

HENRY SCHEIN INC  
Form DEF 14A  
April 08, 2011

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

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to § 240.14a-12

**HENRY SCHEIN, INC.**

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 18, 2011**

Dear Stockholder:

You are cordially invited to attend the 2011 Annual Meeting of Stockholders (the Annual Meeting ) of Henry Schein, Inc. (the Company ), to be held at 11:00 a.m., on Wednesday, May 18, 2011 at the Melville Marriott Long Island, 1350 Old Walt Whitman Road, Melville, New York 11747.

The Annual Meeting will be held for the following purposes:

1. to consider the election of thirteen directors of the Company for terms expiring in 2012;
2. to consider and act upon a proposal to amend the Company's 1994 Stock Incentive Plan;
3. to consider the approval, by non-binding vote, of the 2010 compensation paid to the Company's Named Executive Officers (as defined in the proxy statement) (commonly known as a say-on-pay proposal);
4. to recommend, by non-binding vote, the frequency of future advisory votes on executive compensation (commonly known as a frequency of say-on-pay proposal);
5. to ratify the selection of BDO USA, LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011; and
6. to transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Only stockholders of record at the close of business on March 21, 2011 are entitled to notice of and to vote at the meeting or any adjournments or postponements thereof.

The Company is pleased to take advantage of the Securities and Exchange Commission rules that allow issuers to furnish proxy materials to their stockholders on the Internet. The Company believes the rules allow it to provide its stockholders with the information they need, while lowering the costs of delivery and reducing the environmental impact of the Annual Meeting. Accordingly, stockholders of record at the close of business on March 21, 2011 will receive a Notice Regarding the Availability of Proxy Materials and may vote at the Annual Meeting and any adjournment or postponement of the meeting.

To assure your representation at the Annual Meeting, you are urged to cast your vote, as instructed in the Notice Regarding the Availability of Proxy Materials, over the Internet or by telephone as promptly as possible. You may also request a paper proxy card to submit your vote by mail, if you prefer. Any stockholder of record attending the Annual Meeting may vote in person, even if he or she has voted over the Internet, by telephone or returned a completed proxy card.

Whether or not you expect to attend the meeting in person, your vote is very important. Please cast your vote regardless of the number of shares you hold. I believe that you can be proud, excited and confident to be a stockholder of Henry Schein. I look forward to discussing our plans for the Company's future at the Annual Meeting, and I hope to see you there.

STANLEY M. BERGMAN  
Chairman and Chief Executive Officer

Melville, New York

April 8, 2011

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**HENRY SCHEIN, INC.  
135 DURYEA ROAD  
MELVILLE, NEW YORK 11747**

**PROXY STATEMENT**

The Board of Directors of Henry Schein, Inc. (the Company) has fixed the close of business on March 21, 2011 as the record date for determining the holders of the Company's common stock, par value \$0.01, entitled to notice of, and to vote at, the 2011 Annual Meeting of Stockholders (the Annual Meeting). As of that date, 92,072,239 shares of common stock were outstanding, each of which entitles the holder of record to one vote. The Notice of Annual Meeting, this proxy statement and the form of proxy are being made available to stockholders of record of the Company on or about April 8, 2011. A copy of our 2010 Annual Report to Stockholders is being made available with this proxy statement, but is not incorporated herein by reference.

The presence, in person or by proxy, of the holders of a majority of the shares eligible to vote is necessary to constitute a quorum in connection with the transaction of business at the Annual Meeting. Abstentions and broker non-votes (i.e., proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owner or other persons eligible to vote shares as to a matter with respect to which the brokers or nominees do not have discretionary power to vote) are counted as present for purposes of determining the presence or absence of a quorum for the transaction of business.

Abstentions and broker non-votes will have no effect on the election of directors (Proposal 1), which is by plurality vote, or the frequency of say-on-pay proposal (Proposal 4).

Abstentions and broker non-votes will, in effect, be votes against the amendments to the Company's 1994 Stock Incentive Plan (Proposal 2), the say-on-pay proposal (Proposal 3) and the ratification of the selection of the independent registered public accounting firm (Proposal 5), as these items require the affirmative vote of a majority of the shares present and eligible to vote on such items.

We will pay all expenses of this proxy solicitation. In addition to this proxy solicitation, proxies may be solicited in person or by telephone or other means (including by our directors or employees without additional compensation). We will reimburse brokerage firms and other nominees, custodians and fiduciaries for costs incurred by them in distributing proxy materials to the beneficial owners of shares held of record by such persons.

If your shares of common stock are registered directly in your name with the Company's transfer agent, you are considered, with respect to those shares, the stockholder of record. In accordance with rules and regulations adopted by the Securities and Exchange Commission (SEC), instead of mailing a printed copy of our proxy materials to each stockholder of record, we may furnish proxy materials to our stockholders on the Internet. If you received a Notice Regarding the Availability of Proxy Materials (the Notice of Internet Availability) by mail, you will not receive a printed copy of these proxy materials. Instead, the Notice of Internet Availability will instruct you as to how you may

access and review all of the important information contained in these proxy materials. The Notice of Internet Availability also instructs you as to how you may submit your proxy on the Internet. If you received a Notice of Internet Availability by mail and would like to receive a printed copy of our proxy materials, including a proxy card, you should follow the instructions for requesting such materials included in the Notice of Internet Availability.

If your shares are held in an account at a brokerage firm, bank, broker-dealer or other similar organization, then you are the beneficial owner of shares held in street name, and the Notice of Internet Availability was forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account.

Shares of common stock held in a stockholder's name as the stockholder of record may be voted in person at the Annual Meeting. Shares of common stock held beneficially in street name may be voted in person only if you obtain a legal proxy from the broker, trustee or nominee that holds your shares giving you the right to vote the shares.

Whether you hold shares directly as the stockholder of record or beneficially in street name, you may direct how your shares are voted without attending the Annual Meeting. If you are a stockholder of record, you may vote by

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submitting a proxy electronically via the Internet, by telephone or if you have requested a paper copy of these proxy materials, by returning the proxy or voting instruction card. If you hold shares beneficially in street name, you may vote by submitting voting instructions to your broker, trustee or nominee.

Whether or not you are able to attend the Annual Meeting, you are urged to complete and return your proxy or voting instructions, which are being solicited by the Company's Board of Directors and which will be voted as you direct on your proxy or voting instructions when properly completed. In the event no directions are specified, such proxies and voting instructions will be voted FOR the nominees for election to the Board of Directors, FOR the amendments to the Company's 1994 Stock Incentive Plan, FOR the say-on-pay proposal, FOR once every one year with respect to the frequency of say-on-pay proposal, FOR the ratification of BDO USA, LLP ( BDO USA ) as the Company's independent registered public accountants for the fiscal year ending December 31, 2011 and in the discretion of the proxy holders as to other matters that may properly come before the Annual Meeting.

You may revoke or change your proxy or voting instructions at any time before the Annual Meeting. To revoke your proxy, send a written notice of revocation or another signed proxy with a later date to the Corporate Secretary of the Company at Henry Schein, Inc., 135 Duryea Road, Melville, New York 11747 before the beginning of the Annual Meeting. You may also automatically revoke your proxy by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy. To revoke your voting instructions, submit new voting instructions to your broker, trustee or nominee; alternatively, if you have obtained a legal proxy from your broker or nominee giving you the right to vote your shares, you may attend the Annual Meeting and vote in person. All shares represented by a valid proxy received prior to the Annual Meeting will be voted.

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**PROPOSAL 1**  
**ELECTION OF DIRECTORS**

The Board of Directors has approved the thirteen persons named below as nominees for election at the Annual Meeting to serve as directors until the 2012 Annual Meeting of Stockholders and until their successors are elected and qualified. Directors will be elected by plurality vote. Any executed proxies returned to the Company will be voted for the election of all of such persons except to the extent the proxy is specifically marked to withhold such authority with respect to one or more of such persons. All of the nominees for director currently serve as directors and were elected by the stockholders at the 2010 Annual Meeting of Stockholders. All of the nominees have consented to be named and, if elected, to serve. In the event that any of the nominees is unable or declines to serve as a director at the time of the Annual Meeting, the proxies may be voted in the discretion of the persons acting pursuant to the proxy for the election of other nominees. Set forth below is certain information, as of March 21, 2011, concerning the nominees:

Name	Age	Position
Barry J. Alperin	70	Director
Gerald A. Benjamin	58	Executive Vice President, Chief Administrative Officer, Director
Stanley M. Bergman	61	Chairman, Chief Executive Officer, Director
James P. Breslawski	57	President, Chief Operating Officer, Director
Paul Brons	69	Director
Donald J. Kabat	75	Director
Philip A. Laskawy	69	Director
Karyn Mashima	57	Director
Norman S. Matthews	78	Director
Mark E. Mlotek	55	Executive Vice President, Corporate Business Development, Director
Steven Paladino	53	Executive Vice President, Chief Financial Officer, Director
Bradley T. Sheares, Ph.D.	54	Director
Louis W. Sullivan, M.D.	77	Director

*BARRY J. ALPERIN* has been a director for 15 years (since 1996). Mr. Alperin, who is retired, served as Vice Chairman of Hasbro, Inc. from 1990 through 1995, as Co-Chief Operating Officer of Hasbro from 1989 through 1990 and as Senior Vice President or Executive Vice President of Hasbro from 1985 through 1989. He was a director of Hasbro from 1985 through 1996. Prior to joining Hasbro, Mr. Alperin practiced law in New York City for 20 years, dealing with corporate, public and private financial transactions, corporate mergers and acquisitions, compensation issues and securities law matters. The Company values Mr. Alperin's financial expertise and his extensive experience in corporate and securities laws and corporate governance matters. Additionally, as the Company continues to grow through strategic acquisitions, the Board of Directors values Mr. Alperin's experience leading Hasbro's mergers and acquisitions and global expansion efforts. Mr. Alperin currently serves as a director of The Hain Celestial Group, Inc. (and is Chairman of its corporate governance and nominating committee and a member of its audit committee) and K-Sea Transportation Partners L.P. (and is Chairman of its audit committee and a member of its compensation committee) and is a director of two privately held corporations, K NEX Industries, Inc., a toy manufacturer, and Weeks Marine, Inc., a marine construction company. He serves as a trustee and member of the Executive Committee of The Caramoor Center for Music and the Arts, President Emeritus and a Life Trustee of The Jewish Museum in New York City and is the immediate past President of the New York Chapter of the American Jewish Committee where he also served as Chair of the audit committee of the national organization. Mr. Alperin also formerly served as Chairman of the Board of Advisors of the Tucker Foundation at Dartmouth College, was President of the Board of the Stanley

Isaacs Neighborhood Center in New York City, was a trustee of the Hasbro Children's Foundation, was President of the Toy Industry Association and was a member of the Columbia University Medical School Health Sciences Advisory Council.

*GERALD A. BENJAMIN* has been with the Company for 23 years (since 1988), in his current position as Executive Vice President and Chief Administrative Officer for 11 years (since 2000) and a director for 17 years (since 1994). Prior to holding his current position, Mr. Benjamin was Senior Vice President of Administration and Customer Satisfaction since 1993. Mr. Benjamin was Vice President of Distribution Operations from 1990 to 1992

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and Director of Materials Management from 1988 to 1990. Before joining us in 1988, Mr. Benjamin was employed at Estée Lauder, Inc. holding various management positions over his 13-year tenure, including Director of Materials Planning and Control. Mr. Benjamin brings experience to the Company's Board of Directors in the areas of global services, human resources and leadership. Mr. Benjamin oversees operations at Henry Schein's distribution centers in North America, Europe, Australia and New Zealand, including 3.8 million square feet of distribution space from which nearly 13 million orders are shipped annually. Mr. Benjamin also has guided our human resources and organizational development as the Company has grown to include more than 14,000 employees in 25 countries around the world. Mr. Benjamin provides the Board of Directors with operational and human resources insights for the Company.

*STANLEY M. BERGMAN* has been with the Company for 31 years (since 1980), including 22 years (since 1989) as our Chairman and Chief Executive Officer and 29 years (since 1982) as a director. Mr. Bergman held the position of President of the Company from 1989 to 2005. Mr. Bergman held the position of Executive Vice President from 1985 to 1989 and Vice President of Finance and Administration from 1980 to 1985. Mr. Bergman brings to the Company's Board of Directors management and leadership experience. Mr. Bergman is a well known, highly regarded leader in the global healthcare industry. He has expansive knowledge of the healthcare industry and macro-economic global conditions, maintains strategic relationships with chief executives and other senior management in the healthcare industry throughout the world and brings a unique and valuable perspective to the Board of Directors. During his tenure, Mr. Bergman has led the Company from sales of \$600 million in 1995 to \$7.5 billion in 2010. Mr. Bergman is active in numerous dental industry and professional associations, including the American Dental Association (where he served on the Oversight Committee, Future of Dentistry Project and was awarded honorary membership) and The Forsyth Institute, the premiere oral health research institution in the United States. Mr. Bergman is also a Certified Public Accountant.

*JAMES P. BRESLAWSKI* has been with the Company for 31 years (since 1980), in his current position as our President and Chief Operating Officer for six years (since 2005) and as a director for 19 years (since 1992). Mr. Breslawski held the position of Executive Vice President and President of U.S. Dental from 1990 to 2005, with primary responsibility for the North American Dental Group. Between 1980 and 1990, Mr. Breslawski held various positions with us, including Chief Financial Officer, Vice President of Finance and Administration and Corporate Controller. Mr. Breslawski is responsible for the Company's North American Dental, Medical and Technology businesses. Mr. Breslawski brings to the Company's Board of Directors management and leadership experience. The Board of Directors is aided by Mr. Breslawski's understanding of the healthcare business and his keen business acumen, leadership ability and interpersonal skills. Mr. Breslawski has served as Chairman of the Board of the American Dental Trade Association and President of the Dental Dealers of America. He is also a member of the Leadership Council, School of Dental Medicine at Harvard University, a former board member of the National Foundation of Dentistry for the Handicapped, a former member of the Board of Governors for St. John's University and a former trustee of Long Island University. Mr. Breslawski is also a Certified Public Accountant.

*PAUL BRONS* has been a director for six years (since 2005). Between 1994 and 2002, Mr. Brons served as an executive board member of Akzo Nobel, N.V. From 1965 to 1994, Mr. Brons held various positions with Organon International BV, including President from 1983 to 1994 and Deputy President from 1979 to 1983. From 1975 to 1979, Mr. Brons served as the General Manager of the OTC operations of Chefaro. Both Organon and Chefaro operated within the Akzo Nobel group. Mr. Brons currently serves on the Board of Directors (including as Chairman of the nominating and remuneration committee) of Almirall S.A., an international pharmaceutical company, and serves on the Supervisory Boards of Organon BioScience Netherlands and IBM Netherlands. Mr. Brons brings to the Company's Board of Directors knowledge of the human and animal health pharmaceutical industry (a segment of our medical and animal health businesses) and his experience with international business operations and relations (which accounted for \$2.5 billion of the Company's annual sales in 2010). The Board of Directors is also aided by Mr. Brons knowledge of European business culture and his strategic focus on European healthcare issues. Mr. Brons was

honored in 1996 by Her Majesty the Queen with the decoration of Knight of the Order of Lion of the Kingdom of the Netherlands, the country's highest civilian order, conferred for his meritorious achievements for Akzo Nobel and other international activities. Mr. Brons served on the Supervisory Board of Akzo Nobel Netherlands and is a former member of the Board of Directors and chaired certain committees for the European Federation of Pharmaceutical Industry Associations.

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*DONALD J. KABAT* has been a director for 15 years (since 1996). Mr. Kabat was the Chief Financial Officer of Central Park Skaters, Inc. from 1992 to 1995 and the President of D.J.K. Consulting Services, Inc. from 1995 to 2006. From 1970 to 1992, Mr. Kabat was a partner in Andersen Consulting (now known as Accenture PLC Ireland), where he practiced a broad array of specialty services including organization, profit improvement, process re-engineering and cost justification studies. With his prior experience as a Certified Public Accountant and partner at a global accounting firm, Mr. Kabat brings to the Company's Board of Directors strong skills in corporate finance, accounting and risk management. During his consulting career with Andersen Consulting, Mr. Kabat helped launch an entirely new practice specialty called Change Management Services, which focused on human resource management encompassing methods to maintain continuous alignment of strategy, operations, culture and rewards. He was the recipient of the Bravos award for outstanding contribution to the Change Management practice. He has made numerous speeches, written articles and contributed chapters to specialized books (e.g., *Budgeting: Key to Planning and Control*; *Management Controls for Professional Firms*; and *The Change Management Handbook*.)

*PHILIP A. LASKAWY* has been a director for nine years (since 2002). Mr. Laskawy joined the accounting firm of Ernst & Young LLP in 1961 and served as a partner in the firm from 1971 to 2001, when he retired. Mr. Laskawy served in various senior management positions at Ernst & Young, including Chairman and Chief Executive Officer, to which he was appointed in 1994. Mr. Laskawy currently serves on the Board of Directors of Lazard Ltd. (and is a member of its audit committee) and Loews Corporation (and is a member of its audit committee) and is the Non-Executive Chairman of Federal National Mortgage Association (Fannie Mae) (and Chairman of its risk policy and capital committee). As a Certified Public Accountant with over 40 years of experience, Mr. Laskawy brings to the Company's Board of Directors exceptional skills in corporate finance and accounting, corporate governance, compliance, disclosure and international business conduct. Mr. Laskawy served on the American Institute of Certified Public Accountants to review and update rules regarding auditor independence. In 2006 and 2007, he served as Chairman of the International Accounting Standards Committee Foundation, which was created by the SEC and sets accounting standards in more than 100 countries, and he served as a member of the 1999 Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees. Mr. Laskawy also serves on the Board of Directors of General Motors Corporation (and is Chairman of its audit committee) and on the boards of numerous not-for-profit organizations. Mr. Laskawy previously served on the Board of Directors of The Progressive Corporation and Discover Financial Services.

*KARYN MASHIMA* has been a director for three years (since 2008). Ms. Mashima, a private consultant, served as the Senior Vice President, Strategy and Technology of Avaya Inc. from 2000 to January 2009. Prior to holding such position at Avaya, Ms. Mashima held similar positions with the Enterprise Communications unit of Lucent Technologies and AT&T from 1994 to 2000. Ms. Mashima was Vice President of Marketing at Proteon Technologies, Inc. from 1992 to 1994 and Vice President of Marketing at Network Equipment Technologies, Inc. from 1990 to 1992. From 1984 to 1990, Ms. Mashima was Product and Marketing Manager at Hewlett-Packard Company. From 1981 to 1984, Ms. Mashima was employed at Xerox Corp., where her last position was Product Manager of Xerox's Office Systems division. Ms. Mashima brings to the Company's Board of Directors extensive executive experience with respect to technology strategies, business planning, market assessment, product development and competitive analysis. With technology and value-added services being one of the Company's five key business groups, the Board of Directors values Ms. Mashima's insight regarding future technological needs of the Company, particularly as the healthcare industry expands into electronic health records. Additionally, Ms. Mashima has extensive experience in mergers and acquisitions and international business operations and relations (which accounted for \$2.5 billion of the Company's annual sales in 2010). Ms. Mashima is a recognized industry leader, and frequently presents at major industry conferences. She was named a Woman of Influence for 2005 by *NJBiz* magazine and to the First Annual List of Tech Women to Watch by the executive search firm Christian & Timbers. Ms. Mashima is a member of Women's Corporate Directors International.

*NORMAN S. MATTHEWS* has been a director for nine years (since 2002). Since 1989, Mr. Matthews has worked as an independent consultant and venture capitalist. From 1978 to 1988, Mr. Matthews served in various senior management positions for Federated Department Stores, Inc., including President from 1987 to 1988. Mr. Matthews currently serves on the Board of Directors of The Progressive Corporation (and is Chairman of its nominating and governance committee and a member of its compensation committee), Spectrum Brands, Inc. and as Chairman of the Board of The Children's Place Retail Stores, Inc. Mr. Matthews brings to the Company's Board of Directors

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extensive experience in strategic marketing and sales with over 30 years of experience as a senior business leader in marketing and merchandising at large public companies and valuable expertise in compensation programs and strategy. Mr. Matthews is director emeritus of Sunoco, Toys R Us and Federated Department Stores and a trustee emeritus at the American Museum of Natural History. Mr. Matthews previously served on the Board of Directors of Finlay Fine Jewelry Corporation and Finlay Enterprises, Inc. In 2005, Mr. Matthews was named as one of eight outstanding directors by the Outstanding Directors Exchange (an annual award voted on by peer directors and awarded to an outstanding director for the key role he played during a crisis, a business transformation or a turnaround).

