrower, nothing has occurred that has or could reasonably be expected to result in a Material Adverse Effect (i) which has not been

remedied which would prevent, or cause the loss of, such qualification, or (ii) as to which the Borrower does not intend to commence and complete all necessary and required remedial measures within statutorily or regulatory prescribed periods of time for such remedies to be undertaken so as to prevent, or cause the loss of, such qualification. The Borrower and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code within the period required under applicable Requirements of Law, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of the Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that could be reasonably be expected to have a Material Adverse Effect. There has been no non-exempt "prohibited transaction," as defined in Section 406 of ERISA or Section 4975 of the Code, or violation of the fiduciary responsibility rules with respect to any Plan that has resulted or could reasonably be expected to result in a Material Adverse Effect.

(c) (i) No Reportable Event has occurred or is reasonably expected to occur with respect to any Plan; (ii) no Plan that is intended to qualify under Section 401(a) of the Code has any unfunded vested liability (i.e., the excess of a pension plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that pension plan's assets, determined in accordance with the assumptions used for funding such Plan pursuant to Section 412 of the Code for the applicable plan year); (iii) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any material liability under Title IV of ERISA with respect to any Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither the Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any material liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such material liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither the Borrower nor any ERISA Affiliate has engaged in a transaction that could be reasonably expected to be subject to Section 4069 or 4212(c) of ERISA.

4.14 Subsidiaries

The Borrower has no Subsidiaries other than those specifically disclosed in Part (a) of Schedule 4.14 (other than those which are "shell" or "inactive" Subsidiaries, as such terms are defined in subsection 7.4(d)) and has no equity investments in any other corporation or entity other than those specifically disclosed in Part (b) of Schedule 4.14.

4.15 Margin Regulations; Investment Company Act; Public Utility Holding Company Act

(a) The Borrower is not engaged and will not engage, principally or as one of its important activities, in the business of purchasing or carrying margin stock (within the

meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), or extending credit for the purpose of purchasing or carrying margin stock.

(b) None of the Borrower, any Person controlling the Borrower, or any Subsidiary (i) is a "holding company," or a "subsidiary company" of a "holding company," or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company," within the meaning of the Public Utility Holding Company Act of 1935, or (ii) is or is required to be registered as an "investment company" under the Investment Company Act of 1940.

SECTION 5. CONDITIONS PRECEDENT

5.1 Conditions to Loans

The agreement of each Lender to make the Loan requested to be made by it is subject to the satisfaction on the Closing Date of the following conditions precedent:

(a) Unless waived by all the Lenders, the Administrative Agent's receipt of the following, each of which shall be originals unless otherwise specified, each properly executed by a Responsible Officer of the Borrower or a Guarantor, as the case may be, each dated the Closing Date (or, in the case of certificates of governmental officials, a recent date before the Closing Date) and each in form and substance reasonably satisfactory to the Administrative Agent and its legal counsel:

(i) executed counterparts of this Agreement, sufficient in number for distribution to the Administrative Agent, each Lender, the Borrower and each Guarantor;

(ii) Notes executed by the Borrower in favor of each Lender requesting such a Note, each in a principal amount equal to such Lender's Commitment;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of the Borrower and/or any of the Guarantors as the Administrative Agent may require to evidence the identities, authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer in connection with this Agreement and the other Loan Documents;

(iv) such documents and certifications as the Administrative Agent may reasonably require to evidence that each of the Borrower and each Guarantor is duly organized or formed, validly existing, in good standing and qualified to engage in business in each jurisdiction in which it is required to be qualified to engage in business to the extent the failure to be so qualified could reasonably be expected to have a Material Adverse Effect, including certified copies of the organization documents, certificates of good standing and/or qualification to engage in business with respect to the Borrower and the Guarantors;

(v) a certificate signed by a Responsible Officer of the Borrower certifying (A) that the conditions specified in subsections 5.1(d) and (e) have been satisfied, and (B) that there is no event or circumstance, or action, suit, investigation or proceeding pending or threatened in any court or before any arbitrator or Governmental Authority, since December 27, 2003 which has or could be reasonably expected to have a Material Adverse Effect;

(vi) an opinion of counsel to the Borrower and the Guarantors in substantially in the form set forth in Exhibit D;

(vii) the Transaction shall have been or shall concurrently be consummated for aggregate consideration not to exceed E270,000,000;

(viii) a compliance certificate in the form attached hereto as Exhibit E, signed by a Responsible Officer of the Borrower dated as of the Closing Date demonstrating compliance with the financial covenants contained in subsection 7.1 as of the end of the fiscal quarter most recently ended prior to the Closing Date; and

(ix) such other assurances, certificates, documents, consents or opinions as the Administrative Agent or the Majority Lenders may reasonably require.

(b) Any fees required to be paid on or before the Closing Date shall have been paid.

(c) The Borrower shall have paid all Attorney Costs of the Administrative Agent to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute its reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude a final settling of accounts between the Borrower and the Administrative Agent).

(d) Each of the representations and warranties made by the Borrower or any Guarantor in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of the Closing Date (or, if such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date).

(e) No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Loans requested to be made.

(f) In the good faith judgment of the Administrative Agent and the Lenders:

(i) there shall not have occurred or become known to the Administrative Agent or any of the Lenders any event, condition, situation or status since the date of the information contained in the financial and business

projections, budgets, pro forma data and forecasts concerning the Borrower and its Subsidiaries delivered to the Administrative Agent and the Lenders prior to the Closing Date that has had or could reasonably be expected to result in a Material Adverse Effect;

(ii) no litigation, action, suit, investigation or other arbitral, administrative or judicial proceeding shall be pending or threatened which could reasonably be likely to result in a Material Adverse Effect; and

(iii) the Borrower shall have received all approvals, consents and waivers, and shall have made or given all necessary filings and notices, as shall be required to consummate the Transaction and the other transactions contemplated hereby without the occurrence of any material default under, conflict with or violation of (A) any applicable law, rule, regulation, order or decree of any Governmental Authority or arbitral authority or (B) any agreement, document or instrument to which the Borrower, the Target or any Subsidiary is a party or by which any of them or their properties is bound other than any dispositions required to be made in connection with regulatory approvals and permitted under subsection 7.4(f).

SECTION 6. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments (or any of them) remain in effect or any amount is owing to any Lender or the Administrative Agent hereunder or under any other Loan Document, the Borrower shall, and (except in the case of delivery of financial information, reports and notices) shall cause each of its Subsidiaries to:

6.1 Financial Statements.

Furnish to each Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, a copy of the audited consolidated and consolidating balance sheets of the Borrower and its consolidated Subsidiaries as at the end of such year and the related consolidated and consolidating statements of operations and stockholders' equity and of cash flows for such year, setting forth in each case in comparative form the figures as of the end of and for the previous year, reported on without a qualification arising out of the scope of the audit, by BDO Seidman, LLP or any other independent certified public accountants of nationally recognized standing reasonably acceptable to the Majority Lenders, including a break-out of each Guarantor on a separate schedule and an executive summary of the management letter prepared by such accountants; provided, however, that if a Default or Event of Default shall have occurred and shall be continuing, the full text of such management letter shall be provided to the Administrative Agent; and

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, the unaudited consolidated and consolidating balance sheets of the Borrower and its consolidated Subsidiaries as at the end of each such quarter and the related unaudited consolidated and consolidating statements of operations and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, setting forth in each case in comparative form the figures as of the end of and for the corresponding period or periods in the previous year, including a break-out of each Guarantor on a separate schedule certified by a Responsible Officer of the Borrower as being fairly stated in all material respects (subject to normal, recurring, year-end audit adjustments and the absence of GAAP notes thereto).

(c) All such financial statements shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (subject, in the case of the aforesaid quarterly financial statements, to normal, recurring, year-end audit adjustments and the absence of GAAP notes thereto).