*MARK E. MLOTEK* has been with the Company for 17 years (since 1994), in his current position as our Executive Vice President, Corporate Business Development for seven years (since 2004) and as a director for 16 years (since 1995). Prior to his current position, Mr. Mlotek was Senior Vice President of Corporate Business Development from 2000 to 2004 and Vice President, General Counsel and Secretary from 1994 to 1999. Prior to joining us, Mr. Mlotek was a partner in the law firm of Proskauer Rose LLP, the Company's principal law firm and one of the largest firms in the nation, specializing in mergers and acquisitions, corporate reorganizations and tax law from 1989 to 1994. As the Company continues to grow through strategic acquisitions, the Board of Directors values Mr. Mlotek's extensive legal, merger and acquisition and business development experience as well as his drive for innovation and entrepreneurial spirit. Mr. Mlotek also manages the Company's important supplier partnership arrangements and strategic planning function.

*STEVEN PALADINO* has been with the Company for 24 years (since 1987), in his current position as our Executive Vice President and Chief Financial Officer for 11 years (since 2000) and as a director for 19 years (since 1992). Prior to holding his current position, Mr. Paladino was Senior Vice President and Chief Financial Officer from 1993 to 2000, from 1990 to 1992 Mr. Paladino served as Vice President and Treasurer and from 1987 to 1990 served as Corporate Controller. Before joining us, Mr. Paladino was employed as a public accountant for seven years, most recently with the international accounting firm of BDO Seidman LLP (now known as BDO USA LLP). Mr. Paladino is a Certified Public Accountant. Mr. Paladino brings to the Company's Board of Directors extensive financial, accounting and industry expertise. Mr. Paladino's responsibilities with the Company include the corporate oversight and strategic direction of business units as well as direct responsibility for corporate financial services. These corporate financial services include financial reporting, financial planning, treasury, investor relations, internal audit and taxation. Mr. Paladino also has responsibility for Henry Schein Financial Services which provides financial business solutions to our customers and also works with the corporate business development group on mergers and acquisition activities. Mr. Paladino's skills in corporate finance and accounting, the depth and breadth of his exposure to complex financial issues and his long-standing relationships with the financial community are valued by the Board of Directors.

*BRADLEY T. SHEARES, PH.D* has been a director since January 2010. Dr. Sheares served as Chief Executive Officer of Reliant Pharmaceuticals, Inc., from January 2007 through its acquisition by GlaxoSmithKline plc in December 2007. Prior to joining Reliant, Dr. Sheares served as President of U.S. Human Health for Merck & Co. from March 2001 until July 2006. As a member of Merck's management committee, Dr. Sheares had responsibility for formulating global business strategies, operations management and the development and implementation of corporate policies. He is also a director of Honeywell International, The Progressive Corporation and Covance Inc. and is a member of the compensation committee of all three companies. As the former CEO of Reliant Pharmaceuticals and with 20 years in the pharmaceutical industry (a segment of our medical and animal health businesses), Dr. Sheares brings to the Company's Board of Directors extensive healthcare knowledge and experience in sales, marketing, brand management, research and development, complex regulatory and legal issues, risk management and mergers and acquisitions. As a director of numerous other public companies, Dr. Sheares has been involved in succession planning, compensation, employee management and the evaluation of acquisition opportunities. Dr. Sheares previously served on the board of IMS Health Incorporated.



*LOUIS W. SULLIVAN, M.D.* has been a director for eight years (since 2003). Dr. Sullivan is President Emeritus of Morehouse School of Medicine. From 1981 to 1989 and from 1993 to 2002, Dr. Sullivan was President of Morehouse School of Medicine. From 1989 to 1993, Dr. Sullivan served as U.S. Secretary of Health and Human Services. Dr. Sullivan currently serves as Chairman of the Board of Directors of BioSante Pharmaceuticals, Inc. (Chair of its compensation committee and a member of its nominating and corporate governance committee and

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audit committee) and serves on the Board of Directors of United Therapeutics Corporation (member of its nominating and governance committee, its compensation committee and its scientific advisory committee) and Emergent BioSolutions Inc. (Chair of its nominating and corporate governance committee and a member of its compensation committee). As the Company continues to develop relationships with medical, dental and veterinary universities and seeks to be awarded governmental bids, Dr. Sullivan's extensive experience in government and governmental relations, in-depth knowledge of healthcare and healthcare policy and an inside view of healthcare in academia is extremely beneficial to the Board of Directors. Dr. Sullivan served as Chair of the President's Commission on Historically Black Colleges and Universities from 2002-2009, and was Co-chair of the President's Commission on HIV and AIDS from 2001-2006. Dr. Sullivan is the founding dean of Morehouse School of Medicine, the founding president of the Association of Minority Health Professions Schools and is a member of the boards of numerous charitable organizations. Dr. Sullivan is the recipient of more than 50 honorary degrees. Dr. Sullivan previously served on the Board of Directors of Bristol-Myers Squibb Company, General Motors Corporation, 3M Company, CIGNA Corporation, Inhibitex, Inc., Equifax Inc., Georgia Pacific LLC and Household Finance Corporation.

THE AFFIRMATIVE VOTE OF THE HOLDERS OF A PLURALITY OF THE OUTSTANDING SHARES OF COMMON STOCK PRESENT IN PERSON OR REPRESENTED BY PROXY AND ENTITLED TO VOTE ON THIS MATTER AT THE ANNUAL MEETING IS REQUIRED TO APPROVE THE PROPOSED NOMINEES FOR DIRECTOR. **THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSED NOMINEES FOR DIRECTOR.**

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**CORPORATE GOVERNANCE**

**Board of Directors Meetings and Committees**

During the fiscal year ended December 25, 2010 ( fiscal 2010 ), the Board of Directors held nine meetings. The Board of Directors has an Audit Committee, Compensation Committee, Nominating and Governance Committee and a Strategic Advisory Committee. During fiscal 2010, the Audit Committee held four meetings, the Compensation Committee held seven meetings, the Nominating and Governance Committee held two meetings and the Strategic Advisory Committee held three meetings. During fiscal 2010, each director attended at least 75% of the meetings of the Board of Directors and committees on which such directors served. Each of the committees of the Board of Directors acts pursuant to a separate written charter adopted by the Board of Directors.

***Independent Directors***

The Board of Directors has affirmatively determined that Messrs. Alperin, Brons, Kabat, Laskawy and Matthews, Ms. Mashima and Drs. Sheares and Sullivan are independent, as defined under Rule 5605(a)(2) of The NASDAQ Stock Market ( NASDAQ ). In determining Ms. Mashima's independence, the Board of Directors considered her significant other's employment with the Company's independent registered public accounting firm. He is a non-audit principal of such firm.

Independent directors, as defined under NASDAQ's Rule 5605(a)(2), meet at regularly scheduled executive sessions without members of Company management present.

***Audit Committee***

The Audit Committee currently consists of Messrs. Kabat (Chairman), Alperin and Laskawy. All of the members of the Audit Committee are independent directors as defined under NASDAQ's Rule 5605(a)(2). The Board of Directors has determined that each of the members of the Audit Committee are audit committee financial experts, as defined under the rules of the SEC and, as such, each satisfy the requirements of NASDAQ's Rule 5605(c)(2)(A).

The Audit Committee oversees (i) our accounting and financial reporting processes, (ii) our audits and (iii) the integrity of our financial statements on behalf of the Board of Directors, including the review of our consolidated financial statements and the adequacy of our internal controls. In fulfilling its responsibility, the Audit Committee has direct and sole responsibility, subject to stockholder approval, for the appointment, compensation, oversight and termination of the independent registered public accounting firm for the purpose of preparing or issuing an audit report or related work. Additionally, the Audit Committee oversees those aspects of risk management and legal and regulatory compliance monitoring processes, which may impact our financial reporting. The Audit Committee meets at least four times each year and periodically meets separately with management, internal auditors and the independent registered public accounting firm to discuss the results of their audit or review of the Company's consolidated financial statements, their evaluation of our internal controls, the overall quality of the Company's financial reporting, our critical accounting policies and to review and approve any related party transactions. We maintain procedures for the receipt, retention and the handling of complaints, which the Audit Committee established. The Audit Committee operates under a charter available on our Internet website at [www.henryschein.com](http://www.henryschein.com), under the About Henry Schein-Corporate Governance caption.

***Compensation Committee***

The Compensation Committee currently consists of Messrs. Alperin (Chairman), Kabat and Matthews. The Compensation Committee reviews and approves (i) all incentive and equity-based compensation plans in which officers or employees may participate, (ii) the Company's employee and executive benefits plans, and all related policies, programs and practices and (iii) arrangements with executive officers relating to their employment relationships with the Company, including, without limitation, employment agreements, severance agreements, supplemental pension or savings arrangements, change in control agreements and restrictive covenants. In addition, the Compensation Committee has overall responsibility for evaluating and approving the Company's compensation and benefit plans, policies and programs. Each member of the Compensation Committee is an independent director as

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defined under NASDAQ's Rule 5605(a)(2), non-employee director as defined under the SEC's rules and outside director as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). The Compensation Committee may form subcommittees, consisting of members of the committee, and delegate authority to such subcommittees as it deems appropriate. The Compensation Committee operates under a charter available on our Internet website at [www.henryschein.com](http://www.henryschein.com), under the About Henry Schein-Corporate Governance caption.

### *Use of Outside Advisors*

In making its determinations with respect to executive compensation, the Compensation Committee has historically engaged the services of an independent compensation consultant, Pearl Meyer & Partners. Pearl Meyer & Partners has also assisted the Compensation Committee with several special projects, including advice on director compensation and the Company's Long-Term Incentive Program (LTIP).

The Compensation Committee retains Pearl Meyer & Partners directly, although in carrying out assignments, Pearl Meyer & Partners also interacts with Company management when necessary and appropriate in order to obtain compensation and performance data for the executives and the Company. In addition, Pearl Meyer & Partners may, in its discretion, seek input and feedback from management regarding its consulting work product prior to presentation to the Compensation Committee in order to confirm alignment with the Company's business strategy, identify data questions or other similar issues, if any, prior to presentation to the Compensation Committee.

The Compensation Committee, with the assistance and independent advice of Pearl Meyer & Partners, annually reviews competitive compensation data prepared by Towers Watson (formerly Towers Perrin), a professional services/human resource consulting company which provides a number of services to the Company.

The Compensation Committee has the authority to retain, terminate and set the terms of its relationship with any outside advisors who assist the committee in carrying out its responsibilities.

### *Nominating and Governance Committee*

The Nominating and Governance Committee currently consists of Messrs. Laskawy (Chairman) and Alperin and Dr. Sullivan. The purpose of the Nominating and Governance Committee is to identify individuals qualified to become Board of Directors members, recommend to the Board of Directors the persons to be nominated by the Board of Directors for election as directors at the annual meeting of stockholders, determine the criteria for selecting new directors and oversee the evaluation of the Board of Directors. In addition, the Nominating and Governance Committee reviews and reassesses our corporate governance procedures and practices and recommends any proposed changes to the Board of Directors for its consideration. All of the members of the Nominating and Governance Committee are independent directors as defined under NASDAQ's Rule 5605(a)(2). The Nominating and Governance Committee operates under a charter available on the Company's Internet website at [www.henryschein.com](http://www.henryschein.com), under the About Henry Schein-Corporate Governance caption.

The Nominating and Governance Committee will consider for nomination to the Board of Directors candidates suggested by stockholders, provided that such recommendations are delivered to the Company, together with the information required to be filed in a proxy statement with the SEC regarding director nominees and each such nominee's consent to serve as a director if elected, no later than the deadline for submission of stockholder proposals. Our policy is to consider nominations to the Board of Directors from stockholders who comply with the procedures set forth in the Company's Amended and Restated Certificate of Incorporation, as amended, for nominations at the Company's Annual Meeting of Stockholders and to consider such nominations using the same criteria it applies to evaluate nominees recommended by other sources. To date, we have not received any recommendations from stockholders requesting that the Nominating and Governance Committee consider a candidate for inclusion among the

Committee's slate of nominees in the Company's proxy statement.

In evaluating director nominees, the Nominating and Governance Committee currently considers the following factors:

the needs of the Company with respect to the particular talents, expertise and diversity of its directors;

the knowledge, skills, reputation and experience of nominees, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board of Directors;

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familiarity with businesses similar or analogous to the Company; and

experience with accounting rules and practices, and corporate governance principles.

The Nominating and Governance Committee, in accordance with its charter, seeks to create a Board of Directors that is strong in its collective knowledge and has a diversity of not only skills and experience, but also diversity in gender, culture and geography. The Nominating and Governance Committee assesses the effectiveness of its diversity policies by annually reviewing the nominees for director to the Company's Board of Directors to determine if such nominees satisfy the Company's then-current needs. The Nominating and Governance Committee determined that the nominees for election at the Annual Meeting to serve as directors satisfy the Company's current needs.

The Nominating and Governance Committee may also consider such other factors that it deems are in the best interests of the Company and its stockholders.

The Nominating and Governance Committee identifies nominees by first evaluating the current members of the Board of Directors willing to continue in service. Current members of the Board of Directors with skills and experience that are relevant to the Company's business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board of Directors with that of obtaining a new perspective. If any member of the Board of Directors does not wish to continue in service or if the Nominating and Governance Committee or the Board of Directors decides not to re-nominate a member for re-election, the Nominating and Governance Committee identifies the desired skills and experience of a new nominee, and discusses with the Board of Directors suggestions as to individuals that meet the criteria. In addition, the Nominating and Governance Committee has the authority to retain third party search firms to evaluate or assist in identifying or evaluating potential nominees.

With the goal of increasing the effectiveness of the Board of Directors and its relationship to management, the Nominating and Governance Committee evaluates the Board of Directors' performance as a whole. The evaluation process, which occurs at least annually, includes a survey of the individual views of all directors, which are then shared with the full Board of Directors. In addition, each of the committees of the Board of Directors performs a similar annual self-evaluation.

### ***Strategic Advisory Committee***

The Strategic Advisory Committee currently consists of Messrs. Matthews (Chairman), Brons and Laskawy, Ms. Mashima and Drs. Sheares and Sullivan. The purpose of the Strategic Advisory Committee is to provide advice to the Board of Directors and to our management regarding the monitoring and implementation of our corporate strategic plan, as well as general strategic planning. All of the members of the Strategic Advisory Committee are independent directors as defined under NASDAQ's Rule 5605(a)(2). The Strategic Advisory Committee operates under a charter available on our Internet website at [www.henryschein.com](http://www.henryschein.com), under the About Henry Schein-Corporate Governance caption.

### ***Board of Directors Leadership Structure***

Since 1989, the Company has employed a traditional board leadership model, with our Chief Executive Officer also serving as Chairman of our Board of Directors. We believe this traditional leadership structure benefits our Company. A combined Chairman/CEO role helps provide strong, unified leadership for our management team and Board of Directors. Our customers, stockholders, suppliers and other business partners have always viewed our Chairman/CEO as a visionary leader in our industry, and we believe that having a single leader for the Company is good for our

business. Accordingly, we believe a combined Chairman/CEO position is the best governance model for our Company and our stockholders.

Of the eight independent directors currently serving on our Board of Directors, all have demonstrated leadership in large enterprises and are familiar with board processes.

Our Board of Directors committees, each comprised solely of independent directors and each with a separate Chairman, are the Audit, Compensation, Nominating and Governance and Strategic Advisory Committees. The



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Chairman of the Audit Committee oversees the accounting and financial reporting processes, legal and compliance matters relating to financial reporting, and the Company's risk management processes. The Chairman of the Compensation Committee oversees the annual performance evaluation of our Chairman/CEO and senior management. The Chairman of the Nominating and Governance Committee monitors matters such as the composition of the Board of Directors and its committees, Board performance and best practices in corporate governance and is also responsible for overseeing succession planning. The Chairman of the Strategic Advisory Committee oversees and monitors the implementation of our corporate strategic plan as well as general strategic planning.

Our directors bring a broad range of leadership experience to the boardroom and regularly contribute to the thoughtful discussion involved in effectively overseeing the business and affairs of the Company. We believe the atmosphere of our Board of Directors is collegial, that all Board members are well engaged in their responsibilities, and that all Board members express their views and consider the opinions expressed by other directors. We do not believe that appointing an independent Board Chairman, or a lead or presiding director, would improve the performance of the Board of Directors. In contrast, we believe that a hierarchical structure may inhibit all directors from fully engaging in Board activities.

The Board of Directors is responsible for selecting the Chairman/CEO. The Chairman/CEO establishes the agendas for each Board of Directors meeting and presides at Board of Directors and stockholder meetings. Pursuant to our governance guidelines, the Chairman of our Nominating and Governance Committee is responsible for coordinating the activities of the independent directors and has the authority to convene meetings of the independent directors of the Board of Directors, to set agendas for such meetings and to conduct and report on such meetings. The Chairman of the Nominating and Governance Committee takes input from the other independent directors when setting the agenda for the independent sessions. After the session, he acts as a liaison between the independent directors and the Chairman/CEO. We also have a mechanism for stockholders to communicate directly with non-management directors as a group or with any individual director.

On an annual basis, as part of our governance review and succession planning, the Nominating and Governance Committee evaluates our leadership structure to ensure that it remains the optimal structure for our Company and our stockholders. We recognize that different board of directors leadership structures may be appropriate for companies with different histories and cultures, as well as companies with varying sizes and performance characteristics. We believe our current leadership structure where our CEO serves as Chairman of the Board of Directors, our Board is comprised of experienced independent directors, our Board committees are led by independent directors and our independent directors hold regular meetings in executive session is most appropriate and remains the optimal structure for our Company and our stockholders and has contributed to our Company's compounded growth rates for sales and net income since becoming a public company in 1995.

### ***Board of Directors Role in Oversight of Risk***

Risk oversight is provided by a combination of our full Board of Directors and by the Board's committees (the Audit, the Compensation, the Nominating and Governance and the Strategic Advisory Committees, each of which is made up entirely of independent directors). The Audit Committee takes the lead risk oversight role, focusing primarily on risk management related to monitoring and controlling the Company's financial risks (i.e., the Committee oversees those aspects of risk management and legal and regulatory compliance monitoring processes, which may impact the Company's financial reporting) as well as related to financial accounting and reporting risks. The Compensation Committee focuses primarily on human capital matters such as executive compensation plans and executive agreements. The Nominating and Governance Committee focuses on succession planning, director nomination criteria and candidate identification as well as on evaluation of our corporate governance procedures and practices including performance evaluation of our Board of Directors and executive management. Finally, the Strategic Advisory Committee focuses primarily on the Company's strategic and business development plans including the risks

associated with those plans.

Additionally, the Company holds periodic Risk Summits, where the Company's management team discusses a wide range of risks that may impact the Company. The Risk Summit is attended by members of the Board of Directors. The most recent Risk Summit was held in June 2010.

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The Company's Executive Management Committee has responsibility to oversee and to actively manage material risks to the Company (including, without limitation, strategic, development, business, operational, human, financial and regulatory risks) as an integral part of the Company's business planning, succession planning and management processes. Various members of the management team provide reports to the Audit Committee on select risk management topics periodically throughout the year and the Chairman of the Audit Committee reports on these topics to the full Board of Directors.

The Company's management has a longstanding commitment to employing and imbedding sound risk management practices and disciplines into its business planning and management processes throughout the Company to better enable achievement of the Company's strategic, business, operational, financial and compliance objectives as well as to achieve and maintain a competitive advantage in the marketplace.

## **Stockholder Communications**

Stockholders who wish to communicate with the Board of Directors may do so by writing to the Corporate Secretary of the Company at Henry Schein, Inc., 135 Duryea Road, Melville, New York 11747. The office of the Corporate Secretary will receive the correspondence and forward it to the Chairman of the Nominating and Governance Committee or to any individual director or directors to whom the communication is directed, unless the communication is unduly hostile, threatening, illegal, does not reasonably relate to the Company or its business or is similarly inappropriate.