6.2 Certificates; Other Information

Furnish to the Administrative Agent and each of the Lenders:

(a) simultaneously with the delivery of the financial statements referred to in subsections 6.1(a) and (b), a certificate of the chief financial officer of the Borrower, certifying that to the best of his knowledge (i) no Default or Event of Default has occurred and is continuing or, if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action which is proposed to be taken with respect thereto, with computations demonstrating compliance (or non-compliance, as the case may be) with the covenants contained in subsection 7.1, and (ii) such financial statements have been prepared in accordance with GAAP (subject in the case of subsection 6.1(b) to normal, recurring, year-end adjustments and except for the absence of GAAP notes thereto);

(b) promptly, such additional financial and other information as the Administrative Agent or any Lender through the Administrative Agent may from time to time reasonably request;

(c) promptly after the same are available, and in any event within five Business Days after the sending or filing thereof, copies of all proxy statements, financial statements and reports which the Borrower or any of its Subsidiaries sends to its stockholders, and copies of all regular, periodic and special reports and all registration statements which the Borrower or any such Subsidiary files with the Securities and Exchange Commission or any governmental authority which may be substituted therefor, or with any national securities exchange or state securities administration;

(d) simultaneously with the delivery of the annual financial statements referred to in subsection 6.1(a), a certificate of the independent public accountants who audited

such statements to the effect that, in making the examination necessary for the audit of such statements, they have obtained no knowledge of any condition or event which constitutes a Default or Event of Default, or if such accountants shall have obtained knowledge of any such condition or event, specifying in such certificate each such condition or event of which they have knowledge and the nature and status thereof; and

(e) within 45 days after the end of each fiscal year of the Borrower, the annual budget of the Borrower and its Subsidiaries for the then current fiscal year in a form reasonably satisfactory to the Lenders, and copies of any material updates, amendments or modifications to the Borrower's "Corporate Strategic Plan" from time to time, within five Business Days after the occurrence and completion of the same.

6.3 Conduct of Business and Maintenance of Existence

(a) Preserve, renew and keep in full force and effect its corporate existence and good standing under the laws of its jurisdiction of organization (except as could not in the aggregate be reasonably expected to have a Material Adverse Effect or as is otherwise permitted pursuant to subsection 7.12), (b) take all reasonable action to maintain all rights, privileges and franchises necessary in the normal conduct of its business, except as otherwise permitted pursuant to subsection 7.12 and (c) comply with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, be reasonably expected to have a Material Adverse Effect.

6.4 Payment of Obligations

Pay and discharge all of its obligations and liabilities as the same shall become due and payable, including (a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary; (b) all lawful claims which, if unpaid, would by law become a Lien upon its property (other than Liens permitted by subsection 7.2); and (c) all Indebtedness, as and when due and payable (after giving effect to any applicable grace periods), (i) but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness and (ii) unless the same are being contested in good faith by appropriate proceedings diligently conducted and adequate reserves in accordance with GAAP are being maintained by the Borrower or such Subsidiary.

6.5 Maintenance of Properties

(a) Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good working order and condition, ordinary wear and tear excepted; and (b) make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.6 Maintenance of Insurance

Maintain with financially sound and reputable insurance companies, insurance with respect to its properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons; and furnish to the Administrative Agent, upon written request, information as to the insurance carried.

6.7 Books and Records

(a) Maintain proper books of record and account in conformity with GAAP (or, in the case of foreign Subsidiaries, generally accepted accounting principles in the applicable jurisdiction) consistently applied in which all entries required by GAAP (or, in the case of foreign Subsidiaries, generally accepted accounting principles in the applicable jurisdiction) shall be made of all financial transactions and matters involving the assets and business of the Borrower and its Subsidiaries, and (b) maintain such books of record and account in conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over the Borrower or any of its Subsidiaries, except where the failure to so comply would not result in a Material Adverse Effect.

6.8 Inspection Rights

Subject to subsection 10.14, permit representatives and independent contractors of the Administrative Agent and each Lender to visit and inspect any of its properties, to examine its corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss its affairs, finances and accounts with its officers and independent public accountants, at such reasonable times during normal business hours as may be reasonably desired, upon reasonable advance notice to a Responsible Officer of the Borrower or such Guarantor, as the case may be; provided, however, that (a) the Lenders shall use reasonable efforts to coordinate with the Administrative Agent in order to minimize the number of such inspections and discussions; (b) with respect to access for environmental inspections, the Administrative Agent shall only have the right to inspect once during the term of this Agreement unless the Administrative Agent has reason to believe that a condition exists or an event has occurred which reasonably could give rise to liability under the Environmental Laws and (c) when an Event of Default has occurred and is continuing, the Administrative Agent or any Lender (or any of their respective representatives or independent contractors) may do any of the foregoing at the expense of the Borrower at any time during normal business hours and without advance notice.

6.9 Compliance with ERISA

Do, and cause each of its ERISA Affiliates to do, each of the following: (a) maintain each Plan in material compliance with the applicable provisions of ERISA, the Code

and other applicable Requirements of Law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; and (c) make all required contributions to any Plan subject to Section 412 of the Code within the period required under applicable Requirements of Law.

6.10 Environmental Compliance

If the Borrower or any Subsidiary shall receive any written letter, notice, complaint, order, directive, claim or citation alleging that any Borrower or any Subsidiary has violated any Environmental Law, has released any Matters of Environmental Concern, or is liable for the costs of cleaning up, removing, remediating or responding to a release of Matters of Environmental Concern, within the time period permitted and to the extent required by the applicable Environmental Law or the Governmental Authority responsible for enforcing such Environmental Law, remove or remedy, or cause the applicable Subsidiary to remove or remedy, such violation or release or satisfy such liability unless (a) the failure to remove or remedy such violation or release or to satisfy such liability would not reasonably be expected to have a Material Adverse Effect, in which case the Borrower shall notify the Administrative Agent of any decision not to remove or remedy such violation or release or satisfy such liability and the basis for any such decision, and at the Administrative Agent's option and at its request, the Borrower shall provide written documentation of such decision, or (b) such violation or liability is being contested in good faith by appropriate proceedings and appropriate reserves therefor are being maintained in accordance with GAAP.

6.11 Use of Proceeds

Use the proceeds of Loans to finance the Transaction and to pay related fees and expenses, including attorney's fees, investment banking fees, accountant's fees, underwriting discounts and commissions and other customary fees and expenses actually incurred in connection therewith.

6.12 Notices

Promptly give notice to the Administrative Agent and each Lender upon obtaining actual knowledge of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of the Borrower or any of its Subsidiaries, or (ii) litigation, investigation or proceeding which, in either case, could reasonably be expected to have a Material Adverse Effect;

(c) the following events, as soon as possible and in any event within 30 days after the Borrower knows thereof: (i) the occurrence or reasonably expected occurrence of any Reportable Event with respect to any Plan, a failure to make any required contribution to a Plan

within the period required by applicable law, the creation of any Lien in favor of the PBGC or a Plan or any withdrawal from, or the termination, Reorganization or Insolvency of, any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other similar action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the terminating, Reorganization or Insolvency of, any Plan, other than the termination of any Single Employer Plan that is not a distress termination pursuant to Section 4041(c) of ERISA where, with respect to any event listed above, the amount of liability the Borrower or any Commonly Controlled Entity could reasonably be expected to have a Material Adverse Effect; and

(d) (i) simultaneously with the delivery of the financial statements referred to in subsections 6.1(a) and (b), quarterly reports in form and substance satisfactory to the Administrative Agent, describing all Acquisitions consummated by the Borrower or any of its Subsidiaries during the preceding fiscal quarter, which reports shall include, with respect to each Acquisition involving total consideration paid or total assets acquired, in either case, in excess of \$25,000,000, pro forma calculations demonstrating that after giving effect to such Acquisition, no Default or Event of Default is occurring, and (ii) any notices or information which may be required pursuant to subsection 7.12.

Each notice pursuant to this subsection shall be accompanied by a statement of a Responsible Officer of the Borrower setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto.

6.13 Additional Guarantors

Simultaneously with (a) any Person becoming a Significant Subsidiary or (b) any Subsidiary or Affiliate becoming a guarantor under or with respect to any of the Note Purchase Agreements or the Existing Credit Agreement, cause such Person to enter into a guarantee assumption agreement in the form of Exhibit A (or such other agreement in form and substance reasonably acceptable to the Majority Lenders), and thereupon such Person shall become a Guarantor hereunder for all purposes.

SECTION 7. NEGATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments (or any of them) remain in effect or any amount is owing to any Lender or the Administrative Agent hereunder or under any other Loan Document, the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

7.1 Financial Covenants

(a) Consolidated Leverage Ratio. Permit the Consolidated Leverage Ratio at any time during any period of four consecutive fiscal quarters of the Borrower to exceed 3.0 to 1.0.

(b) Consolidated Interest Coverage Ratio. Permit the Consolidated Interest Coverage Ratio at any time during any period of four consecutive fiscal quarters of the Borrower to be less than 5.0 to 1.0.

7.2 Limitation on Liens

Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for:

(a) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, provided that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith by appropriate proceedings diligently conducted, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(c) pledges or deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security legislation and deposits made in the ordinary course of business securing liability to insurance carriers under insurance or self-insurance arrangements;

(d) deposits to secure the performance of bids, trade or government contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions, building, zoning and other similar encumbrances or restrictions, utility agreements, covenants, reservations and encroachments and other similar encumbrances, or leases or subleases, incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not, in the aggregate, materially detract from the value of the properties of the Borrower and its Subsidiaries, taken as a whole, or materially interfere with the ordinary conduct of the business of the Borrower and its Subsidiaries, taken as a whole;

(f) Liens securing Indebtedness in respect of capital leases and purchase money obligations for fixed or capital assets; provided that (i) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, (ii) the Indebtedness secured thereby does not exceed the cost or Fair Market Value, whichever is lower, of the property being acquired on the date of acquisition and (iii) such Indebtedness was not incurred in connection with, or in anticipation or contemplation of, a Permitted Acquisition;

(g) Liens on the assets of Receivable Subsidiaries created pursuant to any Receivables Transaction permitted pursuant to subsection 7.3(a);

(h) Liens created or arising pursuant to any Loan Documents;

(i) Liens granted by any Subsidiary in favor of the Borrower;

(j) judgment and other similar Liens arising in connection with court proceedings in an aggregate amount not in excess of \$1,000,000 (except to the extent covered by independent third-party insurance) provided that the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings;

(k) Liens arising from precautionary UCC financing statements regarding operating leases or consignments;

(l) Liens on assets of the Target and its subsidiaries which are assumed pursuant to the terms of the Purchase Agreements, provided that such Liens (other than Liens otherwise permitted pursuant to this Section 7.2) are released on or prior to the date that is five Business Days after the Closing Date; or

(m) Liens (not otherwise permitted hereunder) which secure obligations or Indebtedness of the Borrower or any of its Subsidiaries not exceeding an aggregate amount of \$20,000,000 at any time outstanding.

7.3 Limitation on Indebtedness

Create, issue, incur, assume, become liable in respect of or suffer to exist:

(a) any Indebtedness pursuant to any Receivables Transaction, except for Indebtedness pursuant to all Receivables Transactions that is (i) non-recourse with respect to the Borrower and its Subsidiaries (other than any Receivables Subsidiary) and (ii) in an aggregate principal amount at any time outstanding not exceeding 10% of Consolidated Total Assets at such time;

(b) any Indebtedness of any of the Subsidiaries other than (i) Indebtedness of any Receivables Subsidiary pursuant to any Receivables Transaction permitted under subsection 7.3(a), (ii) any Indebtedness of any Subsidiary as a guarantor under or pursuant to any of the Note Purchase Agreements or the Existing Credit Agreement, (iii) any Indebtedness of any Subsidiary which is a Guarantor, (iv) any Indebtedness arising in respect of capital leases or purchase money obligations incurred in accordance with subsection 7.2(f), and (v) any other Indebtedness of Subsidiaries in an aggregate principal amount at any time outstanding not to exceed five percent of Consolidated Total Assets at such time; or

(c) Indebtedness of the Target and its subsidiaries incurred pursuant to the terms of the Purchase Agreements, provided that such Indebtedness is paid in full on or prior to the date that is five Business Days after the Closing Date.

7.4 Fundamental Changes

Liquidate, windup or dissolve (or suffer any liquidation or dissolution), or merge, consolidate with or into, or convey, transfer, lease, sell, assign or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except that, so long as no Default or Event of Default exists or would result therefrom:

(a) any Subsidiary may merge with (i) the Borrower, provided that the Borrower shall be the continuing or surviving Person, or (ii) any one or more Subsidiaries, provided that (A) when any wholly-owned Subsidiary is merging with another Subsidiary, such wholly-owned Subsidiary shall be the continuing or surviving Person and (B) when any Foreign Subsidiary is merging with a Domestic Subsidiary, such Domestic Subsidiary shall be the continuing or surviving Person;

(b) any (i) Subsidiary may sell, transfer, contribute, convey or otherwise dispose of all or substantially all of its assets (upon voluntary liquidation or otherwise), to the Borrower or to a Domestic Subsidiary; provided that if the transferor in such a transaction is a wholly-owned Subsidiary, then the transferee must also be a wholly-owned Subsidiary; or (ii) Foreign Subsidiary may sell, transfer, contribute, convey or otherwise dispose of all of its assets (upon voluntary liquidation or otherwise), to any other Foreign Subsidiary;

(c) any Subsidiary formed solely for the purpose of effecting a Permitted Acquisition may be merged or consolidated with any other Person; provided that the continuing or surviving corporation of such merger or consolidation shall be a Subsidiary and provided that such transaction otherwise satisfies the requirements of a Permitted Acquisition under subsection 7.12;

(d) "Inactive" or "shell" Subsidiaries (i.e., a Person that is not engaged in any business and that has total assets of \$500,000 or less) may be dissolved or otherwise liquidated, provided that all of the assets and properties of any such Subsidiaries are transferred to the Borrower upon dissolution/liquidation;

(e) the Borrower may merge or consolidate with any Person, provided that the Borrower shall be the continuing or surviving Person and provided the transaction otherwise satisfies the requirements of a Permitted Acquisition under subsection 7.12; and

(f) any Subsidiary may Dispose of assets located in Germany or Italy pursuant to regulatory approvals required to consummate the Transaction under the laws of Germany or Italy, as the case may be; provided that to the extent the Net Cash Proceeds received

by the Borrower and its Subsidiaries pursuant to such Dispositions exceed \$60,000,000 in the aggregate, then (i) in the case of any such Disposition consummated on or prior to the Closing Date, the Commitments shall be reduced by an amount equal to the amount of such Net Cash Proceeds in accordance with subsection 2.4(c) or (ii) in the case of any such Disposition consummated subsequent to the Closing Date, the Loans shall be prepaid in an amount equal to the amount of such Net Cash Proceeds in accordance with subsection 3.1(b).

7.5 Dispositions

Make any Disposition or enter into any agreement to make any Disposition, except:

(a) Dispositions of obsolete, out-moded or worn-out property, whether now owned or hereafter acquired, in the ordinary course of business;

(b) Dispositions of inventory in the ordinary course of business;

(c) Dispositions of property by any Subsidiary to the Borrower;

(d) Dispositions of Receivables pursuant to Receivables Transactions permitted under subsection 7.3(a);

(e) The nonexclusive license of intellectual property of the Borrower or any of its Subsidiaries to third parties in the ordinary course of business;

(f) Without limitation to clause (a), the Borrower and its Subsidiaries may sell or exchange specific items of machinery or equipment, so long as the proceeds of each such sale or exchange is used (or contractually committed to be used) to acquire (and results within one year of such sale or exchange in the acquisition of) replacement items of machinery or equipment of reasonably equivalent Fair Market Value;

(g) Dispositions permitted under, and subject to the requirements of, subsection 7.4(f); and

(h) Other Dispositions where (i) in the good faith opinion of the Borrower, the Disposition is an exchange for consideration having a Fair Market Value at least equal to that of the property Disposed of and is in the best interest of the Borrower or the applicable Subsidiary, as the case may be; (ii) immediately after giving effect to such Disposition, no Default or Event of Default would exist; and (iii) immediately after giving effect to such Disposition, the Disposition value of all property that was the subject thereof in any fiscal four quarter period of the Borrower plus the Fair Market Value of any other property Disposed of during such four quarter period does not equal or exceed 15% of Consolidated Total Assets as of the end of the then most recently ended fiscal quarter of Borrower.