Our policy is to encourage our Board of Directors' members to attend the Annual Meeting of Stockholders, and all of our directors standing for election attended the 2010 Annual Meeting of Stockholders.

## **Corporate Governance Guidelines**

The Board of Directors has adopted Corporate Governance Guidelines, a copy of which is available on our Internet website at [www.henryschein.com](http://www.henryschein.com), under the About Henry Schein-Corporate Governance caption. Our Corporate Governance Guidelines address topics such as (i) role of the Board of Directors, (ii) director responsibilities, (iii) Board of Directors' composition, (iv) definition of independence, (v) committees, (vi) selection of Board of Directors nominees, (vii) orientation and continuing education of directors, (viii) executive sessions of independent directors, (ix) management development and succession planning, (x) Board of Directors' compensation, (xi) attendance of directors at the Annual Meeting of Stockholders, (xii) Board of Directors access to management and independent advisors, (xiii) annual evaluation of Board of Directors and committees, (xiv) submission of director resignations and (xv) communicating with the Board of Directors.

Among other things, the Company's Corporate Governance Guidelines provide that it is the Board of Directors' policy to periodically review issues related to the selection and performance of the Chief Executive Officer. At least annually, the Chief Executive Officer must report to the Board of Directors on the Company's program for management development and on succession planning. In addition, the Board of Directors and Chief Executive Officer shall periodically discuss the Chief Executive Officer's recommendations as to a successor in the event of the sudden resignation, retirement or disability of the Chief Executive Officer.

The Company's Corporate Governance Guidelines also provide that it is the Board of Directors' policy that, in light of the increased oversight and regulatory demands facing directors, directors must be able to devote sufficient time to carrying out their duties and responsibilities effectively. Accordingly, directors should not serve on more than five other boards of public companies in addition to the Company's Board of Directors.

## **Code of Ethics**

In addition to our Worldwide Business Standards applicable to all employees, we have adopted a Code of Ethics for Senior Financial Officers that applies to our Chief Executive Officer, Chief Financial Officer, Controller (if any) and Vice President of Corporate Finance (if any) or persons performing similar functions. The Code of Ethics is posted on our Internet website at [www.henryschein.com](http://www.henryschein.com), under the About Henry Schein-Corporate Governance caption. We intend to disclose on our website any amendment to, or waiver of, a provision of the Code of Ethics that applies to the Chief Executive Officer, Chief Financial Officer, Controller (if any) and Vice President of Corporate Finance (if any) or persons performing similar functions.

**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table presents certain information regarding beneficial ownership of our common stock as of March 21, 2011 by (i) each person we know is the beneficial owner of more than 5% of the outstanding shares of common stock, (ii) each director of the Company, (iii) each nominee for director of the Company, (iv) our Chief Executive Officer, our Chief Financial Officer and each of the other three most highly paid executive officers serving as of December 25, 2010 (the Named Executive Officers ) and (v) all directors and executive officers as a group.

Names and Addresses <sup>1</sup>	Shares Beneficially Owned	
	Number	Percent of Class
Barry J. Alperin <sup>2</sup>	96,872	*
Gerald A. Benjamin <sup>3</sup>	150,987	*
Stanley M. Bergman <sup>4</sup>	1,104,236	1.2%
James P. Breslawski <sup>5</sup>	380,123	*
Paul Brons <sup>6</sup>	38,491	*
Donald J. Kabat <sup>7</sup>	91,522	*
Stanley Komaroff <sup>8</sup>	158,838	*
Philip A. Laskawy <sup>9</sup>	71,641	*
Karyn Mashima <sup>10</sup>	9,543	*
Norman S. Matthews <sup>11</sup>	87,488	*
Mark E. Mlotek <sup>12</sup>	129,544	*
Steven Paladino <sup>13</sup>	231,345	*
Bradley T. Sheares, Ph.D. <sup>14</sup>	740	*
Louis W. Sullivan, M.D. <sup>15</sup>	63,479	*
BlackRock, Inc. <sup>16</sup>	6,289,629	6.8%
FMR LLC <sup>17</sup>	5,820,535	6.3%
T. Rowe Price Associates, Inc. <sup>18</sup>	11,029,355	11.9%
Directors and Executive Officers as a Group (19 persons) <sup>19</sup>	3,049,990	3.3%

\* Represents less than 1%.

<sup>1</sup> Unless otherwise indicated, the address for each person is c/o Henry Schein, Inc., 135 Duryea Road, Melville, New York 11747.

<sup>2</sup> Represents (i) 7,098 shares owned directly and over which he has sole voting and dispositive power, (ii) 1,719 shares of restricted common stock, (iii) outstanding options to purchase 85,100 shares that either are exercisable or will become exercisable within 60 days and (iv) 2,955 shares held in his Non-Employee Director Deferred Compensation Plan account.

<sup>3</sup> Represents (i) 17,592 shares owned directly and over which he has sole voting and dispositive power, (ii) 17,426 shares of restricted common stock, (iii) outstanding options to purchase 113,169 shares that either are exercisable or will become exercisable within 60 days and (iv) 2,800 shares held in a 401(k) Plan account.

<sup>4</sup> Represents (i) 19,641 shares that Mr. Bergman owns directly and over which he has sole voting and dispositive power, (ii) 27,882 shares of restricted common stock, (iii) outstanding options to purchase 105,094 shares that either are exercisable or will become exercisable within 60 days, (iv) 4,314 shares held in a 401(k) Plan account, (v) 936,512 shares over which Marion Bergman, Mr. Bergman's wife, has shared voting and dispositive power as co-trustee of the Bergman Family 2010 Trust 2, (vi) 793 shares owned indirectly by Mr. Bergman's wife over which Mr. Bergman has shared voting and dispositive power and (vii) 10,000 shares over which Mr. Bergman has sole voting and dispositive power as sole trustee of the Edward J. Bergman Trust for the benefit of one of Mr. Bergman's children.

<sup>5</sup> Represents (i) 114,217 shares owned directly and over which he has sole voting and dispositive power, (ii) 20,911 shares of restricted common stock, (iii) outstanding options to purchase 241,629 shares that either are exercisable or will become exercisable within 60 days and (iv) 3,366 shares held in a 401(k) Plan account.

<sup>6</sup> Represents (i) 3,391 shares owned directly and over which he has sole voting and dispositive power and (ii) outstanding options to purchase 35,100 shares that either are exercisable or will become exercisable within 60 days.

<sup>7</sup> Represents (i) 2,011 shares owned directly and over which he has sole voting and dispositive power, (ii) 1,719 shares of restricted common stock, (iii) 1,000 shares held indirectly over which Mr. Kabat and his wife are co-trustees for the benefit of his wife and over which Mr. Kabat has shared voting and dispositive power, (iv) outstanding options to purchase 85,100 shares that either are exercisable or will become exercisable within 60 days and (v) 1,692 shares held in his Non-Employee Director Deferred Compensation Plan account.

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<sup>8</sup> Represents (i) 11,707 shares owned directly and over which he has sole voting and dispositive power, (ii) 17,426 shares of restricted common stock, (iii) outstanding options to purchase 129,419 shares that either are exercisable or will become exercisable within 60 days and (iv) 286 shares held in a 401(k) Plan account.

<sup>9</sup> Represents (i) 4,132 shares owned directly and over which he has sole voting and dispositive power, (ii) 1,719 shares of restricted common stock, (iii) 4,000 shares owned indirectly by Mr. Laskawy's wife over which he has shared voting and dispositive power, (iv) outstanding options to purchase 50,100 shares that either are exercisable or will become exercisable within 60 days and (v) 11,690 shares held in his Non-Employee Director Deferred Compensation Plan account.

<sup>10</sup> Represents (i) 550 shares owned directly and over which she has sole voting and dispositive power, (ii) 2,003 shares of restricted common stock, (iii) outstanding options to purchase 4,493 shares that either are exercisable or will become exercisable within 60 days and (iv) 2,497 shares held in her Non-Employee Director Deferred Compensation Plan account.

<sup>11</sup> Represents (i) 13,932 shares owned directly and over which he has sole voting and dispositive power, (ii) 1,719 shares of restricted common stock, (iii) 9,400 shares owned indirectly by Mr. Matthews' wife, Peter Banks and Harold Tanner as trustees of a trust for the benefit of Mr. Matthews' wife over which he has shared voting and dispositive power, (iv) outstanding options to purchase 50,100 shares that either are exercisable or will become exercisable within 60 days and (v) 12,337 shares held in his Non-Employee Director Deferred Compensation Plan account.

<sup>12</sup> Represents (i) 11,588 shares owned directly and over which he has sole voting and dispositive power, (ii) 17,426 shares of restricted common stock, (iii) 800 shares owned indirectly by Mr. Mlotek's children over which he has shared voting and dispositive power, (iv) outstanding options to purchase 97,779 shares that either are exercisable or will become exercisable within 60 days and (v) 1,951 shares held in a 401(k) Plan account.

<sup>13</sup> Represents (i) 24,447 shares owned directly and over which he has sole voting and dispositive power, (ii) 17,426 shares of restricted common stock, (iii) outstanding options to purchase 186,219 shares that either are exercisable or will become exercisable within 60 days and (iv) 3,253 shares held in a 401(k) Plan account.

<sup>14</sup> Represents 740 shares owned directly and over which he has sole voting and dispositive power.

<sup>15</sup> Represents (i) 4,632 shares owned directly and over which he has sole voting and dispositive power, (ii) 1,719 shares of restricted common stock, (iii) outstanding options to purchase 50,100 shares that either are exercisable or will become exercisable within 60 days and (iv) 7,028 shares held in his Non-Employee Director Deferred Compensation Plan account.

<sup>16</sup> The principal office of BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022. The foregoing information regarding the stock holdings of BlackRock, Inc. is based on a Schedule 13G filed by BlackRock, Inc. with the SEC on February 4, 2011.

<sup>17</sup> The principal office of FMR LLC is 82 Devonshire Street, Boston, Massachusetts 02109. The foregoing information regarding the stock holdings of FMR LLC and its affiliates is based on an amended Schedule 13G filed by FMR LLC with the SEC on January 10, 2011.

<sup>18</sup> The principal office of T. Rowe Price Associates, Inc. ( Price Associates ) is 100 East Pratt Street, Baltimore, Maryland 21202. These securities are owned by various individual and institutional investors which Price Associates serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of

the reporting requirements of the Securities Exchange Act of 1934, as amended, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities. The foregoing information regarding the stock holdings of Price Associates and its affiliates is based on an amended Schedule 13G filed by Price Associates with the SEC on February 11, 2011.

<sup>19</sup> Includes (i) with respect to all directors and Named Executive Officers, (a) 1,327,278 shares, directly or indirectly, beneficially owned, including restricted common stock, (b) 54,169 shares held in 401(k) Plan accounts and in Non-Employee Director Deferred Compensation Plan accounts, as applicable and (c) outstanding options to purchase 1,233,402 shares that either are exercisable or will become exercisable within 60 days and (ii) with respect to all executive officers that are not Named Executive Officers or directors, (a) 105,729 shares, directly or indirectly, beneficially owned, including restricted common stock, (b) 7,305 shares held in 401(k) Plan accounts and (c) outstanding options to purchase 322,107 shares that either are exercisable or will become exercisable within 60 days.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Our executive officers and directors are required under the Securities Exchange Act of 1934 (the Exchange Act ) to file reports of ownership of common stock of the Company with the SEC. Copies of those reports must also be furnished to the Company. Based solely on a review of the copies of reports furnished to the Company and written representations that no other reports were required, the Company believes that during fiscal 2010 the executive officers and directors of the Company timely complied with all applicable filing requirements.



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**COMPENSATION DISCUSSION AND ANALYSIS**

**Executive Summary**

The Company's compensation program consists of four main components: (i) a fixed base salary; (ii) an annual incentive award opportunity; (iii) equity-based awards and (iv) other benefits and perquisites. A major portion of total compensation is placed at risk through annual and long-term incentives. In 2010, the sum of restricted stock awards, annual incentive awards (under the heading "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table) and bonus, if any, represented between 64% and 67% of total compensation for the Named Executive Officers. The combination of incentives is designed to balance annual operating objectives and Company earnings performance with longer-term stockholder value creation.

In fiscal 2010, the Company had record net sales of \$7.5 billion and a total stockholder return for the one year period ended December 31, 2010 of 16.71% which is at the 59th percentile of the companies that make up the Russell 3000 companies in GICS industry group 3510 (health care equipment and services). Additionally, the Company was in the 52nd and 64th percentile compared with such group for the three and five year periods ended December 31, 2010, respectively.

In response to the continued economic challenges and an increasingly competitive business environment, the Company has generally kept its base salary and target level bonus compensation flat in 2009 and 2010.

*Base Salary.* The Company did not increase the base salaries for the Named Executive Officers in 2009 or 2010.

*Annual Incentive Compensation.* The components of the Company's annual incentive compensation (i.e., PIP (as defined below) bonus) which are set by the Compensation Committee annually, are designed to reward the achievement of pre-established corporate, business unit and individual performance goals.

Ø The Company did not increase the target amount for the PIP bonuses to employees (except in connection with certain promotions and contractual obligations), including the Named Executive Officers, in 2009 or 2010.

Ø In addition, given the Company's strong team-based approach, the Company's general philosophy regarding executive compensation and the then current market conditions, for the last three years, the Compensation Committee has considered and accepted Mr. Bergman's request that it reduce his earned bonus by \$99,816 for fiscal 2010, \$755,638 for the fiscal year ended December 26, 2009 (fiscal 2009) and \$260,528 for the fiscal year ended December 27, 2008 (fiscal 2008). The decision to adjust the amount payable to Mr. Bergman is not a reflection on his performance, but instead reflects the strong team-based philosophy of management.

*Equity-Based Awards.* The Company allocates equity-based awards solely in the form of restricted stock and restricted stock units that cliff vest at the end of four years for time-based awards and three years for performance-based awards.

Ø Named Executive Officers receive 65% of their equity-based awards in the form of performance-based restricted stock and 35% of their awards in the form of time-based restricted stock, except for Mr. Bergman who receives 100% of his equity-based awards in the form of performance-based restricted stock.

Ø Awards of performance-based restricted stock and restricted stock units granted to participants, including the Named Executive Officers, are tied to growth of the Company's earnings per share. Therefore, when the Company successfully achieves its target diluted earnings per share (EPS), participants, including the Named Executive Officers, are paid at target levels. When the Company's performance exceeds the target, participants, including the Named Executive Officers, receive additional shares of restricted stock or restricted stock units. When the Company's performance does not meet the target EPS, shares granted to participants, including the Named Executive Officers, are reduced. For example, the Compensation Committee determined that the payout for the restricted stock

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and restricted stock units vesting on March 3, 2011 was 34% of the number of shares granted based on achievement of the Company's target performance EPS goal set in March 2008.

Ø In March 2009, in light of economic conditions, the Compensation Committee reduced the value of the equity-based awards for all participants receiving grants under the 1994 Stock Incentive Plan, including the Named Executive Officers, by 20% compared with the value of the equity-based awards given to such individuals in fiscal 2008. In March 2010, the Compensation Committee determined that the value of such equity-based awards would remain constant in value for the Named Executive Officers compared to the 2009 awards.

*Other Benefits and Perquisites.* The Company provides a modest program that is generally consistent with the benefits provided to other employees.

## **Compensation Objectives and Strategy**

The Company's executive officer compensation program is designed to attract and retain the caliber of officers needed to ensure the Company's continued growth and profitability and to reward them for their performance, the Company's performance and for creating long term value for stockholders. The primary objectives of the program are to:

align rewards with performance that creates stockholder value;

support the Company's strong team orientation;

encourage high potential team players to build a career at the Company; and

provide rewards that are cost-efficient, competitive with other organizations and fair to employees and stockholders.

The Company's executive compensation programs are approved and administered by the Compensation Committee of the Board of Directors. Working with management and outside advisors, the Compensation Committee has developed a compensation and benefits strategy that rewards performance, promotes appropriate conduct, and reinforces a culture that the Compensation Committee believes will drive long-term success.

The compensation program rewards team accomplishments while promoting individual accountability. The executive officer compensation program depends, in significant measure, on Company results, but business unit results and individual accomplishments are also very important factors in determining each executive's compensation. The Company has a robust planning and goal-setting process that is fully integrated into the compensation system, enhancing a strong relationship between individual efforts, Company results and financial rewards.

A major portion of total compensation is placed at risk through annual and long-term incentives. As shown in the Summary Compensation Table, in 2010 the sum of restricted stock awards, annual incentive awards (under the heading Non-Equity Incentive Plan Compensation in the Summary Compensation Table) and bonus, if any, represented between 64% and 67% of the total compensation for the Named Executive Officers. The combination of incentives is designed to balance annual operating objectives and Company earnings performance with longer-term stockholder value creation.

We seek to provide competitive compensation that is commensurate with performance. We target compensation at the median of the market, and calibrate both annual and long-term incentive opportunities to generate less-than-median awards when goals are not fully achieved and greater-than-median awards when goals are exceeded.

We seek to promote a long-term commitment to the Company by our senior executives. We believe that there is great value to the Company in having a team of long-tenure, seasoned managers. Our team-focused culture and management processes are designed to foster this commitment. The vesting schedules attached to restricted stock, restricted stock unit and option awards reinforce this long-term orientation.

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### **Role of the Compensation Committee**

#### ***General***

The Compensation Committee provides overall guidance for our executive compensation policies and determines the amounts and elements of compensation for our executive officers. The Compensation Committee's function is more fully described in its charter which has been approved by our Board of Directors. The charter is available on our Internet website at [www.henryschein.com](http://www.henryschein.com), under the About Henry Schein-Corporate Governance caption.

When considering decisions concerning the compensation of our executive officers, other than the Chief Executive Officer, the Compensation Committee asks for Mr. Bergman's recommendations, including his detailed evaluation of each executive's performance.

#### ***Use of Outside Advisors***

In making its determinations with respect to executive compensation, the Compensation Committee has historically engaged the services of Pearl Meyer & Partners, an independent compensation consultant. Pearl Meyer & Partners performs no services for the Company or Company's management.

### **Compensation Structure**

#### ***Pay Elements Overview***

The Company utilizes four main components of compensation:

*Base Salary* fixed pay that takes into account an individual's role and responsibilities, experience, expertise and individual performance;

*Annual Incentive Compensation* variable pay that is designed to reward attainment of annual business goals, with target award goals generally expressed as a percentage of base salary;

*Equity-Based Awards* stock-based awards including options, restricted stock and restricted stock units; and

*Other Benefits and Perquisites* includes medical, dental and life insurance benefits, retirement savings, car allowances and, in the case of Mr. Bergman, certain additional services.

#### ***Pay Elements Details***

##### ***Base Salary***

The Compensation Committee annually reviews executive officer salaries and makes adjustments as warranted based on individual responsibilities and performance, Company performance in light of market conditions and competitive practice. Salary adjustments are generally approved and implemented during the first quarter of the calendar year (typically in March). In January 2009, in light of the economic conditions, the Company announced a base salary freeze at March 2008 levels for all employees (except in connection with certain promotions and contractual obligations), including the Named Executive Officers, for the period of March 2009 to March 2010. Additionally, the Company maintained the base salaries for the Named Executive Officers throughout fiscal 2010 at March 2008 levels.

##### ***Annual Incentive Compensation***

Annual incentive compensation for each of the Company's executive officers is paid under the Performance Incentive Plan ( PIP ) for such year. The components of the PIP are designed to reward the achievement of pre-established corporate, business unit and individual performance goals. At the beginning of each year, the Chief Executive Officer recommends to the Compensation Committee which executive officers should participate in the PIP for that year and, following review and approval by the Compensation Committee, such officers are notified of their participation. The Chief Executive Officer recommends to the Compensation Committee the PIP's

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performance goals and target payout for executive officers (other than himself), subject to the Compensation Committee's review and approval, and determines such goals and target payout for participants who are not executive officers.

PIP targets and goals for 2010 for the Named Executive Officers were established at the beginning of 2010. For the Named Executive Officers (other than Mr. Bergman), the performance goals under the 2010 PIP were based on (i) the Company's 2010 earnings per share measured against pre-established standards, as may be adjusted pursuant to the terms of the 2010 PIP (the 2010 EPS Target), (ii) achievement of financial goals in their respective business units (Business Financial Goal) and (iii) achievement of individual objectives (Individual Performance Goal). In January 2009, in light of the economic conditions, the Company announced that the target amount for 2009 PIP bonuses would remain unchanged from 2008 target PIP bonuses to all employees (except in connection with certain promotions and contractual obligations), including the Named Executive Officers, for fiscal 2009. This freeze on target PIP bonuses for all employees (except in connection with certain promotions and contractual obligations), including Named Executive Officers, remained in place for fiscal 2010.

The weight (as a percentage of the PIP target payout) for each component of the PIP awards for Messrs. Breslawski, Komaroff, Paladino and Mlotek are as follows:

Mr. Breslawski: Business Financial Goal of 55%; 2010 EPS Target of 30% and Individual Performance Goal of 15%;

Mr. Komaroff: Business Financial Goal of 10%; 2010 EPS Target of 50% and Individual Performance Goal of 40%;

Mr. Paladino: Business Financial Goal of 20%; 2010 EPS Target of 60% and Individual Performance Goal of 20%; and

Mr. Mlotek: Business Financial Goal of 35%; 2010 EPS Target of 40% and Individual Performance Goal of 25%.

In March 2010, the Compensation Committee set the 2010 EPS Target at \$3.47, representing the target goal designed to result in a PIP award payout equal to 100%. Pursuant to the 2010 PIP, the Compensation Committee may (i) adjust the PIP goals for acquisitions and new business ventures not initially considered when developing the target, (ii) exclude from the calculation of the 2010 EPS items of gain, loss or expense related to the disposal of a business or discontinued operations, capital transactions undertaken by the Company during the fiscal year, the Company's repurchase of any class of its securities during the fiscal year or changes in accounting principles or changes in applicable law or regulations and (iii) adjust the EPS target for items resulting from unforeseen events or facts and circumstances outside the Company's control and may take into account the quality of earnings and/or circumstances of achievement when determining awards. Also, the Compensation Committee or the CEO (solely with respect to non-executive officers) may award all or a portion of a PIP award upon the attainment of any goals (including the applicable predefined goals). In addition, the Compensation Committee or the CEO (solely with respect to non-executive officers) may grant discretionary awards. To account for the impact of acquisitions, accounting changes and certain capital transactions that occurred in 2010, the Compensation Committee decreased the 2010 EPS Target from \$3.47 to \$3.45. Our 2010 EPS from continuing operations was \$3.49, which resulted in a payout of 114.5% of the EPS Target portion of the PIP award based on a pre-established weighted formula set by the Compensation Committee under the 2010 PIP.

The Compensation Committee believes that the Business Financial Goal and Individual Performance Goal are designed to motivate management to achieve challenging, but attainable goals for talented executives. The

Compensation Committee sets the targets for PIP awards such that incentive compensation is paid at less-than-median of the market awards when Business Financial Goals or Individual Performance Goals are not fully achieved and greater-than-median awards when goals are exceeded. The maximum payout percentage under the PIP for all employees (including the Named Executive Officers) is 200% for the EPS Target and the Business Financial Goal and 115% for the Individual Performance Goal.

During the first quarter of 2011, the Chief Executive Officer reviewed the relevant financial and operating performance achievements of the Company and its business units, as well as the individual performance of the



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participating officers (other than himself), against the PIP performance goals that had been previously established, and submitted proposed PIP awards for the participating officers to the Compensation Committee for approval.

PIP awards for the Named Executive Officers appear in the Summary Compensation Table in the column captioned Non-Equity Incentive Plan Compensation. Certain of the Named Executive Officers were paid additional discretionary annual bonuses on fiscal 2010. (See Summary Compensation Table in the column captioned Bonus .)

Mr. Bergman's annual incentive award is based on pre-established performance goals set under the Company's Section 162(m) Cash Bonus Plan and the PIP. Mr. Bergman's 2010 award under the Section 162(m) Cash Bonus Plan was based on the Company's 2010 EPS Target (weighted at 75% of his total award under both plans) and the average performance of the Company's other executive officers with respect to their Business Financial Goal (weighted at 121/2% of his total award under both plans). Mr. Bergman's 2010 award under the PIP was based on the average performance for Individual Performance Goal of the Company's other executive officers (weighted at 121/2% of his total award under both plans).

The Compensation Committee determined that Mr. Bergman was eligible for a bonus under the Company's Section 162(m) Cash Bonus Plan equal to \$1,674,328 with respect to 2010 performance. In making its bonus determination, the Compensation Committee certified the achievement of the 2010 performance goals that were set in March 2010 and evaluated the Company's 2010 EPS Target (as adjusted) and the average bonuses earned by the Company's executive officers (including the Named Executive Officers) that related to the achievement of their objective Business Financial Goals as compared to their target bonus opportunities.

The Compensation Committee also determined that Mr. Bergman was eligible for a bonus under the 2010 PIP equal to \$216,488 with respect to 2010 performance. In making such bonus determination, the Compensation Committee certified the achievement level of the average actual bonuses earned by the Company's executive officers (including the Named Executive Officers) that relate to their objective Individual Performance Goals as compared to their target bonus goals. Such bonus was awarded based on the Company's strong team-based approach and to further motivate Mr. Bergman to facilitate the individual performance of the Company's executive officers.

Such achievements, under both the Section 162(m) Cash Bonus Plan and the 2010 PIP, generated a total bonus amount of \$1,890,816. However, given the Company's strong team-based approach, the Company's general philosophy regarding executive compensation, Mr. Bergman suggested to the Compensation Committee that in determining his 2010 bonus it should consider reducing his bonus to be less than or equal to the average of the percentage received by the other executive officers compared with their target 2010 PIP bonuses. The Compensation Committee considered and accepted Mr. Bergman's proposal and reduced Mr. Bergman's 2010 bonus to \$1,791,000. The decision to adjust the amount payable to Mr. Bergman is not a reflection on his performance, but instead reflects the strong team-based philosophy of management.

*Equity-Based Awards*

The Company and the Compensation Committee believe that equity-based awards are an important factor in aligning the long-term financial interest of the officers and stockholders. The Compensation Committee continually evaluates the use of equity-based awards and intends to continue to use such awards in the future as part of designing and administering the Company's compensation program. Beginning March 2009, equity-based awards were granted solely in the form of restricted stock and restricted stock units. In 2006, 2007 and 2008, the Compensation Committee granted equity incentives with a mix of 50% options and 50% restricted stock/units. The stated percentages were based on value, with values for options being based on the Black-Scholes option pricing model. Prior to 2006, the Compensation Committee granted equity incentives solely in the form of options. For all option awards, the exercise price has always been the grant date closing market price per share and a time-based vesting schedule has been

generally used, vesting in four equal annual installments beginning on the first anniversary of the grant date, provided that no termination of service had occurred.

The current method of allocating the equity-based awards solely to restricted stock/units is designed to use fewer shares while continuing to provide long-term incentives with a strong retention component to participants. Performance-based restricted stock/units vest 100% on the third anniversary of the grant date (three year cliff

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vesting) and time-based restricted stock/units vest 100% on the fourth anniversary of the grant date (four year cliff vesting), in each case provided that no termination of service had occurred. For all participants, other than executive officers, the restricted stock/units are allocated as 50% performance-based awards and 50% time-based awards.

Mr. Bergman receives his awards of restricted stock/units as 100% performance-based awards. Executive officers (other than Mr. Bergman) receive 65% of their awards in the form of performance-based restricted stock/units and 35% of their awards in the form of time-based restricted stock/units. Except with respect to new hires, all grants are issued on the date they are approved by the Compensation Committee. In the case of new hires, grants are approved by the Compensation Committee for grant on the last business day of the fiscal quarter in which such grant was approved.

Awards of restricted stock/units granted to the Named Executive Officers use performance-based vesting and vest at the end of three years if certain Company performance goals are met, provided that no termination of service has occurred. Performance goals are tied solely to growth of the Company's EPS. Prior to 2009, these performance goals were based on the Company's long-term earnings growth objectives of earnings per share growth in the mid-teens (as a percentage) per year. For awards of performance-based restricted stock and restricted stock units granted in 2009, 2010 and 2011, we continue to tie the performance goals solely to the Company's EPS but at lower growth rates to reflect economic conditions. On March 3, 2011, the performance-based restricted stock/units granted under the 2008 LTIP vested with an achievement of 94% of the EPS performance goal and a payout awarded in shares of Company common stock equal to 34% of the original number of shares/units granted and not otherwise forfeited. Although at the time the goal is set, it is substantially uncertain that the goal will be achieved, with respect to performance-based equity awards granted in 2009 and 2010, given improving economic conditions and Company performance to date, it is anticipated that our executives will earn more than the full target awards for such grants. Pursuant to the LTIP, the Compensation Committee is required to (i) adjust the LTIP goals for acquisitions and new business ventures not initially considered when developing the target, (ii) exclude from the calculation of the EPS items of gain, loss or expense related to the disposal of a business or discontinued operations, capital transactions undertaken by the Company during the fiscal year, the Company's repurchase of any class of its securities during the fiscal year or changes in accounting principles or changes in applicable law or regulations and (iii) adjust the EPS target for items of gain, loss or expense that are related to extraordinary, special, unusual or non-recurring items, events or circumstances affecting the Company. To account for the impact of acquisitions, accounting changes and certain capital transactions that occurred in 2010, the Compensation Committee decreased the three year EPS goal for the performance-based restricted stock granted in 2008 by 0.2%, granted in 2009 by 0.4% and granted in 2010 by 0.4%, respectively.

In March 2009, in light of economic conditions, the Compensation Committee reduced the value of the equity-based awards for all participants receiving grants under the 1994 Stock Incentive Plan, including the Named Executive Officers, by 20%, compared with the value of the equity-based awards given to such individuals in fiscal 2008, and in March 2010, the Compensation Committee determined that the value of such equity-based awards would remain consistent in value for the Named Executive Officers compared to the 2009 awards. For LTIP awards of performance-based restricted stock granted on or after March 1, 2010, the Compensation Committee set the maximum payout at 200%. Furthermore, based on a comparative review of similar companies, the Compensation Committee modified the vesting of equity grants made on or after March 2010 under the Company's LTIP if termination of employment is due to retirement (solely with respect to restricted stock units), death, disability or change in control (as defined in the 1994 Stock Incentive Plan) to allow for pro-rated or accelerated vesting.

In March 2011, after reviewing comparative market data regarding equity-based awards, the Compensation Committee increased the value of the 2011 LTIP restricted stock/units awards for the executive officers (as compared to the value of such executive officers' 2010 LTIP restricted stock/units awards) to more closely align with the median of the competitive market. On March 9, 2011, Mr. Bergman was granted 28,797 performance-based restricted stock units (three year cliff vesting) with a grant date fair value of \$2,000,000. Mr. Breslawski was granted 13,678 restricted stock units on March 9, 2011, (65% of which are performance-based with three year cliff vesting and 35% of which

are time-based with four year cliff vesting) with a grant date fair value of \$950,000. Each of Messrs. Paladino, Komaroff and Mlotek were granted 12,239 restricted stock units on March 9, 2011 (65% of which are performance-based with three year cliff vesting and 35% of which are time-based with four year cliff vesting) with a grant date fair value of \$850,000. Each such grant was made under the Company's 1994 Stock Incentive Plan.

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### *Other Benefits and Perquisites*

The Company's executive compensation program also includes other benefits and perquisites. These benefits include annual matching contributions to executive officers' 401(k) Plan accounts, annual allocations to the Company's Supplemental Executive Retirement Plan (SERP) accounts, health benefits, automobile allowances and life insurance coverage. The Company annually reviews these other benefits and perquisites and makes adjustments as warranted based on competitive practices and the Company's performance. A portion of the administrative services provided to Mr. Bergman have been determined to be non-business related and such portion is included in his taxable income as additional compensation. The Compensation Committee has approved these other benefits and perquisites as a reasonable component of the Company's executive officer compensation program in light of historical and competitive practices. (See the "All Other Compensation" column in the Summary Compensation Table.)

### *Pay Mix*

We utilize the particular elements of compensation described above because we believe that it provides a well-proportioned mix of secure compensation, retention value and at-risk compensation which produces short-term and long-term performance incentives and rewards without encouraging inappropriate risk-taking by our executive officers. By following this approach, we provide the executive a measure of security with a minimum expected level of compensation, while motivating the executive to focus on business metrics that will produce a high level of short term and long-term performance for the Company and long-term wealth creation for the executive, as well as reducing the risk of recruitment of top executive talent by competitors. The mix of metrics used for our annual incentive program (*i.e.*, the PIP and the Section 162(m) Cash Bonus Plan) and our annual LTIP likewise provides an appropriate balance between short-term financial performance and long-term financial and stock performance.

For executive officers, the mix of compensation is weighted heavily toward at-risk pay (performance-based annual incentives and long-term incentives). Maintaining this pay mix results fundamentally in a pay-for-performance orientation for our executives, which is aligned with our stated compensation philosophy of providing compensation commensurate with performance, while targeting pay at approximately the 50th percentile of the competitive market.

### *Pay Levels and Benchmarking*

Pay levels for executive officers are determined based on a number of factors, including the individual's roles and responsibilities within the Company, the individual's experience and expertise, the pay levels for peers within the Company, pay levels in the marketplace for similar positions and performance of the individual and the Company as a whole. The Compensation Committee is responsible for approving pay levels for the executive officers. In determining the pay levels, the Compensation Committee considers all forms of compensation and benefits.

The Compensation Committee assesses competitive market compensation using a number of sources. One of the data sources used in setting competitive market levels for the executive officers is the information publicly disclosed by a peer group of the Company, which is reviewed annually and may change from year to year. The peer group of companies is set by the Compensation Committee and consists of companies engaged in the distribution and/or manufacturing of healthcare products or industrial equipment and supplies. The Compensation Committee determines the peer group of companies based on the following considerations, among other things: (i) Standard Industrial Classification or SIC codes; (ii) Global Industry Classification System or GICS; (iii) companies identified by Hoover's, Inc. as our peer companies; (iv) companies listed as peers by our current list of peer companies and (v) company size, including, among other things size by market capitalization, revenue and number of employees. Based on such analysis, the Compensation Committee determined the peer group of companies for fiscal 2010 to be Dentsply International Inc., MSC Industrial Direct Co., Inc., Omnicare, Inc., Owens & Minor, Inc., Patterson Companies, Inc., PSS World Medical, Inc. and W.W. Grainger, Inc. In December 2010, the Compensation Committee

added MWI Veterinary Supply, Inc. and AmerisourceBergen Corporation to the peer group for fiscal 2011. MWI Veterinary Supply, Inc. was added to the peer group to reflect the Company's expanded animal health distribution business and AmerisourceBergen Corporation was added to the peer group based on its comparable

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market capitalization and industry classification. At management's direction, Towers Watson, a professional services/human resources consulting company, prepares the peer group analysis and comparative data for companies with revenues between \$6 billion and \$10 billion for the Company. This information is shared with the Compensation Committee and the Compensation Committee reviews such information with its independent compensation consultant, Pearl Meyers & Partners.

After consideration of the data collected on external competitive levels of compensation and internal relationships within the executive group, the Compensation Committee makes decisions regarding individual executives' target total compensation goals based on the need to attract, motivate and retain an experienced and effective management team.

Relative to the competitive market data, the Compensation Committee generally intends that the base salary and target annual incentive compensation for each executive will be at the median of the competitive market.

As noted above, notwithstanding the Company's overall pay positioning objectives, pay goals for specific individuals vary based on a number of factors such as scope of duties, tenure, institutional knowledge and/or difficulty in recruiting a new executive. Actual total compensation in a given year will vary above or below the target compensation levels based primarily on the attainment of operating goals and the creation of stockholder value.

## ***Conclusion***

The level and mix of compensation that is finally decided upon is considered within the context of both the objective data from our competitive assessment of compensation and performance, as well as discussion of the subjective factors as outlined above. The Compensation Committee believes that each of the compensation packages is within the competitive range of practices when compared to the objective comparative data even where subjective factors have influenced the compensation decisions.

## **Post Termination and Change in Control**

The Company believes that a strong, motivated management team is essential to the best interests of the Company and its stockholders. To that end, we have employment agreements with Mr. Bergman and Mr. Komaroff and we have had change in control agreements with the Named Executive Officers, other than Mr. Bergman, since 2003. These agreements provide for certain payments to be made upon termination of employment under certain circumstances, including upon a change in control. See Employment Agreements and Post Termination and Change in Control Arrangements under Executive and Director Compensation for a discussion of these agreements.

## **Stock Ownership Policy**

The Company believes that, to align the interests of the executive officers and directors of the Company with the stockholders of the Company, the executive officers and directors of the Company should have a financial stake in the Company. The Board of Directors adopted a policy requiring each executive officer to own equity in the Company equal to a minimum of three times such executive officer's annual base salary. Newly appointed executive officers will have three years from the date of their appointment to comply with the stock ownership policy. The Board of Directors will evaluate whether exceptions should be made for any executive officer on whom this requirement would impose a financial hardship or for other appropriate reasons as determined by the Board of Directors. Equity includes: shares of any class of capital stock; shares of vested restricted stock; unexercised vested options; vested shares of common stock held in such executive officer's 401(k) Plan account; warrants or rights to acquire shares of capital stock; and securities that are convertible into shares of capital stock; provided that an amount equal to at least 20% of such executive officer's annual base salary must be owned by such executive officer in the form of shares of common stock. The Stock Ownership Policy for non-employee directors of the Company is set forth under Executive and





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Further, as a guideline, executive officers may only sell up to one-half of the equity value above the ownership requirement.

**Impact of Tax and Accounting**

As a general matter, the Compensation Committee considers the various tax and accounting implications of compensation vehicles employed by the Company.

When determining amounts of long-term incentive grants to executives and employees, the Compensation Committee examines the accounting cost associated with the grants. Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, grants of options, restricted stock, restricted stock units and other share-based payments result in an accounting charge for the Company. The accounting charge is equal to the fair value of the instruments being issued. For restricted stock/units, the cost is equal to the fair value of the stock on the date of grant multiplied by the number of shares/units granted. For options, the cost is equal to the Black-Scholes value on the date of grant multiplied by the number of shares or units granted. This expense is amortized over the requisite service period, or vesting period of the instruments. Although the Company has begun to utilize restricted stock/units, the Compensation Committee is mindful of the fact that, with respect to options, the accounting charge is not reversible should the option expire with an exercise price less than the market price. Additionally, the Compensation Committee may grant compensation that does not constitute performance-based compensation under Section 162(m) of the Code if it considers it appropriate and in the best interest of the Company. Grants under the Company's Section 162(m) Cash Bonus Plan, option grants and awards of performance-based restricted stock/units are generally intended to be performance-based under Section 162(m) of the Code; although grants under the PIP are tied to the Company's performance, these are not intended to meet the requirements under Section 162(m).

Section 162(m) of the Code generally prohibits any publicly held corporation from taking a federal income tax deduction for compensation paid in excess of \$1 million in any taxable year to certain Named Executive Officers. Exceptions are made for qualified performance-based compensation, among other things. It is the Compensation Committee's policy to maximize the effectiveness of our executive compensation plans, however, the Compensation Committee reserves the right to make adjustments that may result in the payment of non-deductible compensation.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and based on the review and discussions, the Compensation Committee recommended to the Company's Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement and incorporated by reference into the Company's annual report on Form 10-K.

**THE COMPENSATION COMMITTEE**

Barry J. Alperin, Chairman  
Donald J. Kabat  
Norman S. Matthews

**Table of Contents****EXECUTIVE AND DIRECTOR COMPENSATION****Executive Officers**

Our executive officers and their ages and positions as of March 21, 2011 are:

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

The biographies for Messrs. Benjamin, Bergman, Breslawski, Mlotek and Paladino follow the table listing our directors under Proposal 1 Election of Directors set forth above. Biographies for our other executive officers are:

*LEONARD A. DAVID* has been with the Company for 21 years (since 1990), and in his current position as Senior Vice President and Chief Compliance Officer since 2006. He is also a member of the Executive Management Committee. Mr. David joined the Company as General Counsel and subsequently held the position of head of Human Resources, Regulatory Affairs and Security. As Chief Compliance Officer, Mr. David manages the Regulatory Affairs and Security Groups and leads the global compliance function, focusing on corporate integrity, governance and business ethics. In this role, Mr. David interacts closely with virtually every infrastructure and business division within the Company. Prior to joining us, Mr. David was a practicing attorney in New York and New Jersey specializing in corporate and commercial law. His perspective on compliance and regulatory matters is particularly informed by his own and the Company's concern with global healthcare.