7.6 ERISA

Engage in a transaction which could be subject to Section 4069 or 4212(c) of ERISA, or permit any Plan to (a) engage in any non-exempt "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code); (b) fail to comply with ERISA or any other applicable Laws; or (c) incur any material "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), which, with respect to any event listed above, could reasonably be expected to have a Material Adverse Effect.

7.7 Swap Agreements

Enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which the Borrower or any Subsidiary has actual exposure (other than those in respect of Equity Interests or Restricted Payments of the Borrower or any of its Subsidiaries), including hedging agreements with respect to raw materials to be used in the business of Borrower and its Subsidiaries, (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Borrower or any Subsidiary and (c) Swap Agreements of the Target and its subsidiaries listed on Schedule 7.7(c) which continue to be in effect following consummation of the Transaction.

7.8 Conduct of Business

From and after the Closing Date, engage in any business other than the distribution of medical, dental, veterinary, hospital or health care products, equipment or related services and/or technology, those businesses ancillary thereto or such other lines of business in which the Borrower and/or its Subsidiaries are engaged as of the Closing Date.

7.9 Transactions with Affiliates

Enter into any transaction of any kind with any Affiliate of the Borrower, other than for compensation and upon fair and reasonable terms with Affiliates in transactions that are otherwise permitted hereunder no less favorable to the Borrower or any Subsidiary than would be obtained in a comparable arm's-length transaction with a Person other than an Affiliate, provided, the foregoing restriction shall not apply to (a) any transaction between the Borrower and any of its Subsidiaries or between any of its Subsidiaries, (b) reasonable and customary fees paid to members of the Boards of Directors of the Borrower and its Subsidiaries, (c) transactions effected as part of a Receivables Transaction, (d) transactions which are effected pursuant to the terms of the Purchase Agreements as in effect on the date hereof or (e) compensation arrangements of officers and other employees of the Borrower and its Subsidiaries entered into in the ordinary course of business.

7.10 Burdensome Agreements

Enter into any Contractual Obligation that limits the ability in any material respect (a) of any Subsidiary to make Restricted Payments to the Borrower or to otherwise transfer property to the Borrower or (b) of the Borrower or any Subsidiary to create, incur, assume or suffer to exist Indebtedness or Liens on property of such Person, other than standard and customary negative pledge provisions in property acquired with the proceeds of any capital lease or purchase money financing that extend and apply only to such acquired property.

7.11 Use of Proceeds

Use the proceeds of the Loans for any purpose other than as provided in subsection 6.13.

7.12 Acquisitions

Enter into any agreement, contract, binding commitment or other arrangement providing for any Acquisition, or take any action to solicit the tender of securities or proxies in respect thereof in order to effect any Acquisition, other than Acquisitions satisfying the conditions below (the "Permitted Acquisitions"). So long as no Default or Event of Default has occurred and is continuing, the Borrower or any Subsidiary of the Borrower may engage in any Acquisition with any Person whose line or lines of business include the distribution of medical, dental, veterinary, hospital, or health care technology, provided that:

(a) after giving effect to any such Acquisition, no Default or Event of Default shall exist at the time of any such Acquisition or at the time or as a result of the consummation of the transaction contemplated thereby;

(b) the Borrower shall notify the Lenders of the consummation of any such Acquisition, with respect to which the aggregate cash amount paid or payable exceeds \$25,000,000, within 15 Business Days of the consummation thereof, and provide the Lenders at such time with evidence reasonably satisfactory to the Lenders (which evidence shall include pro forma financial statements after giving effect to the proposed Permitted Acquisition) that after giving effect to such Acquisition, no Default or Event of Default shall have existed at the time of any such Acquisition or at the time or as a result of the consummation of the transactions contemplated thereby;

(c) the aggregate cash amounts paid or payable with respect to any one Acquisition (whether structured as a single transaction or a series of related transactions) from and after the date hereof to and including the Maturity Date shall not exceed \$50,000,000 at the time of consummation of any such transaction without the prior written consent of the Majority Lenders;

(d) if, upon the closing of the transactions contemplated by an Acquisition, any such acquiring or acquired Person is or becomes a Significant Subsidiary, simultaneously

with a consummation of such transaction such Significant Subsidiary shall become a Guarantor pursuant to the provisions of subsection 6.13; and

(e) notwithstanding anything contained herein to the contrary, no hostile takeover shall be attempted or consummated (i.e., an Acquisition that has not been either (1) approved by the board of directors of the corporation which is the subject of such Acquisition or (2) recommended for approval by such board to the shareholders of such corporation and subsequently approved by the shareholders of such corporation as required under applicable law or by the by-laws and the certificate or incorporation of such corporation).

7.13 Investments, Loans, Advances, Guarantees and Acquisitions

The Borrower will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any Equity Interests, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or purchase or otherwise acquire (in one transaction or a series of transactions) any assets of any other Person constituting a business unit (which shall not include, for the avoidance of doubt, capital expenditures made in the ordinary course of business), except:

(a) Permitted Investments;

(b) investments by the Borrower existing on the date hereof in the Equity Interests of its Subsidiaries;

(c) the Borrower and its Subsidiaries may acquire and own investments (including debt obligations) received in connection with the bankruptcy or reorganization of suppliers and customers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business;

(d) the Borrower and its Subsidiaries may acquire and own investments pursuant to Swap Agreements not prohibited by subsection 7.7;

(e) advances, loans and investments which are made pursuant to the terms of the Purchase Agreements as in effect on the date hereof;

(f) deposits made in the ordinary course of business to secure the performance of leases or other contractual arrangements shall be permitted;

(g) loans and advances by the Borrower and its Subsidiaries to employees of the Borrower and such Subsidiaries for moving and travel and other similar expenses or in connection with stock or stock option purchases of the Borrower by employees of the Borrower and such Subsidiaries pursuant to compensatory plans, arrangements or agreements in the

ordinary course of business, in an aggregate amount at any time outstanding not to exceed \$5,000,000;

(h) the Borrower may make intercompany loans, advances and investments to any of its Subsidiaries which are Guarantors, any Subsidiary may make intercompany loans, advances and investments to the Borrower and any Subsidiary may make intercompany loans, advances and investments to any other Subsidiary that is a Guarantor;

(i) Foreign Subsidiaries may make intercompany loans, advances and investments to or in other Foreign Subsidiaries;

(j) investments, loans or advances made by the Borrower to (i) any Domestic Subsidiary which is not a Guarantor or (ii) any Affiliates (other than Subsidiaries) or Foreign Subsidiaries provided that the aggregate amount at any time outstanding under (i) and (ii) above shall not exceed \$75,000,000. For purposes of this subparagraph (j), the amount included in "investments, loans or advances" shall mean only (A) loans or advances which are recorded as debt in accordance with GAAP and advances made on behalf of Affiliates or Foreign Subsidiaries which are not repaid within 120 days of the date of such advance, (B) the purchase price of the interest purchased (at the time of purchase) or (C) the amount of cash or the value of assets contributed (at the time of contribution);

(k) Guarantees constituting Indebtedness permitted by subsection 7.3;

(l) the Borrower may incur Guarantee Obligations on behalf of any Subsidiary which is a Guarantor and any Guarantor may incur Guarantee Obligations on behalf of the Borrower, provided that when computing the amount of Indebtedness resulting from any such Guarantee Obligations, only the primary obligation shall be included;

(m) the Borrower may incur Guarantee Obligations on behalf of any Subsidiary which is not a Guarantor and any Subsidiary may incur Guarantee Obligations on behalf of Borrower; and

(n) Acquisitions permitted by subsection 7.12 and the Transaction.

7.14 Restricted Payments

Declare or make, directly or indirectly, any Restricted Payment, or incur any obligation (contingent or otherwise) to do so, except that:

(a) each Subsidiary may make Restricted Payments to the Borrower and to wholly-owned Subsidiaries (and, in the case of a Restricted Payment by a non-wholly-owned Subsidiary, to the Borrower and any Domestic Subsidiary and to each other owner of Equity Interests of such Subsidiary on a pro rata basis based on their relative ownership interests);

(b) the Borrower and each Subsidiary may declare and make Restricted Payments or other distributions payable solely in the common stock of such Person;

(c) the Borrower and each Subsidiary may purchase, redeem or otherwise acquire shares of its common stock or warrants or options to acquire any such shares with the proceeds received from the substantially concurrent issue of new shares of its common stock; and

(d) the Borrower may declare or pay cash dividends in any fiscal year to its stockholders and purchase, redeem or otherwise acquire shares of its Equity Interests or warrants, rights or options to acquire any such shares for cash; provided that no such cash payments (1) in any fiscal quarter of the Borrower (other than any such payments which are specified in clause (2) below) shall exceed (x) the greater of (A) \$25,000,000 and (B) 40 percent of the consolidated net income of the Borrower and its Subsidiaries for the period of the four prior consecutive fiscal quarters of the Borrower, (determined on a consolidated basis and as calculated consistent with the manner disclosed by the Borrower in its Quarterly Reports on Form 10-Q and its Annual Reports on Form 10 K as filed by the Borrower from time to time with the Securities and Exchange Commission), less (y) any such cash payments previously made during such four fiscal quarter period, or (2) may be made by the Borrower, in an aggregate amount exceeding \$120,000,000, to repurchase shares of the Company's common stock, \$.01 par value per share, from holders thereof pursuant to the Borrower's stock repurchase program, as authorized by the Board of Directors of the Borrower on or about March 3, 2003; provided further that not more than 2,000,000 of such shares may be repurchased by the Borrower pursuant to such program. For the avoidance of doubt, no cash payments made pursuant to the foregoing clause (2) shall reduce cash payments made by the Borrower solely in reliance on the foregoing clause (1).

SECTION 8. EVENTS OF DEFAULT

Any of the following shall constitute an Event of Default:

(a) The Borrower shall fail to pay any principal of any Loan when due in accordance with the terms thereof or hereof; or the Borrower shall fail to pay any interest on any Loan, or any fee or other amount payable hereunder, within three Business Days after any such interest or other amount becomes due in accordance with the terms thereof or hereof; or

(b) Any representation or warranty made or deemed made by the Borrower or any Guarantor herein or in any other Loan Document or which is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement shall prove to have been incorrect or misleading in any material respect when made or deemed made or furnished; or

(c) (i) The Borrower shall default in the observance or performance of any covenant contained in subsection 6.8, subsection 6.11, subsection 6.12 or Section 7; or (ii) the

Borrower shall default in the observance or performance of any covenant contained in subsection 6.1, and such default shall continue unremedied for a period of 10 days; or (iii) the Borrower shall default in the observance or performance of any other agreement contained in this Agreement (other than as provided above in this Section), and such default described in this clause (c)(iii) shall continue unremedied for a period of 30 days; provided that if any such default covered by this clause (c)(iii), (x) is not capable of being remedied within such 30-day period, (y) is capable of being remedied within an additional 30-day period and (z) the Borrower is diligently pursuing such remedy during the period contemplated by (x) and (y) and has advised the Administrative Agent as to the remedy thereof, the first 30-day period referred to in this clause (c)(iii) shall be extended for an additional 30-day period but only so long as (A) the Borrower continues to diligently pursue such remedy, (B) such default remains capable of being remedied within such period and (C) any such extension could not reasonably be expected to have a Material Adverse Effect; or

(d) The Borrower or any of the Guarantors shall (i) default in any payment of principal of or interest on any Indebtedness (other than the Loans) or in the payment of any Guarantee Obligation, beyond the period of grace, if any, provided in the instrument or agreement under which such Indebtedness or Guarantee Obligation was created; or (ii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or Guarantee Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Guarantee Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or such Guarantee Obligation to become payable; provided, however, that except with respect to any Default or Event of Default of the type described under subsection 8(d)(i) or any other material Default or Event of Default of the type described under subsection 8(d)(ii) which shall have occurred in connection with any of the Note Purchase Agreements or the Existing Credit Agreement, no Default or Event of Default shall exist under this paragraph unless the aggregate amount of Indebtedness and/or Guarantee Obligations in respect of which any default or other event or condition referred to in this paragraph shall have occurred shall be equal to at least \$20,000,000; or

(e) (i) The Borrower, any of its Significant Subsidiaries or any of the Guarantors shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower, any of its Significant Subsidiaries or any of the Guarantors shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the Borrower, any of its Significant

Subsidiaries or any of the Guarantors any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 calendar days; or (iii) there shall be commenced against the Borrower, any of its Significant Subsidiaries or any of the Guarantors any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 30 calendar days from the entry thereof; or (iv) the Borrower, any of its Significant Subsidiaries or any of the Guarantors shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Borrower, any of its Significant Subsidiaries or any of the Guarantors shall generally not or shall admit in writing its inability to, pay its debts as they become due; or

(f) (i) The Borrower or any Commonly Controlled Entity shall engage in any non-exempt "prohibited transaction," as defined in Section 406 of ERISA or Section 4975 of the Code, involving any Plan, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan or any Lien in favor of the PBGC or a Plan shall arise on the assets of the Borrower or any Commonly Controlled Entity, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed (or a trustee shall be appointed) to administer, or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA in a distress termination (as defined in Section 4041(c) of ERISA), (v) the Borrower or any Commonly Controlled Entity shall incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, has resulted in or could reasonably be expected to result in liability in an aggregate amount of \$20,000,000 or more; or

(g) One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving in the aggregate a liability (not paid or in excess of the amount recoverable by insurance) of \$20,000,000 or more, or one or more non-monetary judgments or decrees shall be entered against Borrower or any of its Subsidiaries that have, or could reasonably be expected to have, a Material Adverse Effect, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 30 days from the entry thereof; or

(h) (i) 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 ownership of 30% or more of any outstanding class of Equity Interests having ordinary voting power in the election of directors of the Borrower (other than the aggregate beneficial ownership

of the Persons who are officers or directors of the Borrower on the Closing Date or (B) shall obtain the power (whether or not exercised) to elect a majority of the Borrower's directors or (ii) the Board of Directors of the Borrower shall not consist of a majority of Continuing Directors; or

(i) Any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of all the Lenders or satisfaction in full of all the Obligations, ceases to be in full force and effect, or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any respect; or the Borrower denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document;

then, and in any such event, (A) if such event is an Event of Default specified in paragraph (e) or paragraph (i) above, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents shall immediately become due and payable, as the case may be and (B) if such event is any other Event of Default, with the consent of the Majority Lenders, the Administrative Agent may, or upon the request of the Majority Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Commitments to be terminated forthwith or the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement and the other Loan Documents to be due and payable forthwith, whereupon the same shall immediately terminate or become due and payable, as the case may be. The Borrower hereby expressly waives presentment, demand of payment, protest and all notices whatsoever (other than any notices specifically required hereby).

SECTION 9. THE AGENTS

9.1 Appointment

Each Lender hereby irrevocably designates and appoints the Administrative Agent as the Administrative Agent of such Lender under this Agreement and the other Loan Documents, and each Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, no Agent shall have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against any Agent.