*JAMES HARDING* has been with the Company for 11 years (since 2000), and in his current position as Senior Vice President and Corporate Chief Technology Officer since 2005. He is also a member of the Executive Management Committee. Mr. Harding is responsible for ensuring that information technology remains a competitive advantage for the Company, internally and externally. In this capacity, Mr. Harding leads our Technology Group. Mr. Harding was formerly Chief Information Officer at Olsten Corporation, a leading healthcare and staffing services company. Prior to Olsten, Mr. Harding worked for 20 years at Mobil Oil Corporation in various capacities including Chief Information Officer of the America's Marketing & Refining Division and Director of Global IT Architecture.

*STANLEY KOMAROFF* has been with the Company for eight years (since 2003) as Senior Advisor and a member of the Executive Management Committee, concentrating in business development and acquisitions, international matters, and legal and regulatory affairs. Prior to joining the Company, Mr. Komaroff served as an advisor on legal and board-related issues and provides a wealth of experience in the corporate, commercial and healthcare worlds.

Mr. Komaroff was formerly the Chairman of Proskauer Rose LLP, the Company's principal law firm and one of the largest firms in the nation, and he led the firm through a period of significant growth. Prior to being elected as Chairman of the firm, Mr. Komaroff was the Chair of its Corporate Department. As a general corporate and securities lawyer, Mr. Komaroff has extensive experience in mergers and acquisitions and international transactions. Mr. Komaroff has been active in civic and philanthropic matters. Mr. Komaroff serves on the Board of Directors of Overseas Shipholding Group, Inc. and the Westhampton Beach Performing Arts Center. For more than 10 years, Mr. Komaroff was a member of the New York State Hospital Review and Planning Council, having received multiple gubernatorial appointments to this position. Mr. Komaroff is a former member of the

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Executive Committee of Continuum Health Partners, one of the largest consortiums of hospitals and healthcare facilities in the New York metropolitan area, and a former director of its three constituent hospitals, Beth Israel Medical Center, St. Luke's-Roosevelt Hospital Center and Long Island College Hospital. Mr. Komaroff is also a former Board member of The Edmond de Rothschild Foundation. At Mayor Bloomberg's recommendation, Mr. Komaroff served as a Director of the New York City Economic Development Corporation from 2006 to 2009.

*MICHAEL RACIOPPI* has been with the Company for 19 years (since 1992), and in his current position as Senior Vice President, Chief Merchandising Officer since 2008. He is also a member of the Executive Management Committee. Prior to holding his current position, Mr. Racioppi served as President of the Medical Group since 2000 and was Vice President of the Company since 1994, with primary responsibility for the Medical Division, Marketing and Merchandising Groups. Mr. Racioppi served as Vice President and as Senior Director, Corporate Merchandising from 1992 to 1994. Mr. Racioppi is a current board member of the Health Industry Distributors Association (HIDA) and the past chair of the HIDA Education Foundation Board. He currently serves on the board of National Distribution and Contracting and he previously served on the board of the Healthcare Distribution Management Association. Before joining the Company, he was employed by Ketchum Distributors, Inc. as the Vice President of Purchasing and Marketing.

*LONNIE SHOFF* has been President of our Global Healthcare Specialties Group since September 2009, and also is a member of the Executive Management Committee. In this position, Ms. Shoff directs our Global Dental Specialties business; Global Exclusive Brands; North American animal health business; North American and international dental handpiece repair businesses; and a growing portfolio of joint ventures. Prior to joining us, Ms. Shoff was with Roche Diagnostics, where she held a series of positions of increasing responsibility in the United States and Switzerland over the past 20 years, focusing on applied science, molecular diagnostics, global business development, and marketing and business management. Most recently, Ms. Shoff served as Senior Vice President and General Manager, Applied Science, leading the U.S. commercial operations for this \$350 million group. Ms. Shoff has managed the life cycles of more than 2,500 products, launched several novel technologies, and nurtured ventures from seed funding through product launch. While at Roche Diagnostics, Ms. Shoff also built a Global Internal Venturing Program, which the London School of Business praised in its book, *Inventing: Why Big Companies Must Think Small*.

*MICHAEL ZACK* has been responsible for our International Group for 22 years, since 1989 when he joined the Company, and currently holds the position of President of the International Group. He is also a member of the Executive Management Committee. Under his leadership, the International Group has grown to include operations in 23 countries outside of North America, with sales of \$2.5 billion in 2010, representing 33% of total Company sales. Before joining the Company, Mr. Zack was employed by Polymer Technology (a subsidiary of Bausch & Lomb) as Vice President of International Operations from 1984 to 1989. Prior to this, Mr. Zack was employed by Gruenthal GmbH, a German pharmaceutical company, as Manager of International subsidiaries from 1975 to 1984. As part of his various foreign assignments at Gruenthal, Mr. Zack worked and lived in Tehran, Iran; Quito, Ecuador; Lima, Peru; Madrid, Spain; and Bogotá, Colombia, before being transferred to Boston, Massachusetts. Mr. Zack is the representative of the Dental Trade Alliance to International Dental Manufacturers and is fluent in six languages.

**Table of Contents****Summary Compensation Table for Fiscal 2010, Fiscal 2009 and Fiscal 2008**

							<b>Change in Pension Value and Nonqualified Deferred Compensation Earnings<sup>6</sup></b>	<b>All Other Compensation</b>
<b>Principal</b>	<b>Year</b>	<b>Salary<sup>1</sup></b>	<b>Bonus<sup>2</sup></b>	<b>Stock Awards<sup>3</sup></b>	<b>Option Awards<sup>4</sup></b>	<b>Non-Equity Incentive Plan Compensation<sup>5</sup></b>	<b>(<sup>6</sup>)</b>	<b>(<sup>6</sup>)</b>
		<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
ngman Chief cer utive	2010	\$1,150,000	\$0	\$960,000	\$0	\$1,791,000	\$0	\$292,676 <sup>7</sup>
	2009	\$1,150,000	\$0	\$960,000	\$0	\$1,900,000	\$0	\$258,925 <sup>8</sup>
	2008	\$1,123,462	\$0	\$600,000	\$600,000	\$1,400,000	\$0	\$299,576 <sup>9</sup>
awski Chief cer	2010	\$600,000	\$31,250	\$720,000	\$0	\$469,500	\$0	\$74,126 <sup>10</sup>
	2009	\$600,000	\$0	\$720,000	\$0	\$562,713	\$0	\$65,755 <sup>11</sup>
	2008	\$585,141	\$0	\$450,000	\$450,000	\$444,813	\$0	\$60,748 <sup>12</sup>
ncial al (er)	2010	\$475,000	\$25,000	\$600,000	\$0	\$432,320	\$0	\$56,686 <sup>13</sup>
	2009	\$475,000	\$0	\$600,000	\$0	\$605,340	\$0	\$53,647 <sup>14</sup>
	2008	\$461,538	\$0	\$375,000	\$375,000	\$419,280	\$0	\$52,469 <sup>15</sup>
off	2010	\$475,000	\$0	\$600,000	\$0	\$451,540	\$0	\$80,901 <sup>16</sup>
	2009	\$475,000	\$0	\$600,000	\$0	\$566,520	\$0	\$66,724 <sup>17</sup>
	2008	\$460,977	\$0	\$375,000	\$375,000	\$418,880	\$0	\$65,604 <sup>18</sup>
ness	2010	\$475,000	\$25,000	\$600,000	\$0	\$438,036	\$0	\$58,966 <sup>19</sup>
	2009	\$475,000	\$0	\$600,000	\$0	\$534,775	\$0	\$53,641 <sup>20</sup>
	2008	\$460,632	\$0	\$375,000	\$375,000	\$417,580	\$0	\$52,383 <sup>21</sup>

<sup>1</sup> 2009 salaries reflect an increase over 2008 salaries in the table above due to timing of when raises went into effect. Raises are generally effective in March of a given year while the information set forth in the table above is based on the Company's fiscal year.

<sup>2</sup> Represents additional annual bonuses that were awarded at the discretion of the Compensation Committee.

<sup>3</sup> Represents restricted stock awards and restricted stock units valued based on the aggregate grant date fair value of the award computed in accordance with FASB ASC Topic 718. The amounts shown in the table above do not necessarily reflect the actual value that may be realized by the Named Executive Officer upon vesting.

<sup>4</sup> Represents options valued based on the aggregate grant date fair value of the award computed in accordance with FASB ASC Topic 718. The amounts shown in the table above do not necessarily reflect the actual value that may be realized by the Named Executive Officer upon exercise.

<sup>5</sup> Represents annual bonuses paid under the PIP, or with respect to Mr. Bergman, under the Company's Section 162(m) Cash Bonus Plan and the PIP. See Compensation Structure Pay Elements Details Annual Incentive Compensation under the Compensation Discussion and Analysis for a description of the PIP.

<sup>6</sup> Represents the above-market or preferential portion of the change in value of the executive officer's account under our SERP Plan. See Compensation Structure Pay Elements Details Other Benefits and Perquisites under Compensation Discussion & Analysis for a description of our SERP.

<sup>7</sup> Includes the following: (i) \$16,500 matching contribution under 401(k) Plan account; (ii) \$13,446 excess life insurance premiums; (iii) \$64,000 SERP contribution; (iv) \$14,103 of personal commuting expenses for use of the Company's car service; (v) \$179,386 for the cost of providing administrative services to Mr. Bergman; (vi) \$241 for the cost of providing telephone services and (vii) \$5,000 service award payment for 30 years of service with the Company. The amount totaling \$198,730 (under items (iv), (v), (vi) and (vii) above) was included on Mr. Bergman's W-2 as additional compensation for which he is responsible

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for paying the applicable taxes. Pursuant to his employment agreement, Mr. Bergman is entitled to use of a Company automobile but Mr. Bergman did not use a Company automobile in fiscal 2010.

<sup>8</sup> Includes the following: (i) \$16,500 matching contribution under 401(k) Plan account; (ii) \$7,998 excess life insurance premiums; (iii) \$64,000 SERP contribution; (iv) \$15,481 of personal commuting expenses for use of the Company's car service; (v) \$154,668 for the cost of providing administrative services to Mr. Bergman and (vi) \$278 for the cost of providing telephone services. The amount totaling \$170,427 (under items (iv), (v) and (vi) above), was included on Mr. Bergman's W-2 as additional compensation for which he is responsible for paying the applicable taxes. Pursuant to his employment agreement, Mr. Bergman is entitled to use of a Company automobile but Mr. Bergman did not use a Company automobile in fiscal 2009.

<sup>9</sup> Includes the following: (i) \$2,550 of automobile expenses; (ii) \$14,772 of personal commuting expenses for personal use of the Company's car service; (iii) \$13,933 matching contribution under 401(k) Plan account; (iv) \$7,998 excess life insurance premiums; (v) \$64,710 SERP contribution; (vi) \$148,143 for the cost of providing administrative services to Mr. Bergman; (vii) \$436 for the cost of providing telephone services; (viii) \$2,550 as a payment to Mr. Bergman to cover the tax incurred resulting from his use of the Company provided automobile and (ix) \$44,484 in legal fees in connection with the negotiation of Mr. Bergman's employment agreement. The amount totaling \$195,613 (under items (vi), (vii), (viii) and (ix) above), was included on Mr. Bergman's W-2 as additional compensation for which he is responsible for paying the applicable taxes.

<sup>10</sup> Includes the following: (i) \$20,400 automobile allowance; (ii) 16,500 matching contribution under 401(k) Plan account; (iii) \$6,726 excess life insurance premiums; (iv) \$25,500 SERP contribution and (v) \$5,000 service award payment for 30 years of service with the Company.

<sup>11</sup> Includes the following: (i) \$18,000 automobile allowance; (ii) \$16,500 matching contribution under 401(k) Plan account; (iii) \$5,755 excess life insurance premiums and (iv) \$25,500 SERP contribution.

<sup>12</sup> Includes the following: (i) \$18,000 automobile allowance; (ii) \$6,180 matching contribution under 401(k) Plan account; (iii) \$2,818 excess life insurance premiums and (iv) \$33,750 SERP contribution.

<sup>13</sup> Includes the following: (i) \$20,400 automobile allowance; (ii) \$16,500 matching contribution under 401(k) Plan account; (iii) \$3,036 excess life insurance premiums and (iv) \$16,750 SERP contribution.

<sup>14</sup> Includes the following: (i) \$18,000 automobile allowance; (ii) \$16,500 matching contribution under 401(k) Plan account; (iii) \$2,397 excess life insurance premiums and (iv) \$16,750 SERP contribution.

<sup>15</sup> Includes the following: (i) \$18,000 automobile allowance; (ii) \$5,609 matching contribution under 401(k) Plan account; (iii) \$2,161 excess life insurance premiums and (iv) \$26,699 SERP contribution.

<sup>16</sup> Includes the following: (i) \$20,400 automobile allowance; (ii) \$16,500 matching contribution under 401(k) Plan account; (iii) \$27,251 excess life insurance premiums and (iv) \$16,750 SERP contribution.

<sup>17</sup> Includes the following: (i) \$18,000 automobile allowance; (ii) \$16,500 matching contribution under 401(k) Plan account; (iii) \$15,474 excess life insurance premiums and (iv) \$16,750 SERP contribution.

<sup>18</sup> Includes the following: (i) \$18,000 automobile allowance; (ii) \$5,576 matching contribution under 401(k) Plan account; (iii) \$15,336 excess life insurance premiums and (iv) \$26,692 SERP contribution.

<sup>19</sup> Includes the following: (i) \$20,400 automobile allowance; (ii) \$16,500 matching contribution under 401(k) Plan account; (iii) \$5,316 excess life insurance premiums and (iv) \$16,750 SERP contribution.

<sup>20</sup> Includes the following: (i) \$18,000 automobile allowance; (ii) \$16,500 matching contribution under 401(k) Plan account; (iii) \$2,391 excess life insurance premiums and (iv) \$16,750 SERP contribution.

<sup>21</sup> Includes the following: (i) \$18,000 automobile allowance; (ii) \$5,556 matching contribution under 401(k) Plan account; (iii) \$2,139 excess life insurance premiums and (iv) \$26,688 SERP contribution.



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**Employment Agreements and Post Termination and Change in Control Arrangements**

***Chief Executive Officer***

Mr. Bergman's amended and restated employment agreement, dated as of December 31, 2008, provides for Mr. Bergman's continued employment as our Chairman of the Board of Directors and Chief Executive Officer until December 31, 2011, subject to successive three-year extensions. Mr. Bergman's annual base salary is set at the rate of \$1,150,000 and may be increased from time to time. In addition, his employment agreement provides for incentive compensation to be determined by the Compensation Committee or the Board of Directors. See Compensation Structure Pay Elements Details Equity-Based Awards under the Compensation Discussion and Analysis for a discussion on stock awards and option awards. See Compensation Structure Pay Elements Details Annual Incentive Compensation under the Compensation Discussion and Analysis for a discussion on non-equity incentive plan compensation. It also provides that Mr. Bergman will be entitled to participate in all benefit, welfare, perquisite, equity or similar plans, policies and programs generally available to our senior executive officers.

Pursuant to his employment agreement, if Mr. Bergman's employment with us is terminated (i) by us without cause, (ii) by Mr. Bergman for good reason, (iii) as a result of his disability or (iv) as a result of a non-renewal of the employment term by us, Mr. Bergman will receive all amounts then owed to him as salary and deferred compensation and all benefits accrued and owed to him or his beneficiaries under the then applicable benefit plans, programs and policies of the Company. In addition, Mr. Bergman will receive, as severance pay, a lump sum equal to 200% of his then annual base salary plus 200% of his average annual incentive compensation paid or payable with respect to the immediately preceding three fiscal years, and a payment equal to the account balance or accrued benefit Mr. Bergman would have been credited with under each retirement plan maintained by us if we had continued contributions until the end of the year of the termination, less his vested account balance or accrued benefits under each retirement plan. Under such circumstances, for a period of two years after termination, Mr. Bergman shall also be entitled to (i) an office comparable to that used by him prior to termination and related office support, including making available the services of one executive assistant and (ii) use of the Company's car service and, at Mr. Bergman's option, use of an automobile.

If Mr. Bergman resigns within two years following a change in control of the Company for good reason or if Mr. Bergman's employment is terminated by us without cause within two years following a change in control or during a specified period in advance of a change in control, Mr. Bergman will receive, as severance pay, in lieu of the foregoing, 300% of his then annual base salary plus 300% of Mr. Bergman's incentive compensation paid or payable with respect to whichever of the immediately preceding two fiscal years of the Company ending prior to the date of termination was higher, and a payment equal to the account balance or accrued benefit Mr. Bergman would have been credited with under each retirement plan maintained by us if we had continued contributions thereunder until the end of the year of the termination, less Mr. Bergman's vested account balance or accrued benefits under each retirement plan upon a change in control, and all unvested outstanding options and shares of restricted stock/units shall become fully vested, except that in the case of a termination during a specified period in advance of a change in control, Mr. Bergman will receive a cash payment equal to the difference between the consideration paid in the change in control and the strike price of Mr. Bergman's forfeited options as of the date of termination as provided in his employment agreement. Additionally, under such circumstances, for a period of two full years after the year of termination, Mr. Bergman shall be entitled to an office comparable to that used by him prior to termination and related office support, including making available the services of one executive assistant. In such event, Mr. Bergman is also entitled to use of the Company's car service and, at Mr. Bergman's option, use of an automobile for two full years after the year of termination. However, as a result of the deferred compensation rules under Section 409A of the Code, Mr. Bergman will receive a cash payment in lieu of transportation and office support benefits for the period between the end of the second calendar year following the calendar year in which Mr. Bergman's termination occurs until the third anniversary of termination due to termination by us without cause, non-renewal of the employment term by us,

Mr. Bergman's resignation for good reason, or solely with respect to office support benefits, due to disability, in each case within two years after the date of a change in control. If any amounts owed to Mr. Bergman are subject to the excise tax imposed by Section 4999 of the Code, we will pay Mr. Bergman an additional amount such that the amount retained by him, after reduction for such excise tax, equals the amounts owed to him prior to imposition of the excise tax.

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Unless his employment agreement is terminated for cause or pursuant to Mr. Bergman's voluntary resignation, we will continue the participation of Mr. Bergman and his spouse in the health and medical plans, policies and programs in effect with respect to our senior executive officers and their families after the termination or expiration of his employment agreement, with coverage for Mr. Bergman and his spouse continuing until their respective deaths except that such coverage may be provided pursuant to a fully-insured replacement policy or annual cash payments to obtain a replacement policy on a grossed-up basis. Additionally, we will provide Mr. Bergman with use of the Company's car service and, at Mr. Bergman's option, use of an automobile for two years after termination.

Mr. Bergman is subject to restrictive covenants, including non-solicitation and non-compete provisions, while he is employed by us and for specified periods of time thereafter. Pursuant to such provisions in his employment agreement, Mr. Bergman shall not, directly or indirectly, engage in any activity competitive with a material segment of the Company's business or recruit, solicit or induce any employee of the Company to terminate their employment with the Company, during Mr. Bergman's employment term and (i) for one year thereafter if his employment is terminated (a) by us without cause, (b) by Mr. Bergman for good reason, or (c) as a result of his disability, or (ii) until the later of (a) the second anniversary of the expiration of his employment term and (b) his termination date if such termination is by us for cause or due to Mr. Bergman terminating his employment by giving 180 days' notice. We may, at our option, extend the initial one-year term of the non-compete described by clause (i) above for an additional year if we provide Mr. Bergman notice of such extension no later than 180 days prior to expiration of the term and we pay Mr. Bergman his annual base salary in effect on his date of termination. Mr. Bergman is also subject to confidentiality provisions.