9.2 Delegation of Duties

Each Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. No Agent shall be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

9.3 Exculpatory Provisions

No Agent, nor any of such Agent's officers, directors, employees, agents, attorneys-in-fact or Affiliates, shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except for its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by any Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of the Borrower to perform its obligations hereunder or thereunder. No Agent shall be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower.

9.4 Reliance by Agents

Each of the Agents shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by any Agent. Each of the Agents may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Majority Lenders (or, to the extent required by this Agreement, all of the Lenders) as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action (other than any such liability or expense resulting from the gross negligence or willful misconduct of the Administrative Agent). Each of the Agents shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Majority Lenders (or, to the extent required by this Agreement, all of the Lenders), and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

9.5 Notice of Default

No Agent shall be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless such Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Majority Lenders (or, to the extent required by this Agreement, all of the Lenders); provided that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6 Non-Reliance on Agents and Other Lenders

Each Lender expressly acknowledges that none of the Agents nor any of each Agent's respective officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by any Agent hereafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by such Agent to any Lender. Each Lender represents to each Agent that it has, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon any Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, no Agent shall have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrower which may come into the possession of such Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

9.7 Indemnification

The Lenders agree to indemnify each of the Agents in its capacity as such (to the extent not reimbursed by the Borrower in accordance with the terms hereof and without limiting the obligation of the Borrower to do so), ratably according to their respective Commitment

Percentages in effect on the date on which indemnification is sought (or, if indemnification is sought after the date upon which the Commitments shall have terminated and the Loans shall have been paid in full, ratably in accordance with such percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Loans) be imposed on, incurred by or asserted against any such Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by any such Agent under or in connection with any of the foregoing; provided that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements which are found by a final and nonappealable decision of a court of competent jurisdiction to have resulted from any such Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the Loans and all other amounts payable hereunder.

9.8 Agents in Their Individual Capacity

Each Person serving as an Agent under this Agreement and such Person's Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Person serving as an Agent were not an Agent hereunder and under the other Loan Documents. With respect to the Loans made by it, the Person serving as an Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not an Agent, and the terms "Lender" and "Lenders" shall include the Person serving as an Agent in its individual capacity.

9.9 Successor Administrative Agent

The Administrative Agent may resign as Administrative Agent upon 10 days' notice to the Lenders and the Borrower. If the Administrative Agent shall resign as Administrative Agent under this Agreement and the other Loan Documents, then the Majority Lenders shall appoint from among the Lenders a successor Administrative Agent for the Lenders, which successor Administrative Agent (provided that it shall have been approved by the Borrower), shall succeed to the rights, powers and duties of the Administrative Agent hereunder. Effective upon such appointment and approval, the term "Administrative Agent" shall mean such successor Administrative Agent, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

SECTION 10. MISCELLANEOUS

10.1 Amendments and Waivers

Neither this Agreement nor any other Loan Document, nor any terms hereof or thereof, may be amended, supplemented or modified except in accordance with the provisions of this subsection. The Majority Lenders may, or, with the written consent of the Majority Lenders, the Administrative Agent may, from time to time, (a) enter into with the Borrower written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Borrower hereunder or thereunder or (b) waive, on such terms and conditions as the Majority Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its consequences; provided, however, that no such waiver and no such amendment, supplement or modification shall (i) reduce the amount or extend the scheduled date of maturity of any Loan, or reduce the stated rate or amount of any interest or fee payable hereunder or extend the scheduled date of any payment thereof or increase the amount or extend the expiration date of the Commitments without the consent of each Lender affected thereby, or (ii) amend, modify or waive any provision of this subsection, reduce the percentage specified in the definitions of Majority Leaders, or amend or modify any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination granting consent hereunder, or consent to the assignment or transfer by the Borrower or any Guarantor of any of its rights and obligations under this Agreement and the other Loan Documents, in each case without the written consent of all the Lenders, (iii) release any Guarantor from its obligations or limit any of such Guarantor's obligations under Section 11 (except where such release is expressly permitted elsewhere in this Agreement without such consent) without the written consent of all the Lenders, or (iv) amend, modify or waive any provision of Section 9 without the written consent of each Agent directly affected thereby; and further provided, however, that no such waiver and no such amendment, supplement or modification shall amend, modify or waive any provision of Section 11 without the written consent of the Guarantors. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Borrower, the Guarantors, the Lenders, the Agents and all future holders of the Loans. In the case of any waiver, the Borrower, the Guarantors, the Lenders and the Agents shall be restored to their former positions and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

10.2 Notices

(a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other

communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Borrower or any of the Guarantors, to Henry Schein, Inc., 135 Duryea Road, Melville, New York, 11747, Attention of Chief Financial Officer (Telecopy No. (631) 843-5541), with a copy to Proskauer Rose LLP, 1585 Broadway, New York, New York, 10036-8299, Attention of Jack P. Jackson, Esq. (Telecopy No. (212) 969-2900);

(ii) if to the Administrative Agent, to it at JPMorgan Chase Bank, 395 North Service Road, Suite 302, Melville, NY 11747, Attention of John Budzynski, (Telecopy No. (631) 755-5184), with a copy to Richard Grabowski;

(iii) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire and notified to the Borrower in accordance with the provisions hereof.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent and the Lenders. The Administrative Agent or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

10.3 No Waiver; Cumulative Remedies

No failure to exercise and no delay in exercising, on the part of any Agent or any Lender, any right, remedy, power or privilege hereunder or under the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 Survival of Representations and Warranties

All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans hereunder.

10.5 Payment of Expenses and Taxes

The Borrower agrees (a) to pay or reimburse each of the Agents for all their reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of Simpson Thacher & Bartlett LLP, counsel to the Administrative Agent, (b) to pay or reimburse each Lender and each Agent for all its costs and expenses incurred in connection with the enforcement of any rights under this Agreement or any of the other Loan Documents, including, without limitation, the Attorney Costs of each Lender and each Agent, (c) to pay, and indemnify and hold harmless each Lender and each Agent and each of their affiliates and their respective officers, directors, employees, agents and advisors (each, an "indemnified party") from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents, provided that the Borrower shall have no obligation hereunder to any indemnified party with respect to any of the foregoing fees or liabilities which arise from the gross negligence or willful misconduct of such indemnified party determined in a court of competent jurisdiction in a final non-appealable judgment, and (d) to pay, and indemnify and hold harmless each indemnified party from and against, any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents including, without limitation, any of the foregoing relating to the violation of, noncompliance with, or liability under, any Environmental Law applicable to the operations of the Borrower, any of its Subsidiaries or any of the Properties (all the foregoing in this clause (d), collectively, the "indemnified liabilities"), provided that the Borrower shall have no obligation hereunder to any indemnified party with respect to indemnified liabilities arising from the gross negligence or willful misconduct of such indemnified party determined in a court of competent jurisdiction in a final non-appealable judgment. The agreements in this subsection shall survive the termination of this Agreement and each other Loan Document and repayment of the Loans and all other amounts payable hereunder.

10.6 Successors and Assigns; Participations and Assignments

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that (i) neither the Borrower nor any of the Guarantors may assign or otherwise transfer any of their respective rights or obligations hereunder without the prior written consent of each Lender

(and any attempted assignment or transfer by any such Person without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this subsection. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants (to the extent provided in paragraph (c) of this subsection) and, to the extent expressly contemplated hereby, the Related Parties of each of the Agents and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees (each, an "Assignee") all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment or the Loans at the time owing to it, as the case may be) with the prior written consent (such consent not to be unreasonably withheld) of:

- (A) the Borrower, provided that no consent of the Borrower shall be required for an assignment to a Lender, an Affiliate of a Lender, an "Approved Fund" (as defined below) or, if a Default or an Event of Default has occurred and is continuing, any other Assignee; and
- (B) the Administrative Agent.