### ***Stanley Komaroff***

Pursuant to Mr. Komaroff's amended and restated employment agreement with the Company dated December 11, 2008, upon Mr. Komaroff's death or disability, or if Mr. Komaroff's employment with us is terminated (i) by us without cause or (ii) by Mr. Komaroff for any reason, Mr. Komaroff (or his heirs or estate) will receive (a) all amounts then owed to him as salary and deferred compensation, (b) any unpaid annual incentive compensation for the last full fiscal year prior to termination, (c) all benefits owed to him or his beneficiaries under the then applicable benefit plans, programs and policies of the Company, and (d) a pro rata annual incentive award for the fiscal year in which termination occurs. If Mr. Komaroff's employment is terminated by us for cause, Mr. Komaroff will receive solely the amounts described in (a) and (c) above.

If Mr. Komaroff terminates his employment for any reason or if he is terminated by us without cause, his equity-based awards will be treated as follows: (i) his termination will be treated as a retirement under our equity plans; (ii) his equity-based awards (other than options) will vest in full subject to satisfaction of any performance-based restrictions; and (iii) his options will continue to vest for 30 months following retirement (at which time all unvested options will vest in full) and will remain exercisable for at least three years (but not beyond the original term). If he terminates due to death or disability, to the extent provided to our senior management, his equity based awards will immediately vest in full and will remain exercisable following termination, provided that his options will remain exercisable for at least three years (but not beyond the original term).

Pursuant to his employment agreement, Mr. Komaroff is subject to confidentiality provisions. Additionally, during his employment, Mr. Komaroff will not (other than on behalf of the Company) in any capacity whatsoever (other than as the holder of not more than one percent of the total outstanding stock of a publicly held company) engage in any activity competitive with a material segment of the business of the Company. Mr. Komaroff's change in control agreement with the Company is described below in the section entitled "Named Executive Officers Other than the Chief Executive Officer."

### ***Named Executive Officers Other than the Chief Executive Officer***

We have entered into change in control agreements with the Named Executive Officers, other than Mr. Bergman, that provide that if the executive's employment is terminated by us without cause or by the executive for good reason within two years following a change in control of the Company, we will pay and provide the executive with (i) the executive's base salary (defined to include salary plus the executive's annual automobile allowance and the Company's contribution to the 401(k) Plan and SERP for the year prior to the change in control) through the

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termination date, (ii) severance pay equal to 300% of the sum of the executive's base salary (as defined in (i)) and target bonus, (iii) a pro rata annual incentive award at a target level for the year in which termination occurs, (iv) immediate vesting of all outstanding options, restricted or deferred stock/unit awards and non-qualified retirement benefits, (v) elimination of all restrictions on any restricted or deferred stock/unit awards, (vi) settlement of all deferred compensation arrangements in accordance with the applicable plan and (vii) continued participation in all health and welfare plans for 24 months (provided that such coverage will terminate when the executive receives substantially equivalent coverage from a subsequent employer) at the same level of participation for each executive on the termination date, except that the health coverage may be provided pursuant to a fully-insured replacement policy or two annual cash payments to obtain a replacement policy on a grossed-up basis. Notwithstanding the foregoing, if an executive's employment is terminated by us without cause or by the executive for good reason, in either case, (i) within 90 days prior to a change in control or (ii) after the first public announcement of the pendency of the change in control, the executive will be entitled to the benefits described above. In the event any payments to the executive become subject to the excise tax imposed by Section 4999 of the Code, we will pay the executive an additional amount such that the amount retained by the executive after reduction for such excise tax equals the amount to be paid to the executive prior to imposition of the excise tax.

Pursuant to the change in control agreements, the Named Executive Officers, other than Mr. Bergman (who is subject to restrictive covenants under his employment agreement as opposed to a change in control agreement), are also subject to restrictive covenants, such as confidentiality and non-disparagement provisions. Additionally, during each Named Executive Officer's employment and for a period of 24 months thereafter, each Named Executive Officer agreed that he will not, without the Company's prior written consent, solicit our employees for employment.

## **Tax Gross-Up Provisions**

Although we have historic tax gross-up provisions with our Named Executive Officers, as described above, the Compensation Committee does not intend to extend tax gross-ups to any other employee of the Company in the future other than tax gross-ups that apply on a broad basis such as under our relocation policy.

## **Compensation Policies and Practices as they Relate to Risk Management**

The Company conducted a risk assessment of its compensation policies and practices for all employees, including executive officers. The Compensation Committee reviewed the Company's risk assessment process and results and determined that our compensation programs are not reasonably likely to have a material adverse effect on the Company.

**Table of Contents*****Post Termination and Change in Control Calculations***

The amounts set forth in the table below represent amounts that would have been paid to the Named Executive Officers, pursuant to their employment and change in control agreements, if such Named Executive Officers employment was terminated by the Company on December 25, 2010 under the various scenarios set forth below or if a change in control occurred on such date.

<b>Name and Principal Position</b>	<b>Cash Payment</b>	<b>Continuation of Health/Welfare Benefits (present value)</b>	<b>Acceleration and Continuation of Equity Award<sup>1</sup></b>	<b>Settlement of Deferred Compensation Arrangements<sup>2</sup></b>	<b>Other Compensation</b>	<b>Excise Tax Gross-up</b>	<b>Total Termination Benefits</b>
<b>Stanley M. Bergman Chairman and Chief Executive Officer (Principal Executive Officer)</b>							
Company termination for cause or resignation other than for good reason	\$0	\$0	\$0	\$1,176,114	\$0	n/a	\$1,176,114 <sup>3</sup>
Company termination without cause or due to disability, voluntary resignation for good reason or non-renewal of employment contract	\$7,600,000	\$262,688	\$0	\$1,176,114	\$480,920	n/a	\$9,519,722 <sup>4</sup>
Resignation for good reason or Company termination without cause within two years after the change in control or Company termination without cause within 90 days prior to a change in control or after the first public announcement of a pending change in control	\$11,050,000	\$262,688	\$3,575,593	\$1,176,114	\$721,380	\$5,902,230	\$22,688,005 <sup>5</sup>

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Death of executive	\$1,900,000	\$131,700	\$0	\$1,176,114	\$0	n/a	\$3,207,814 <sup>6</sup>
<b>Stanley Komaroff Senior Advisor</b>							
Company termination for cause	\$0	\$0	\$0	\$121,115	\$0	n/a	\$121,115 <sup>7</sup>
Company termination without cause or voluntary resignation for good reason, retirement, death or disability of executive	\$451,540	\$0	\$2,239,782	\$121,115	\$0	n/a	\$2,812,437 <sup>8</sup>
<b>All Named Executive Officers, Other than the CEO</b>							
Termination without cause, voluntary termination for good reason within two years following a change in control, within 90 days prior to a change in control or after the first public announcement of a pending change in control							
<b>James Breslawski President and Chief Operating Officer</b>	\$3,987,200	\$41,225	\$2,689,312	\$523,130	\$0	\$0	\$7,240,867 <sup>9</sup>
<b>Steven Paladino Executive Vice President and Chief Financial Officer (Principal Financial Officer)</b>	\$3,185,950	\$41,225	\$2,239,782	\$430,177	\$0	\$0	\$5,897,134 <sup>9</sup>
<b>Stanley Komaroff Senior Advisor</b>	\$3,185,950	\$25,809	\$2,239,782	\$121,115	\$0	\$1,997,996	\$7,570,652 <sup>9</sup>
<b>Mark E. Mlotek Executive Vice President, Corporate</b>	\$3,185,950	\$41,225	\$2,239,782	\$389,912	\$0	\$0	\$5,856,869 <sup>9</sup>

**Business  
Development**

<sup>1</sup> Represents the value of unvested outstanding options and restricted stock/units that would accelerate and vest on termination. In the case of options, the value is calculated by multiplying the number of shares underlying each accelerated unvested option by the difference between the per share closing price of common stock on December 24, 2010 (the Per Share Closing Price ) and the per share exercise price. In the case of restricted stock/units, the value is calculated by multiplying the number of shares of restricted stock/units that accelerate by the Per Share Closing Price. In the case of performance-based restricted stock/units, the value is calculated using the number of shares of restricted stock/units granted on the grant date (i.e. target award). The 1994



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Stock Incentive Plan provides that upon a change in control without termination, a participant's unvested outstanding options become fully vested.

<sup>2</sup> The SERP Plan provides that upon a change in control without termination, a participant's vested SERP account balance becomes payable. Such account balances are as of December 31, 2010.

<sup>3</sup> The Company will have no further obligation to Mr. Bergman, except payment of his vested SERP account balance.

<sup>4</sup> Includes (i) payment of vested SERP account balance, (ii) the product of the annual incentive compensation payable for the last full fiscal year multiplied by a fraction of days employed over 365, (iii) 200% current base annual salary, (iv) 200% average annual incentive compensation paid in the previous three years, (v) health and welfare coverage for Mr. Bergman and his wife until death and (vi) use of the Company's car service, office space and administrative assistance provided to Mr. Bergman for two years.

<sup>5</sup> Includes (i) payment of vested SERP account balance, (ii) the product of the annual incentive compensation payable for the last full fiscal year multiplied by a fraction of days employed over 365, (iii) 300% current base annual salary, (iv) 300% of highest annual incentive compensation paid in the previous two years, (v) all unvested outstanding options and shares of restricted stock/units becomes fully vested, (vi) health and welfare coverage for Mr. Bergman and his wife until death, (vii) use of the Company's car service, office space and administrative assistance for three years and (viii) gross-up of IRC Section 4999 excise tax at the actual marginal tax rate.

<sup>6</sup> Includes (i) payment of vested SERP account balance, (ii) the product of the annual incentive compensation payable for the last full fiscal year multiplied by a fraction of days employed over 365 and (iii) health and welfare coverage for Mr. Bergman's wife until death.

<sup>7</sup> The Company will have no further obligation to Mr. Komaroff, except payment of his vested SERP account balance.

<sup>8</sup> Includes (i) payment of vested SERP account balance, (ii) the product of the annual incentive award payable for the year in which termination occurs multiplied by a fraction of days employed over 365, (iii) all equity-based awards (other than options) become fully vested, subject to satisfaction of any performance-based restrictions and (iv) all unvested options continue to vest for two and a half years after termination upon which time they will fully vest.

<sup>9</sup> Includes (i) payment of vested SERP account balance, (ii) the product of the annual incentive compensation at target level in year of termination multiplied by a fraction of days employed over 365, (iii) 300% current annual salary (defined to include salary plus the executive's annual automobile allowance and the Company's contribution to the 401(k) Plan and SERP plan for the full year preceding the change in control), (iv) 300% annual incentive compensation at target level in year of termination, (v) all unvested outstanding options and shares of restricted stock/units become fully vested, (vi) health and welfare continuation of plans for 24 months following termination or until coverage with subsequent employer begins and (vii) gross-up of IRC Section 4999 excise tax at actual marginal tax rate.

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**Other Information Related to Summary Compensation Table**

***Stock Awards and Option Awards***

See Compensation Structure Pay Elements Details Equity-Based Awards under the Compensation Discussion and Analysis for a discussion on stock awards and option awards.

***Non-Equity Incentive Plan Compensation***

See Compensation Structure Pay Elements Details Annual Incentive Compensation under the Compensation Discussion and Analysis for a discussion on non-equity incentive plan compensation.

***Change in Pension Value and Non-Qualified Deferred Compensation Earnings***

For employees of the Company, including Named Executive Officers, we do not maintain a qualified defined benefit plan.

We maintain a Supplemental Executive Retirement Plan for certain eligible participants who are not able to receive the full Company matching contribution under our 401(k) Plan due to certain Internal Revenue Service limits. The SERP provides for various vesting percentages based on service with the Company. Vesting will also occur upon a participant's death, disability or attainment of age 65 or upon a change in control, in each case, while employed. Investment return on the contributions is generally equal to the earnings and losses that would occur if 40% of the contributions were invested in the Company stock fund under our 401(k) Plan and 60% were invested equally among the other investment alternatives available under our 401(k) Plan. A participant's vested SERP benefit is paid following a termination of employment (subject to a six month delay in certain instances) or a change in control.

***All Other Compensation***

See Compensation Structure Pay Elements Details Other Benefits and Perquisites under the Compensation Discussion and Analysis for a discussion on all other compensation.

Table of Contents**Grants of Plan-Based Awards for Fiscal 2010**

Type of Grant <sup>1</sup>	Grant Date	Estimated Potential Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: <sup>4</sup> Number of Shares or Units (#)	All Other Option Awards: <sup>5</sup> Number of Securities Underlying Options (#)	Exercise Price (\$)
		Thres-hold (\$)	Target (\$)	Maximum <sup>2</sup> (\$)	Thres-hold (#)	Target (#)	Maxi-mum <sup>3</sup> (#)			
162(m) PIP	n/a	\$0	\$1,509,375	\$2,910,938						
RS	3/10/2010	\$0	\$215,625	\$247,969	0	17,133	34,266	0		
SO	n/a								0	
PIP	n/a	\$55,000	\$500,000	\$936,250	0	8,352	16,704	4,497		
RS	3/10/2010									
SO	n/a								0	
PIP	n/a	\$28,000	\$400,000	\$700,000	0	6,960	13,920	3,747		
RS	3/10/2010									
SO	n/a								0	
PIP	n/a	\$20,000	\$400,000	\$634,000	0	6,960	13,920	3,747		
RS	3/10/2010									
SO	n/a								0	
PIP	n/a	\$44,338	\$400,000	\$654,338	0	6,960	13,920	3,747		
RS	3/10/2010									
SO	n/a								0	

<sup>1</sup> PIP means annual bonuses paid under the Company's 2010 PIP. 162(m) means annual bonuses paid under the Company's Section 162(m) Cash Bonus Plan. RS means performance-based restricted stock awards made pursuant to the Company's 1994 Stock Incentive Plan. SO means options. See Compensation Structure Pay Elements Details Annual Incentive Compensation under the Compensation Discussion and Analysis for a discussion on the PIP and the Section 162(m) Cash Bonus Plan.

<sup>2</sup> The maximum payout percentage for the EPS Target and Business Financial Goal portions of the PIP is 200% and the maximum payout percentage for the Individual Performance Goal is 115%.

<sup>3</sup> The maximum payout percentage for the 2010 LTIP awards of performance-based restricted stock is 200%.

<sup>4</sup> Time-based restricted stock (four year cliff) awarded in fiscal 2010. Mr. Bergman was not awarded time-based restricted stock in 2010.

<sup>5</sup> None of the Names Executive Officers were awarded options in fiscal 2010.

<sup>6</sup> These amounts are valued based on the aggregate grant date fair value of the award determined in accordance with FASB ASC Topic 718. These amounts do not necessarily reflect the actual value that may be realized by the Named Executive Officer upon vesting.

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***Estimated Potential Payouts Under Non-Equity Incentive Plan Awards***

The PIP awards paid to the Named Executive Officers appear in the Summary Compensation Table in the column captioned Non-Equity Incentive Plan Compensation. The threshold, target and maximum amount of these PIP awards appear in the Grants of Plan-Based Awards Table in the column captioned Estimated Future Payouts Under Non-Equity Incentive Plan Awards.

***Estimated Future Payouts Under Equity Incentive Plan Awards, All Other Stock Awards and All Other Option Awards***

Awards of performance-based and time-based restricted stock/units granted to the Named Executive Officers appear in the Summary Compensation Table in the columns captioned Stock Awards . We did not grant Named Executive Officers options in fiscal 2010.

The threshold, target and maximum amount of the performance-based restricted stock/units appear in the Grants of Plan-Based Awards Table in the column captioned Estimated Future Payouts Under Equity Incentive Plan Awards.

***Exercise or Base Price of Option Awards***

We did not grant Named Executive Officers options in fiscal 2010.

**Table of Contents****Outstanding Equity Awards at 2010 Fiscal Year-End**

Name and Principal Position	Option Awards Equity Incentive Plan				Stock Awards Equity Incentive Plan				
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable <sup>1</sup>	Awards: Number of Securities Underlying Unexercised Options <sup>2</sup> (#)	Exercise Price (\$)	Option Expiration Date <sup>3</sup>	Number of Shares or Units of Stock That Have Not Vested <sup>4</sup> (#)	Market Value of Shares or Units of Stock That Have Not Vested <sup>4</sup> (\$)	Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested <sup>5</sup> (#)	Equity Award Market Pay Value of Unearned Shares or O Rights Have Vested <sup>5</sup> (\$)
M. Bergman President and Chief Operating Officer	33,067	0	0	\$47.31	03/02/2016	0	\$0	89,560	\$5,500
Principal Executive	28,138	9,380	0	\$51.23	03/05/2017				
	23,006	23,006	0	\$59.89	03/03/2018				
	46,000	0	0	\$20.41	03/05/2012	11,816	\$734,482	51,682	\$3,200
	50,000	0	0	\$19.42	02/25/2013				
	50,000	0	0	\$35.49	02/18/2014				
	37,500	0	0	\$39.43	03/09/2015				
	20,000	0	0	\$42.58	09/22/2015				
J. Breslawski President and Chief Marketing Officer	27,282	0	0	\$47.31	03/02/2016				
	23,224	7,742	0	\$51.23	03/05/2017				
	17,254	17,225	0	\$59.89	03/03/2018				
A. Paladino Executive Vice President and Chief Financial Officer	52,000	0	0	\$19.42	02/25/2013	9,847	\$612,089	43,067	\$2,600
	52,000	0	0	\$35.49	02/18/2014				
	39,000	0	0	\$39.43	03/09/2015				
	22,323	0	0	\$47.31	03/02/2016				
	18,996	6,333	0	\$51.23	03/05/2017				
	14,378	14,379	0	\$59.89	03/03/2018				
	39,400	0	0	\$35.49	02/18/2014	9,847	\$612,089	43,067	\$2,600
	37,800	0	0	\$39.43	03/09/2015				
	22,323	0	0	\$47.31	03/02/2016				

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Komaroff	18,996	6,333	0	\$51.23	03/05/2017				
Advisor	14,378	14,379	0	\$59.89	03/03/2018				
	11,250	0	0	\$35.49	02/18/2014	9,847	\$612,089	43,067	\$2,6
Mlotek	37,500	0	0	\$39.43	03/09/2015				
ve Vice	22,323	0	0	\$47.31	03/02/2016				
nt, Corporate	18,996	6,333	0	\$51.23	03/05/2017				
s Development	14,378	14,379	0	\$59.89	03/03/2018				

<sup>1</sup> All options granted in 2003 or earlier vest one-third per year over three years. All options granted in 2004 or later vest one-fourth per year over four years.

<sup>2</sup> The Company does not issue performance-based options.

<sup>3</sup> All options granted under the 1994 Stock Incentive Plan have a ten year term unless otherwise terminated earlier in accordance with the plan.

<sup>4</sup> The Company did not issue time-based restricted stock to the Named Executive Officers prior to March 2009. Beginning in March 2009, time-based restricted stock (four year cliff vesting) was awarded to the Named Executive Officers, except Mr. Bergman. Beginning in March 2010, time-based restricted stock units were granted to the Named Executive Officers.

<sup>5</sup> Performance-based restricted stock awards (three year cliff vesting) granted in 2008, 2009 and 2010 under the Company's 1994 Stock Incentive Plan. As the threshold payout amount is zero, such number represents the number of shares based on the target payout and excludes shares of performance-based restricted stock that were not issued when the 2008 LTIP vested on March 3, 2011 and includes additional shares of performance-based restricted stock which we estimate will be issued relating to the performance-based restricted stock grants under the 2009 and 2010 LTIP. Beginning in March 2010, performance-based restricted stock units were granted to the Named Executive Officers.

<sup>6</sup> Based on the closing market price of \$62.16 of the Company's common stock on December 23, 2010.

**Table of Contents****Option Exercises and Stock Vested for Fiscal 2010<sup>1</sup>**

Principal Position	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) <sup>2</sup>	Value Realized on Vesting (\$)
Chief Executive Officer	0	\$0	9,628	
Chief Operating Officer	0	\$0	7,947	
President and Chief Financial Officer	102,000	\$4,117,420	6,500	
Chief Financial Officer	37,000	\$849,960	6,500	
President, Business Development	41,735	\$912,584	6,500	

<sup>1</sup> The value realized from exercised options is deemed to be the market value of the common stock on the date of exercise, less the exercise price of the option, multiplied by the number of shares of common stock underlying the option.