(ii) Assignments shall be subject to the following additional conditions:

- (A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitments or Loans, as the case may be, the amount of the Commitments or Loans, as the case may be, of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance, substantially in the form of Exhibit F (hereinafter, an "Assignment and Acceptance"), with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$5,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, provided that no such consent of the Borrower shall be required if a Default or an Event of Default has occurred and is continuing;

- (B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement:
- (C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500;
- (D) the Assignee, if it shall not be a Lender, shall deliver to the Administrative Agent a duly completed administrative questionnaire (containing all pertinent information relating to such assignee; hereinafter an "Administrative Questionnaire"); and
- (E) in the case of an assignment to a "CLO" (as defined below), the assigning Lender shall retain the sole right to approve any amendment, modification or waiver of any provision of this Agreement, provided that the Assignment and Acceptance between such Lender and such CLO may provide that such Lender will not, without the consent of such CLO, agree to any amendment, modification or waiver described in the first proviso to subsection 10.1(a) that affects such CLO.

For the purposes of this subsection 10.6(b), the terms "Approved Fund" and "CLO" have the following meanings:

"Approved Fund" means (a) a CLO and (b) with respect to any Lender that is an institutional fund which invests primarily in bank loans and similar extensions of credit, any other institutional fund that invests primarily in bank loans and similar extensions of credit and is managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"CLO" means any entity (whether a corporation, partnership, trust or otherwise) that is engaged in making, purchasing, holding or otherwise investing in bank loans and similar extensions of credit in the ordinary course of its business and is administered or managed by a Lender or an Affiliate of such Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this subsection, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such

Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of subsections 3.8, 3.9, 3.10, 3.11 and 10.5). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this subsection 10.6 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this subsection.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the principal amount of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an Assignee, the Assignee's completed Administrative Questionnaire (unless the Assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this subsection and any written consent to such assignment required by paragraph (b) of this subsection, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Borrower or the Administrative Agent, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment or Loan owing to it, as the case may be); provided that (A) such Lender's obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrower, the Agents and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such

agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to subsection 10.1(a) that affects such Participant. Subject to paragraph (c)(ii) of this subsection, the Borrower agrees that each Participant shall be entitled to the benefits of subsections 3.8, 3.9, 3.10 and 3.11 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this subsection. To the extent permitted by law, each Participant also shall be entitled to the benefits of subsection 10.7 as though it were a Lender, provided such Participant agrees to be subject to subsection 10.7 as though it were a Lender.

(ii) A Participant shall not be entitled to receive any greater payment under subsection 3.9, 3.10 or 3.11 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Non-U.S. Lender (as defined in subsection 3.10(b)) if it were a Lender shall not be entitled to the benefits of subsection 3.10 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with subsection 3.10(b) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank, and this subsection shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(e) The Borrower authorizes each Lender to disclose to any Participant or Assignee (each, a "Transferee") and any prospective Transferee, subject to the provisions of subsection 10.14, any and all financial information in such Lender's possession concerning the Borrower and its Subsidiaries and Affiliates which has been delivered to such Lender by or on behalf of the Borrower pursuant to this Agreement or which has been delivered to such Lender by or on behalf of the Borrower in connection with such Lender's credit evaluation of such Borrower and its Subsidiaries and Affiliates prior to becoming a party to this Agreement.

(f) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this subsection concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

10.7 Adjustments; Set-off

(a) If any Lender (a "benefited Lender") shall at any time receive any payment of all or part of its Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in subsection 8(e), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender (other than to the extent expressly provided herein), if any, in respect of such other Lender's Loans, or interest thereon, such benefited Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Loans, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefited Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the other Lenders; provided, however, that if all or any portion of such excess payment or benefits is thereafter recovered from such benefited Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower or the Guarantors, any such notice being expressly waived by the Borrower and the Guarantors to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise) to set off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower or any of the Guarantors. Each Lender agrees promptly to notify the Borrower or any such Guarantor and the Administrative Agent after any such set-off and application made by such Lender, provided that the failure to give such notice shall not affect the validity of such set-off and application.

10.8 Counterparts

This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile transmission), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.9 Severability

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition

or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.10 Integration

This Agreement and the other Loan Documents represent the entire agreement of the Borrower, the Agents and the Lenders with respect to the subject matter hereof or thereof, and there are no promises, undertakings, representations or warranties by any Agent or any Lender relative to subject matter hereof or thereof not expressly set forth or referred to herein or in the other Loan Documents.

10.11 GOVERNING LAW

THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.12 Submission To Jurisdiction; Waivers

Each of the Borrower and each Guarantor hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgment in respect thereof, to the non-exclusive general jurisdiction of the courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower at its address set forth in subsection 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this subsection any special, exemplary, punitive or consequential damages.

10.13 Acknowledgements

Each of the Borrower and each Guarantor hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) no Agent nor any Lender has any fiduciary relationship with or duty to the Borrower or any of the Guarantors arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between the Agents and Lenders, on the one hand, and the Borrower and the Guarantors, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower, the Guarantors, and the Lenders.

10.14 Confidentiality

Each Lender agrees to keep confidential any written or oral information (a) provided to it by or on behalf of the Borrower or any of its Subsidiaries pursuant to or in connection with this Agreement or any other Loan Document or (b) obtained by such Lender based on a review of the books and records of the Borrower or any of its Subsidiaries; provided that nothing herein shall prevent any Lender from disclosing any such information (i) to any Agent or any other Lender, (ii) to any Transferee which receives such information having been made aware of the confidential nature thereof and having agreed to abide by the provisions of this subsection 10.14, (iii) to its employees, directors, agents, attorneys, accountants and other professional advisors, and to employees and officers of its Affiliates who agree to be bound by the provisions of this subsection 10.14 and who have a need for such information in connection with this Agreement or other transactions or proposed transactions with the Borrower, (iv) upon the request or demand of any Governmental Authority having jurisdiction over such Lender, (v) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law, (vi) subject to an agreement to comply with the provisions of this subsection, to any actual or prospective counter-party (or its advisors) to any Swap Agreement, (vii) which has been publicly disclosed other than in breach of this Agreement, (viii) in connection with the exercise of any remedy hereunder or any litigation to which such Lender is a party, or (ix) which is received by such Lender from a Person who, to such Lender's knowledge or reasonable belief, is not under a duty of confidentiality to the Borrower or the applicable Subsidiary, as the case may be.

10.15 WAIVERS OF JURY TRIAL

THE BORROWER, THE GUARANTORS, THE AGENTS AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY

JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

SECTION 11. GUARANTEE

11.1 Guarantee

The Guarantors hereby jointly and severally guarantee (this "Guarantee") to each Lender and each Agent, and their respective successors and assigns, the prompt payment in full when due (whether at stated maturity, by acceleration or otherwise) of the principal of and interest on the Loans made by the Lenders to the Borrower and all other amounts owing to the Lenders or the Agents by the Borrower under this Agreement or under any of the other Loan Documents, in each case strictly in accordance with the terms hereof or thereof, as the case may be (such obligations being herein collectively called the "Guaranteed Obligations"). The Guarantors hereby further jointly and severally agree that if the Borrower shall fail to pay in full when due (whether at stated maturity, by acceleration or otherwise) any of the Guaranteed Obligations, the Guarantors will promptly pay the same, without any demand or notice whatsoever, and that in the case of any extension of time of payment or renewal of any of the Guaranteed Obligations, the same will be promptly paid in full when due (whether at extended maturity, by acceleration or otherwise) in accordance with the terms of such extension or renewal. This Guarantee is an absolute, unconditional, continuing guaranty of payment and not of collection of the Guaranteed Obligations and includes Guaranteed Obligations arising from successive transactions which shall either continue such Guaranteed Obligations or from time to time renew such Guaranteed Obligations after the same have been satisfied. This Guarantee is in no way conditioned upon any attempt to collect from the Borrower or upon any other event or contingency, and shall be binding upon and enforceable against each Guarantor without regard to the validity or enforceability of any of the Guaranteed Obligations, this Agreement, the Notes or any other Loan Document or of any term hereof or thereof. Each Lender and each Agent, is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender or such Agent to or for the credit or the account of any Guarantor against any of the obligations of any Guarantor now or hereafter existing under this Guarantee, irrespective of whether or not any such Lender or such Agent shall have made any demand hereunder and although such obligations may be unmatured. The rights under this subsection 11.1 are in addition to other rights and remedies (including other rights of set off) which any Lender or any Agent may have.