<sup>2</sup> Represents performance based restricted stock (three year cliff vesting) granted on March 5, 2007 that vested on March 5, 2010.

<sup>3</sup> The closing market price on March 5, 2010 was \$56.88.

**Nonqualified Deferred Compensation for Fiscal 2010<sup>1</sup>**

Principal Position	Executive Contributions in Last Fiscal Year (\$)	Registrant Contributions in Last Fiscal Year (\$)	Aggregate Earnings in Last Fiscal Year (\$)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last Fiscal Year End (\$)
	\$0	\$64,000	\$148,956	\$0	\$0



W. Bergman and Chief Executive Principal Executive				
Breslawski and Chief Officer	\$0	\$25,500	\$66,652	\$0
Madano Vice President and Financial Officer				
(Financial Officer)	\$0	\$16,750	\$54,854	\$0
Tomaroff Advisor	\$0	\$16,750	\$14,343	\$0
Plotek Vice President, Business Development	\$0	\$16,750	\$49,400	\$0

<sup>1</sup> The following table provides information regarding our SERP. See Compensation Structure Pay Elements Details Other Benefits and Perquisites under the Compensation Discussion and Analysis for a discussion on our SERP.

**Table of Contents****Director Compensation for Fiscal 2010**

	<b>Fees Earned or Paid in Cash<sup>1</sup></b>	<b>Stock Awards<sup>2</sup></b>	<b>Option Awards<sup>3</sup></b>	<b>Non-Equity Incentive Plan Compensation<sup>4</sup></b>	<b>Change in Pension Value and Nonqualified Deferred Compensation Earnings<sup>5</sup></b>	<b>All Other Compensation</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
Alperin	\$90,500	\$185,400	\$0	\$0	\$0	\$0
Brons	\$72,500	\$185,400	\$0	\$0	n/a	\$0
Kabat	\$90,000	\$185,400	\$0	\$0	\$0	\$0
Laskawy	\$85,000	\$185,400	\$0	\$0	\$0	\$0
Mashima	\$72,500	\$185,400	\$0	\$0	\$0	\$0
Matthews	\$88,000	\$185,400	\$0	\$0	\$0	\$4,000 <sup>6</sup>
Ph.D.	\$68,500	\$185,400	\$0	\$0	\$0	\$0
Sheares, Ph.D.	\$75,500	\$185,400	\$0	\$0	\$0	\$9,000 <sup>7</sup>

<sup>1</sup> These cash fee amounts have not been reduced to reflect a director's election to defer receipt of cash fees pursuant to the Non-Employee Director Deferred Compensation Plan; these deferrals are indicated in footnote 5 below.

<sup>2</sup> Includes restricted stock unit awards valued based on the aggregate grant date fair value of the award computed in accordance with FASB ASC Topic 718. The amounts shown in the table above do not necessarily reflect the actual value that may be realized by the non-employee director upon vesting.

<sup>3</sup> Includes option awards which value is based on the aggregate grant date fair value of the award computed in accordance with FASB ASC Topic 718. The amounts shown in the table above do not necessarily reflect the actual value that may be realized by the non-employee director upon vesting. The aggregate number of option awards outstanding and exercisable at fiscal year end for each non-employee director is set forth in the following table:

<b>Name</b>	<b>Aggregate Number of Option Awards Outstanding and Exercisable at Fiscal 2010 Year End (#)</b>
Barry J. Alperin	81,241
Paul Brons	31,241
Donald J. Kabat	81,241
Philip A. Laskawy	61,241
Karyn Mashima	4,493
Norman S. Matthews	61,241
Bradley T. Sheares, Ph.D.	0

Louis W. Sullivan, M.D.

65,741

<sup>4</sup> The Company does not grant performance-based bonuses to non-employee directors.

<sup>5</sup> Messrs. Alperin, Laskawy and Matthews and Dr. Sullivan each participated in the Non-Employee Director Deferred Compensation Plan in 2010 and elected to defer the following amounts during fiscal 2010: \$27,500; \$85,000; \$89,500 and \$75,500, respectively.

<sup>6</sup> Mr. Matthews received compensation for his attendance at the Company's Medical Advisory Board meetings.

<sup>7</sup> Dr. Sullivan received compensation for his attendance at the Company's Medical Advisory Board meetings and for serving as its Chairman.

***Fees Earned or Paid in Cash***

Directors who are employees of the Company receive no compensation for service as directors. Directors who are not officers or employees of the Company receive such compensation for their services as the Board of Directors may determine from time to time. In fiscal 2010, Messrs. Alperin, Brons, Kabat, Laskawy and Matthews,

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Ms. Mashima and Drs. Sheares and Sullivan each received a \$50,000 annual retainer, an additional \$2,000 for each Board of Directors meeting attended and \$1,500 for each committee meeting attended and a \$5,000 retainer for service as a Committee Chairperson, except for the Audit Committee Chairperson who received a \$7,500 retainer.

### ***Stock Awards and Option Awards***

On March 10, 2010, each of Messrs. Alperin, Brons, Kabat, Laskawy and Matthews, Ms. Mashima and Drs. Sheares and Sullivan, received 3,308 restricted stock units under the Company's 1996 Non-Employee Director Stock Incentive Plan each award having a grant fair value of \$185,400. The value of the equity-based awards granted to the Non-Employee Directors on March 10, 2010 was equal to the value of the equity-based awards received by the Non-Employee Directors in fiscal 2009 (which was 10% less than received in fiscal 2008). Additionally, on March 9, 2011, each received 2,669 restricted stock units, with each award having a grant fair value of \$185,400 (unchanged from the grant value in 2009 and 2010). All such grants were issued on the date they were approved by the Compensation Committee. The restricted stock units are subject to time-based vesting and vest at the end of four years from the grant date, based on continued service through the applicable vesting date.

Beginning with the March 9, 2009 restricted stock unit award, non-employee directors became eligible to defer the date upon which all or a portion of their restricted stock units will be paid out to either (i) a specified payment date occurring on the third, fifth, seventh or tenth anniversary of the scheduled vesting date, or (ii) the date of the termination of their services that occurs after the scheduled vesting date. If the deferral election is chosen, to the extent vested, payment will be made within the 30 day period following the earliest of the following to occur: (i) the elected deferred payment date; (ii) the participant's death; (iii) the participant's disability; (iv) the participant's termination of services (other than as a result of death or disability); or (v) a change of control of the Company. Participants are also permitted to further defer the payment date of their restricted stock units in accordance with Section 409A of the Code for one or more additional periods of at least five years (but not more than ten years) beyond the previously elected deferred payment date.

In March 2010, based on a comparative review of similar companies, the Compensation Committee modified the vesting of equity grants made on or after March 2010 under the Company's LTIP if termination of employment is due to retirement (solely with respect to restricted stock units), death, disability or change in control (as defined in the 1994 Stock Incentive Plan) to allow for pro-rated or accelerated vesting.

The Compensation Committee assesses competitive market compensation when determining the amount of equity awards to grant non-employee directors. The Compensation Committee reviews non-employee director compensation, including equity awards, against the same peer companies that it uses when evaluating executive officer compensation. The Compensation Committee also reviews, for purposes of determining non-employee director equity awards, the companies with revenues between \$6 billion and \$10 billion that it reviews for evaluation of executive officer compensation. See Compensation Structure Pay Elements Details Pay Levels and Benchmarking under Compensation Discussion and Analysis.

### ***Non-Equity Incentive Plan Compensation***

We do not issue non-equity incentive plan compensation to non-employee directors.

### ***Change in Pension Value and Non-Qualified Deferred Compensation Earnings***

For directors, we do not maintain a qualified defined benefit plan.

Since January 2004, non-employee directors have been eligible to defer all or a portion of certain eligible director fees under our Non-Employee Director Deferred Compensation Plan in the form of cash and are deemed to be invested in our common stock in the form of a unit measurement, called a phantom share. A phantom share is the equivalent to one share of our common stock. Shares of our common stock available for issuance under the Non-Employee Director Deferred Compensation Plan are funded from shares of our common stock that are available under our 1996 Non-Employee Director Stock Incentive Plan, and such an award under the Non-Employee Director Deferred Compensation Plan constitutes an Other Stock-Based Award under the 1996 Non-Employee Director Stock Incentive Plan. Messrs. Alperin, Kabat, Laskawy and Matthews, Ms. Mashima and Dr. Sullivan each

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participate in the Non-Employee Director Deferred Compensation Plan. The amounts set forth in the Director Compensation Table above under Change in Pension Value and Nonqualified Deferred Compensation Earnings represent the change in the market value of the phantom shares allocated to each such director's account.

### ***All Other Compensation***

Each of Dr. Sullivan and Mr. Matthews are members of our Medical Advisory Board. In fiscal 2010, each received \$2,000 for each Medical Advisory Board meeting attended and Dr. Sullivan received a \$1,250 quarterly retainer for his service as Chairman of the Medical Advisory Board.

### ***Stock Ownership Policy***

The Company believes that, to align the interests of the directors of the Company with the stockholders of the Company, the non-employee directors of the Company should have a financial stake in the Company. The Board of Directors adopted a policy providing that each non-employee director should own equity in the Company equal to a minimum of 100% of such non-employee director's annual retainer. Newly appointed non-employee directors will have three years from the date of their appointment to comply with the stock ownership policy. The Board of Directors will evaluate whether exceptions should be made for any non-employee director on whom this requirement would impose a financial hardship or for other appropriate reasons as determined by the Board of Directors. Equity includes: shares of any class of capital stock; shares of vested restricted stock; unexercised vested options; warrants or rights to acquire shares of capital stock; and securities that are convertible into shares of capital stock; provided that an amount equal to at least 20% of such non-employee director's annual retainer must be owned by such non-employee director in the form of shares of common stock.

## **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

On an ongoing basis, the Audit Committee is required by its charter to review all related party transactions (those transactions that are required to be disclosed in this proxy statement by SEC Regulation S-K, Item 404 and under NASDAQ's rules), if any, for potential conflicts of interest and all such transactions must be approved by the Audit Committee.

## **COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The members of the Compensation Committee during fiscal 2010 were Messrs. Alperin, Kabat and Matthews.

During fiscal 2010:

none of the members of the Compensation Committee was an officer (or former officer) or employee of the Company or any of its subsidiaries;

none of the members of the Compensation Committee had a direct or indirect material interest in any transaction in which the Company was a participant and the amount involved exceeded \$120,000;

none of our executive officers served on the compensation committee (or another board committee with similar functions or, if none, the entire board of directors) of another entity where one of that entity's executive officers served on our Compensation Committee;

none of our executive officers was a director of another entity where one of that entity's executive officers served on our Compensation Committee; and

none of our executive officers served on the compensation committee (or another board committee with similar functions or, if none, the entire board of directors) of another entity where one of that entity's executive officers served as a director on our Board of Directors.

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**PROPOSAL 2  
AMENDMENTS TO  
HENRY SCHEIN, INC. 1994 STOCK INCENTIVE PLAN**

The Company maintains the Henry Schein, Inc. 1994 Stock Incentive Plan, as amended from time to time (the 1994 Incentive Plan ), for the benefit of key employees and consultants of the Company and its subsidiaries. The proposed amendments to the 1994 Incentive Plan, which were unanimously adopted by the Compensation Committee of the Board of Directors on February 15, 2011 and March 9, 2011, in each case subject to stockholder approval at the 2011 Annual Meeting, would:

expand the definition of the term subsidiary under the 1994 Incentive Plan to include (1) any entity, trade or business (including, without limitation, a partnership or limited liability company) that is directly or indirectly controlled 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by the Company or one of its subsidiaries, and (2) any other entity in which the Company or any of its subsidiaries has a material equity interest and which is designated as a subsidiary by resolution of the Compensation Committee;

make certain other minor clarifying changes to reflect the distinction between incentive stock options and other types of awards as a result of the change to the definition of the term subsidiary ; and

preclude the grant of any award to key employees and consultants who are resident in France or subject to the French social scheme on or after the fifth anniversary of stockholder approval of this amendment unless the stockholders approve a new term for awards to such participants or this limitation is not required under French law, regulation or other authority.

The 1994 Incentive Plan currently provides that certain employees and consultants of the Company and its subsidiaries may receive equity grants under the 1994 Incentive Plan. The term subsidiary is currently defined in the 1994 Incentive Plan to reflect the Internal Revenue Code definition of subsidiary corporations and, accordingly, employees and consultants of non-corporate entities are generally not eligible to participate under the 1994 Incentive Plan s existing terms. The Board of Directors believes it is desirable to expand the definition of the term subsidiary to include selected employees and consultants of non-corporate entities with respect to grants of awards (other than incentive stock options) granted on or after November 19, 2010. The Board of Directors also believes it is desirable to provide the Compensation Committee with flexibility to designate other entities as a subsidiary under the 1994 Incentive Plan with respect to grants of awards (other than incentive stock options) for entities in which the Company holds a material equity interest.

In addition, due to the expansion of the term subsidiary under the 1994 Incentive Plan, the Board of Directors adopted certain other minor clarifying changes to the 1994 Incentive Plan in order to reflect the distinction between incentive stock options and other types of awards. In particular, the Board of Directors has provided in the amendment that, notwithstanding the expansion of the definition of term subsidiary for grants of awards (other than incentive stock options), the Compensation Committee may only grant incentive stock options to selected employees of subsidiary corporations as defined by the Internal Revenue Code. By making this distinction, the Board of Directors is intending to make certain that the expansion of the definition of the term subsidiary does not change the treatment of incentive stock options under the 1994 Incentive Plan.

The amendments also provide that a five-year term limit applies to French participants described above unless the Company s stockholders approve a new term or it is no longer required. This limitation is intended to comply with applicable French legal requirements as commented by the French tax administration guidelines and ensure eligibility



for favorable tax and social security treatment for awards granted to such French participants.

Finally, the Board of Directors is also submitting the 1994 Incentive Plan to the stockholders of the Company to re-approve the performance goals under the 1994 Incentive Plan so that certain incentive awards granted under the 1994 Incentive Plan to executive officers of the Company may qualify as exempt performance-based compensation under Section 162(m) of the Code, which otherwise generally disallows the corporate tax deduction for certain compensation paid in excess of \$1,000,000 annually to each of the chief executive officer and the three other most highly paid executive officers of publicly held companies (other than the chief financial officer). Section 162(m) of the Code generally requires such performance goals to be approved by stockholders every five years.

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In the event that the requisite stockholder approval of the 1994 Incentive Plan, as amended, is not obtained, the amended plan will not take effect to the extent stockholder approval is required, but the Company may continue to grant awards under the 1994 Incentive Plan in accordance with its terms.

The following description of the 1994 Incentive Plan, as amended, is a summary of its principal provisions and is qualified in its entirety by reference to the 1994 Incentive Plan, as amended by Amendment No. 1, Amendment No. 2, Amendment No. 3, Amendment No. 4 and Amendment No. 5. The 1994 Incentive Plan is incorporated by reference from our definitive 2007 Proxy Statement on Schedule 14A filed on April 10, 2007. Amendment No. 1 to the 1994 Incentive Plan is incorporated by reference from our Annual Report on Form 10-K for the fiscal year ended December 27, 2008 filed on February 24, 2009. Amendment No. 2 to the 1994 Incentive Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the fiscal quarter ended June 27, 2009 filed on August 4, 2009. Amendment No. 3 to the 1994 Incentive Plan is incorporated by reference from our Quarterly Report on Form 10-Q for the fiscal quarter ended March 27, 2010 filed on May 4, 2010. A copy of each of Amendment No. 4 and Amendment No. 5 to the 1994 Incentive Plan is attached hereto as Exhibit A.

## **Description of the 1994 Incentive Plan**

### ***Purpose***

The purpose of the 1994 Incentive Plan is to enable the Company and its designated subsidiaries to attract, retain and motivate key employees and consultants who are important to the success and growth of the Company, and to create a mutuality of interest between such individuals and the stockholders of the Company by granting such individuals options, stock appreciation rights, restricted stock awards and restricted stock unit awards.

### ***Share Reserve***

Under the 1994 Incentive Plan, a maximum of 27,079,270 shares of common stock are authorized for issuance pursuant to all awards granted under the 1994 Incentive Plan, provided, however, that of such amount, and a maximum of 475,794 shares of common stock are authorized for issuance pursuant to Class A Options, subject, in each case, to antidilution adjustments. No Class A Options were outstanding as of March 21, 2011. No new Class A Options may be issued. Class B Options to purchase an aggregate of 4,416,552 shares of common stock were granted and remain outstanding as of such date (with a weighted average exercise price of \$43.98 per share and a weighted average remaining term of 5.05 years) and 1,781,179 shares of restricted stock and/or restricted stock units were granted and remain outstanding. Any shares of our common stock that have been or will be issued pursuant to options or stock appreciation rights will be counted against the aggregate maximum share limit under the 1994 Incentive Plan as one share for every share granted. Any shares that are issued pursuant to awards of restricted stock or restricted stock units granted on or after May 28, 2009 (which was the date of our 2009 Annual Meeting), will be counted against the aggregate maximum share limit under the 1994 Incentive Plan as two shares for every share granted. If any shares subject to an option or stock appreciation right are forfeited, cancelled, exchanged or surrendered without having been exercised in full or terminate or expire without a distribution of shares to the participant, the number of shares underlying any such unexercised award will again be available for the purpose of awards under the 1994 Incentive Plan as one share for every share granted. If any shares that were issued pursuant to an award of restricted stock or restricted stock units granted on or after May 28, 2009 are forfeited for any reason, two shares for every share granted will again be available for the purpose of awards under the 1994 Incentive Plan. In addition, the number of shares available for the purpose of awards under the 1994 Incentive Plan will be reduced by (i) the total number of options or stock appreciation rights exercised, regardless of whether any shares underlying such awards are not actually issued to the participant as a result of a net settlement, (ii) any shares used to pay any purchase price or tax withholding obligation with respect to any award and (iii) any shares repurchased by the Company on the open market with the proceeds of the purchase price of an option.

***Individual Participant Limitations***

Except as noted in the next sentence, the maximum number of shares of common stock with respect to which each of options, stock appreciation rights, restricted stock awards and restricted stock unit awards may be granted under the 1994 Incentive Plan to any participant in any fiscal year cannot exceed 200,000 shares (subject to

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antidilution adjustments). To the extent that the number of shares with respect to which a participant is granted options, stock appreciation rights, restricted stock or restricted stock units, as applicable, during any fiscal year is less than the maximum number of shares for which awards are permitted to be granted to such participant during such fiscal year, the number of shares of common stock available for awards of options, stock appreciation rights, restricted stock and restricted stock units, as applicable, to such participant in the next fiscal year is automatically increased by the number of such shares as to which such awards were not granted.

### ***Administration***

The 1994 Incentive Plan may be administered by the Company's Board of Directors or by a committee (or subcommittee) of two or more directors appointed by the Board of Directors, each of whom qualifies as a non-employee director under Rule 16b-3 promulgated under the Exchange Act, as an outside director under Section 162(m) of the Code and as an independent director under NASDAQ's Rule 5605(a)(2). The 1994 Incentive Plan is currently administered by the Compensation Committee. The Compensation Committee has the full authority and discretion, subject to the terms of the 1994 Incentive Plan, to determine those individuals who are eligible to be granted awards, the amount and type of awards to be granted, the terms of awards (including, but not limited to, the vesting requirements and the impact of termination of service) and all other terms and conditions of awards. The terms and conditions of specific grants of awards are set forth in written award agreements between the Company and the participant. No awards will be granted under the 1994 Incentive Plan on or after March 27, 2017, but awards granted prior to such date may extend beyond that date. The 1994 Incentive Plan is intended to comply with the applicable requirements of Section 162(m) of the Code with respect to awards intended to be performance-based, and the 1994 Incentive Plan will be limited, construed and interpreted in a manner so as to comply with such intent. Accordingly, the performance goals described below are being submitted to stockholders for re-approval in accordance with Section 162(m) of the Code, and will be re-submitted to stockholders for subsequent re-approval no later than the Company's 2016 Annual Meeting in accordance with Section 162(m) of the Code. Further, if the amendments are approved, no awards will be granted to French participants after May 18, 2016, unless a new term is approved or this term limit is no longer required.