11.2 Obligations Unconditional

The obligations of the Guarantors under subsection 11.1 are absolute and unconditional, joint and several, irrespective of the value, genuineness, validity, regularity or enforceability of the obligations of the Borrower under this Agreement or any other agreement or instrument referred to herein, or any substitution, release or exchange of any other guarantee of or security for any of the Guaranteed Obligations, and, to the fullest extent permitted by applicable law, irrespective of any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor, it being the intent of this subsection that the obligations of the Guarantors hereunder shall be absolute and unconditional, joint and several, and shall not be subject to any counterclaim, set-off, deduction or defense based upon any claim any Guarantor may have against any Person, under any and all circumstances. Without limiting the generality of the foregoing, it is agreed that the occurrence of any one or more of the following shall not alter or impair the liability of the Guarantors hereunder, which shall remain absolute and unconditional as described above:

(i) at any time or from time to time, without notice to the Guarantors, the time for any performance of or compliance with any of the Guaranteed Obligations shall be extended, or such performance or compliance shall be waived;

(ii) any of the acts mentioned in any of the provisions of this Agreement or any other agreement or instrument referred to herein shall be done or omitted;

(iii) the maturity of any of the Guaranteed Obligations shall be accelerated, or any of the Guaranteed Obligations shall be modified, supplemented or amended in any respect, or any right under this Agreement or any other agreement or instrument referred to herein shall be waived or any other guarantee of any of the Guaranteed Obligations or any security therefor shall be released or exchanged in whole or in part or otherwise dealt with;

(iv) any lien or security interest granted to, or in favor of, any Agent or Agents or any Lender or Lenders as security for any of the Guaranteed Obligations shall fail to be perfected or shall be impaired or shall be released, or any Person liable for any of the Guaranteed Obligations (including, without limitation, any Guarantor) shall be released;

(v) any express or implied amendment, modification or supplement to this Agreement, any Note, or any other instrument applicable to the Borrower or to the Loans;

(vi) any failure on the part of the Borrower to perform or comply with this Agreement, any Note or any other Loan Document or any failure of any other Person to perform or comply with any term of this Agreement, any Note, or any other Loan Document or any other agreement as aforesaid; or

(vii) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or similar proceeding with respect to the Borrower, or its properties or its creditors, or any action taken by any trustee or receiver or by any court in any such proceeding.

The Guarantors hereby expressly waive diligence, presentment, demand of payment, protest and all notices whatsoever, and any requirement that any Agent or any Lender exhaust any right, power or remedy or proceed against the Borrower under this Agreement or any other agreement or instrument referred to herein, or against any other Person under any other guarantee of, or security for, any of the Guaranteed Obligations.

11.3 Reinstatement

The obligations of the Guarantors under this Section shall be automatically reinstated if and to the extent that for any reason any payment by or on behalf of the Borrower or any Guarantor in respect of the Guaranteed Obligations is rescinded or must be otherwise restored by any holder of any of the Guaranteed Obligations, whether as a result of any proceedings in bankruptcy or reorganization or otherwise, and the Guarantors jointly and severally agree that they will indemnify the Agents and each Lender on demand for all reasonable costs and expenses (including fees of counsel) incurred by such Agent or such Lender in connection with such rescission or restoration, including any such costs and expenses incurred in defending against any claim alleging that such payment constituted a preference, fraudulent transfer or similar payment under any bankruptcy, insolvency or similar law.

11.4 Subrogation

The Guarantors hereby jointly and severally agree that until the payment and satisfaction in full of all Guaranteed Obligations, the Guarantors shall not exercise any right or remedy arising by reason of any performance by them of their guarantee in subsection 11.1, whether by subrogation or otherwise, against the Borrower or any other guarantor of any of the Guaranteed Obligations or any security for any of the Guaranteed Obligations.

11.5 Remedies

The Guarantors jointly and severally agree that, as between the Guarantors and the Lenders, the obligations of the Borrower under this Agreement may be declared to be forthwith due and payable as provided in Section 8 (and shall be deemed to have become automatically due and payable as a result of the occurrence of an event described in clause (e) or (i) of Section 8 in accordance with the provisions of Section 8) for purposes of subsection 11.1 notwithstanding any stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Borrower, the obligations of the Guarantors with respect to the Guaranteed Obligations shall be unaffected by any such stay, injunction or other prohibition preventing such declaration (or such obligations from becoming automatically due and payable) as against the Borrower or otherwise, and that, in the event of such declaration (or such obligations being deemed to have become automatically due and payable), such obligations (whether or not due and payable by the Borrower) shall forthwith become due and payable by the Guarantors for purposes of subsection 11.1.

11.6 Instrument for the Payment of Money

Each Guarantor hereby acknowledges that the guarantee in this Section constitutes an instrument for the payment of money, and consents and agrees that any Lender or any Agent, at its sole option, in the event of a dispute by such Guarantor in the payment of any moneys due hereunder, shall have the right to bring motion or action under New York CPLR Section 3213.

11.7 Continuing Guarantee

The guarantee in this Section is a continuing guarantee, and shall apply to all Guaranteed Obligations whenever arising.

11.8 General Limitation on Guarantee Obligations

In any action or proceeding involving any state corporate law, or any state or Federal bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of any Guarantors under subsection 11.1 would otherwise be held or determined to be void, invalid or unenforceable, or subordinated to the claims of any other creditors, on account of the amount of its liability under subsection 11.1, then, notwithstanding any other provision hereof to the contrary, the amount of such liability shall, without any further action by such Guarantors, any Lender, any Agent or any other Person, be automatically limited and reduced to the highest amount that is valid and enforceable and not subordinated to the claims of other creditors as determined in such action or proceeding.

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

HENRY SCHEIN, INC.,
as Borrower

By: /s/ Steven Paladino

Name: Steven Paladino
Title:

ROANE BARKER, INC.,
as a Guarantor

By: /s/ Steven Paladino

Name: Steven Paladino
Title:

DENTRIX DENTAL SYSTEMS, INC.
as a Guarantor

By: /s/ Steven Paladino

Name: Steven Paladino
Title:

HSI SERVICE CORP.
as a Guarantor

By: /s/ Steven Paladino

Name: Steven Paladino
Title:

MICRO BIO-MEDICS, INC.
as a Guarantor

By: /s/ Steven Paladino

Name: Steven Paladino
Title:

GIV HOLDINGS, INC.
as a Guarantor

By: /s/ Steven Paladino

Name: Steven Paladino
Title:

JPMORGAN CHASE BANK,
as Administrative Agent and as a Lender

By: /s/ John Budzynski

Name: John Budzynski
Title: Vice President

LEHMAN COMMERCIAL PAPER INC.,
as Syndication Agent and as a Lender

By: /s/ Gregory H. Smith

Name: Gregory H. Smith
Title:

Names and Commitments of Lenders

| Name of Lender ----- | Commitment ----- |
|------------------------------|---------------------|
| JPMORGAN CHASE BANK | \$75,000,000 |
| LEHMAN COMMERCIAL PAPER INC. | \$75,000,000 |

Taxation

None

Swap Agreements

Entity: Sirona Dental Systems B.V.
Principal: EUR6million
Bank Pays: Floating
Bank Receives: Fixed - 4.2%

CERTIFICATION

I, Stanley M. Bergman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Henry Schein, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we 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) 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
 - c) 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: August 2, 2004

/s/ Stanley M. Bergman

Stanley M. Bergman
Chairman, Chief Executive Officer and
President

CERTIFICATION

I, Steven Paladino, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Henry Schein, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we 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) 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
 - c) 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: August 2, 2004

/s/ Steven Paladino

Steven Paladino
Executive Vice President and
Chief Financial Officer