### ***Amendment and Termination***

The 1994 Incentive Plan provides that it may be amended by the Company's Board of Directors or the Compensation Committee except that no amendment may, without the approval of stockholders of the Company, (i) increase the total number of shares that may be issued under the 1994 Incentive Plan or that may be acquired upon exercise or vesting of awards granted under the Plan (except for antidilution adjustments), (ii) increase the maximum individual participant limitations for a fiscal year (except for antidilution adjustments), (iii) change the types of employees, consultants or other advisors eligible to be participants under the 1994 Incentive Plan, (iv) effect any change that would require stockholder approval under Section 162(m) of the Code, including, without limitation, alter the performance goals applicable to outstanding awards, (v) reduce the purchase price of any outstanding awards (except for antidilution adjustments), (vi) extend the maximum term of an option, (vii) award any option or stock appreciation right in replacement of a cancelled option or stock appreciation right with a higher exercise price or (viii) effect any change that would require stockholder approval in order for the 1994 Incentive Plan to continue to comply, to the extent applicable to incentive options, with the applicable provisions of Section 422 of the Code, or with respect to any award, to make any other amendment that would require stockholder approval under the rules of any exchange or system on which the Company's securities are listed or traded.

### ***Options***

Options granted under the 1994 Incentive Plan entitle the holder to purchase a specified number of shares of common stock, subject to vesting provisions, at a price set by the Compensation Committee at the time of grant, provided that

the exercise price of an incentive option or a Class B option may not be less than 100% of the fair market value of a share of common stock on the grant date (not less than 110% in the case of incentive options granted to owners of 10% or more of the Company's outstanding voting stock). The term of each option is specified by the Compensation Committee upon grant, but may not exceed ten years from the date of grant (five years in the case of incentive options granted to owners of 10% or more of the Company's outstanding voting stock). The

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Compensation Committee determines the time or times at which each option may be exercised. Options may become exercisable in installments, and the exercisability of options may be accelerated in some cases, including upon a change of control of the Company (as defined in the 1994 Incentive Plan).

Under the 1994 Incentive Plan, the Compensation Committee may grant incentive options that qualify under Section 422 of the Code or non-qualified options. Incentive options are subject to certain requirements under the 1994 Incentive Plan as well as under the Code.

A participant may elect to exercise one or more of his or her options by giving written notice to the Compensation Committee of such election at any time. The participant must specify the number of options to be exercised and provide payment in full of the aggregate purchase price for the shares of common stock for which options are being exercised. Payment may be made (i) in cash or by check, bank draft or money order, (ii) if so permitted by the Compensation Committee, through delivery of unencumbered shares of common stock (which have been owned by such participant for such period as may be required by applicable accounting standards to avoid a charge to the Company's earnings), through a combination of cash and shares, or through a promissory note to the extent permitted by applicable law, or (iii) on such other term and conditions as may be acceptable to the Compensation Committee or as set forth in the participant's award agreement.

In general, unless otherwise determined by the Compensation Committee and set forth in an award agreement, all unvested options will terminate upon a termination of service for any reason, and vested options will generally remain exercisable for a period of three months following termination of service. However, in the event of a participant's death, a participant's vested options will generally remain exercisable for a period of one year following death, unless otherwise determined by the Compensation Committee. In the event of a participant's termination of service as a result of disability or as a result of retirement at or after age 65, a participant's vested options will generally remain exercisable for a period of one year following such termination, unless otherwise determined by the Compensation Committee. Upon a termination of employment or consultancy for cause (as defined in the 1994 Incentive Plan), all outstanding options (whether vested or unvested) are forfeited and cancelled in their entirety, and the Compensation Committee may require a participant to promptly repay to the Company (and the Company has the right to recover) any gain realized upon exercise of an option.

### ***Stock Appreciation Rights***

Stock appreciation rights (SARs) may be granted either with an option (a tandem SAR) or independent of an option (a non-tandem SAR) to employees and consultants. A SAR is a right to receive a payment either in cash and/or common stock (as determined by the Compensation Committee) equal in value to the excess of the fair market value of one share of common stock on the date of exercise over the exercise price per share of the SAR. A non-tandem SAR is subject to the terms and conditions of the 1994 Incentive Plan, including, without limitation, the purchase price may not be less than 100% of the fair market value of a share of common stock on the date of grant and the post-termination exercise periods applicable to options are applicable to SARs (unless otherwise provided in an award agreement). Limited SARs may also be granted under the 1994 Incentive Plan and may be exercised only upon the occurrence of a change of control or such other events designated by the Compensation Committee.

A tandem SAR is subject to the same terms and conditions of the related option, and, therefore, terminates and is no longer exercisable upon the termination or the exercise of the option granted in conjunction with the SAR and the purchase price may not be less than 100% of the fair market value of a share of common stock on the date of grant. The term of each non-tandem SAR will be fixed by the Compensation Committee, but, in any event, will not be in excess of ten years from the date of grant. Tandem SARs may be exercised only at the times and to the extent that the options to which they relate are exercisable, and the Compensation Committee determines at grant when non-tandem SARs are exercisable.

***Restricted Stock and Restricted Stock Units***

The Compensation Committee will determine the key employees and consultants to whom, and the time or times at which, grants of restricted stock or restricted stock units will be made, the number of shares to be awarded, the purchase price (if any) to be paid, the time or times at which such awards may be subject to forfeiture (if any), the vesting schedule (if any) and rights to accelerated vesting and all other terms and conditions of the restricted stock

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or restricted stock unit award. Unless otherwise determined by the Compensation Committee at grant or thereafter, upon a participant's termination of employment or termination of consultancy (as applicable) for any reason during the relevant restriction period, all restricted stock and restricted stock units still subject to restriction will be forfeited. The Compensation Committee may condition the grant or vesting of restricted stock or restricted stock units upon the attainment of specified performance targets or such other factors as the Compensation Committee may determine. Awards of restricted stock and restricted stock units that vest based (i) in whole or in part on the attainment of performance goals, will have a minimum vesting period of one year and (ii) solely on the continued performance of services for the Company and its subsidiaries, will have a minimum vesting period of three years (with a maximum of 1/3 of such awards vesting on each of the first three anniversaries of the date of grant). Notwithstanding such minimum vesting periods, such awards may vest earlier upon a change in control or a participant's death, disability or retirement. In addition, awards of restricted stock and restricted stock units may be granted with respect to up to 5% of the total number of shares reserved for awards under the 1994 Incentive Plan which are not subject to such minimum vesting provisions. Awards of restricted stock or restricted stock units granted under the 1994 Incentive Plan may or may not be intended to comply with the performance-based compensation exception under Section 162(m) of the Code.

### ***Performance Goals***

Awards of restricted stock or restricted stock units that are intended to comply with the performance-based compensation exception under Section 162(m) of the Code, will be granted or vest based upon the attainment of pre-established objective performance goals established by the Compensation Committee by reference to one or more of the following: (i) enterprise value or value creation targets, after-tax or pre-tax profits, operational cash flow, earnings per share or earnings per share from continuing operations, net sales, revenues, net income or earnings before income tax or other exclusions, return on capital, market share or after-tax or pre-tax return on stockholder equity of the Company; (ii) the Company's bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company, which may be calculated net of cash balances and/or other offsets and adjustments as may be established by the Compensation Committee; (iii) the fair market value of the shares of the Company's common stock; (iv) the growth in the value of an investment in the Company's common stock assuming the reinvestment of dividends; (v) controllable expenses or costs or other expenses or costs of the Company or (vi) economic value added targets based on a cash flow return on investment formula. The performance goals may be based upon the attainment of specified levels of the Company or a subsidiary, division, other operational unit or administrative department of the Company.

### ***Nontransferability of Awards***

Generally, awards granted under the 1994 Incentive Plan are not transferable by a participant other than by will or by the laws of descent and distribution, except that the Compensation Committee may provide that a non-qualified option is transferable to a participant's family members (as defined in the 1994 Incentive Plan).



**Table of Contents*****Outstanding Awards***

As of March 21, 2011, the following outstanding awards have been granted under the 1994 Incentive Plan to each of the Named Executive Officers, all current executive officers as a group and all other employees, respectively:

<b>Name and Principal Position</b>	<b>Number of Shares Underlying Options/SARs</b>	<b>Number of Shares Underlying Restricted Stock/Unit Awards</b>
Stanley M. Bergman Chairman and Chief Executive Officer (Principal Executive Officer)	116,597	73,812
James P. Breslawski President and Chief Operating Officer	250,257	47,438
Steven Paladino Executive Vice President and Chief Financial Officer (Principal Financial Officer)	193,409	40,372
Stanley Komaroff Senior Advisor	136,609	40,372
Mark E. Mlotek Executive Vice President, Corporate Business Development	104,969	40,372
All executive officers as a group	1,263,960	415,771
All other employees	3,152,592	1,365,408

The terms and number of options or other awards to be granted in the future under the 1994 Incentive Plan are to be determined in the discretion of the Compensation Committee. Since no such determinations have yet been made, the benefits or amounts that will be received by or allocated to the Company's executive officers or other eligible employees or consultants cannot be determined at this time.

**Material U.S. Federal Income Tax Consequences Relating to the 1994 Incentive Plan**

The following discussion of the principal U.S. federal income tax consequences with respect to options under the 1994 Incentive Plan is based on statutory authority and judicial and administrative interpretations as of the date of this proxy statement, which are subject to change at any time (possibly with retroactive effect) and may vary in individual circumstances. Therefore, the following is designed to provide only a general understanding of the material federal income tax consequences (state and local tax and estate tax consequences are not addressed below). This discussion is limited to the U.S. federal income tax consequences to individuals who are citizens or residents of the U.S., other than those individuals who are taxed on a residence basis in a foreign country.

***Incentive Options***

Under current U.S. federal income tax laws, the grant of an incentive option can be made solely to employees and generally has no income tax consequences for the optionee or the Company. Options granted under the 1994 Incentive

Plan may be designated as incentive options, as defined in the Code, provided that such options satisfy the Code's requirements for incentive options. In general, neither the grant nor the exercise of an incentive option will result in taxable income to the optionee or a deduction to the Company. The sale of common stock acquired pursuant to the exercise of a stock option which satisfied all the requirements of an incentive option, including the holding period requirements described below, will result in a long-term capital gain or loss to the optionee equal to the difference between the amount realized on the sale and the aggregate option exercise price, and will not result in a tax deduction to the Company. To receive favorable treatment, the optionee must be an employee of the Company

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(or any subsidiary corporation as defined by the Internal Revenue Code) at all times during the period beginning on the date of grant of the incentive option and ending on the day three months before the date of exercise, and the optionee must not dispose of the common stock purchased pursuant to the exercise of an option within (i) two years from the date the option is granted and (ii) one year from the date of exercise. Any gain or loss realized on a subsequent disposition of the shares will be treated as capital gain or loss (depending on the applicable holding period). To the extent that an option intending to be an incentive option does not qualify as an incentive option (whether because of its provisions or the time or manner of its exercise or otherwise), the 1994 Incentive Plan provides that it will not affect the validity of the option and such option or the portion thereof which does not qualify will constitute a separate non-qualified option.

In general, if the optionee does not satisfy these holding period requirements, any gain equal to the difference between the exercise price and the lesser of (i) the fair market value of the common stock at exercise and (ii) the amount realized on disposition over the exercise price, will constitute ordinary income. Any remaining gain is treated as long-term or short-term capital gain and taxed at the applicable rate, depending on the optionee's holding period for the sold stock. The Company generally will be entitled to a deduction at that time equal to the amount of ordinary income realized by the optionee, subject to the requirements of Section 162(m) of the Code.

### ***Non-Qualified Options***

In general, an optionee will realize no taxable income upon the grant of nonqualified options and the Company will not receive a deduction at the time of such grant, unless the option has a readily ascertainable fair market value at the time of grant. Upon exercise of a nonqualified option, an optionee generally will recognize ordinary income in an amount equal to the excess of the fair market value of the common stock on the date of exercise over the exercise price.

The tax basis of the stock acquired upon the exercise of any option will be equal to the sum of (i) the aggregate exercise price of such option and (ii) the aggregate amount included in income with respect to such option. Any gain or loss on a subsequent sale of stock will be either long-term or short-term capital gain or loss and subject to taxation at the applicable rate, depending on the optionee's holding period for the sold stock. The Company generally will be entitled to a deduction for federal income tax purposes at the same time and in the same amount as the optionee is considered to have realized ordinary income in connection with the exercise of the option, subject to the requirements of Section 162(m) of the Code.

### ***Certain Other Tax Issues***

In addition, (i) any entitlement to a tax deduction on the part of the Company is subject to applicable federal tax rules (including, without limitation, Code Section 162(m) regarding the \$1,000,000 limitation on deductible compensation), (ii) the exercise of an incentive option may have implications in the computation of alternative minimum taxable income and (iii) in the event that the exercisability or vesting of any option is accelerated because of a change in control, such option (or a portion thereof), either alone or together with certain other payments, may constitute parachute payments under Section 280G of the Code, which excess amounts may be subject to excise taxes. Officers and directors of the Company subject to Section 16(b) of the Exchange Act may be subject to special tax rules regarding the income tax consequences concerning their options.

**THE AFFIRMATIVE VOTE OF THE HOLDERS OF A MAJORITY OF THE OUTSTANDING SHARES OF COMMON STOCK PRESENT IN PERSON OR REPRESENTED BY PROXY AND ENTITLED TO VOTE ON THE PROPOSED AMENDMENT OF THE 1994 INCENTIVE PLAN AT THE ANNUAL MEETING IS REQUIRED TO APPROVE THE PROPOSED AMENDMENT OF THE 1994 INCENTIVE PLAN. THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSED AMENDMENTS OF THE 1994 STOCK**

**INCENTIVE PLAN.**

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**PROPOSAL 3  
ADVISORY VOTE ON EXECUTIVE COMPENSATION**

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act and the related rules of the SEC), the Company is providing its stockholders the opportunity to cast an advisory vote on the compensation of its named executive officers. This proposal, commonly known as a "say-on-pay" proposal, gives the Company's stockholders the opportunity to express their views on named executive officers' compensation.

As described in detail in the Compensation Discussion and Analysis beginning on page 15 of this proxy statement, the Company's executive officer compensation program is designed to attract and retain the caliber of officers needed to ensure the Company's continued growth and profitability and to reward them for their performance, the Company's performance and for creating long-term value for stockholders. The primary objectives of the program are to:

- align rewards with performance that creates stockholder value;
- support the Company's strong team orientation;
- encourage high potential team players to build a career at the Company; and
- provide rewards that are cost-efficient, competitive with other organizations and fair to employees and stockholders.

The Company seeks to accomplish these goals in a manner that is aligned with the long-term interests of the Company's stockholders. The Company believes that its executive officer compensation program achieves this goal with its emphasis on long-term equity awards and performance-based compensation, which has enabled the Company to successfully motivate and reward its named executive officers. The Company believes that its compensation program is appropriate and has played an essential role in its continuing financial success by aligning the long-term interests of its named executive officers with the long-term interests of its stockholders.

For these reasons, the Board recommends a vote in favor of the following resolution:

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

As an advisory vote, this proposal is not binding upon the Company. Notwithstanding the advisory nature of this vote, the Compensation Committee, which is responsible for designing and administering the Company's executive officer compensation program, values the opinions expressed by stockholders in their vote on this proposal, and will consider the outcome of the vote when making future compensation decisions for named executive officers. The affirmative vote of the holders of a majority of the outstanding shares of common stock present in person or represented by proxy and entitled to vote is required to approve this Proposal 3.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.**



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**PROPOSAL 4**  
**ADVISORY VOTE ON FREQUENCY OF SAY-ON-PAY VOTE**

In accordance with the requirements of Section 14A of the Securities Exchange Act of 1934 (which was added by the Dodd-Frank Wall Street Reform and Consumer Protection Act and the related rules of the SEC), the Company is seeking the input of its stockholders on the frequency with which it will hold a non-binding, advisory vote on the compensation of its named executive officers (commonly known as a frequency of say-on-pay proposal). In voting on this Proposal 4, stockholders are provided with four choices. Stockholders may indicate their preference as to whether the advisory vote on the compensation of the Company's named executive officers should occur once every (i) one year, (ii) two years, or (iii) three years; or the stockholders may abstain from voting on this Proposal 4.

After careful consideration, it is the opinion of the Board of Directors that the frequency of the stockholder vote on the compensation of the Company's named executive officers should be once every year. The Company views the manner in which it compensates its named executive officers as an essential part of its strategy for achieving sustainable economic growth. The Company believes that a say-on-pay vote should be conducted every year so that stockholders may annually express their views on the Company's executive compensation program. The Company and the Compensation Committee, which is responsible for designing and administering the Company's executive officer compensation program, values the opinions expressed by stockholders and will consider the outcome of the say-on-pay vote in making its decisions on executive compensation.

While the Board recommends an annual vote, stockholders are not voting to approve or disapprove of the Board's recommendation. Rather, stockholders are being provided with the opportunity to cast an advisory vote through the resolution set forth below, on whether the stockholder advisory vote on executive officer compensation should occur once every (i) one year, (ii) two years, or (iii) three years, or to abstain from voting on the matter.

RESOLVED, that the stockholders determine, on an advisory basis, whether the preferred frequency of an advisory vote on the executive compensation of the Company's named executive officers as set forth in the Company's proxy statement should be once every one year, two years, or three years.

As an advisory vote, this proposal is not binding on the Company. Notwithstanding the advisory nature of this vote, the Board of Directors values the opinions expressed by stockholders in their vote on this proposal, and will consider the outcome of the vote when making a determination as to the frequency of future advisory votes on executive compensation. The alternative receiving the greatest number of votes (every one year, two years or three years) will be the frequency that stockholders approve.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE, ON AN ADVISORY BASIS, FOR A FREQUENCY OF SAY-ON-PAY VOTE OF ONCE EVERY ONE YEAR.**

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**PROPOSAL 5**  
**RATIFICATION OF SELECTION OF**  
**INDEPENDENT REGISTERED PUBLIC**  
**ACCOUNTING FIRM**

Upon the recommendation of the Audit Committee, the Board of Directors has selected BDO USA as our independent registered public accounting firm for the fiscal year ending December 31, 2011, subject to ratification of such selection by the stockholders at the Annual Meeting. If the stockholders do not ratify the selection of BDO USA, another independent registered public accounting firm will be selected by the Board of Directors. Representatives of BDO USA will be present at the Annual Meeting, will have an opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions from stockholders in attendance.

**Independent Registered Public Accounting Firm Fees and Pre-Approval Policies and Procedures**

The following table summarizes fees billed to us for fiscal 2010 and for fiscal 2009:

	<b>Fiscal 2010</b>	<b>Fiscal 2009</b>
Audit Fees <i>Annual Audit and Quarterly Reviews</i>	\$ 4,540,430	\$ 4,163,630
Audit-Related Fees	\$ 50,000	\$ 50,000
Tax Fees:		
<i>Tax Advisory Services</i>	\$ 462,840	\$ 568,010
<i>Tax Compliance, Planning and Preparation</i>	\$ 807,760	\$ 576,810
All Other Fees		
Total Fees	\$ 5,861,830	\$ 5,358,450

In the above table, in accordance with the SEC's definitions and rules, audit fees are fees that the Company paid to BDO USA for the audit of our annual financial statements included in the Form 10-K and review of financial statements included in the Form 10-Qs; for the audit of our internal control over financial reporting with the objective of obtaining reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects; and for services that are normally provided by the independent accountant in connection with statutory and regulatory filings or engagements. Audit-related fees are fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and internal control over financial reporting, including services in connection with employee benefit plan audits, and consultation on acquisitions. Tax fees are fees for tax advisory services, including tax planning and strategy, tax audits and acquisition consulting, tax compliance, tax planning and tax preparation. There were no all other fees in fiscal 2009 or fiscal 2010.

The Audit Committee has determined that the provision of all non-audit services by BDO USA is compatible with maintaining such accountant's independence.

All fees paid by us to BDO USA were approved by the Audit Committee in advance of the services being performed by such independent accountants.



Pursuant to the rules and regulations of the SEC, before our independent registered accounting firm is engaged to render audit or non-audit services, the engagement must be approved by the Audit Committee or entered into pursuant to the Audit Committee's pre-approval policies and procedures. The policy granting pre-approval to certain specific audit and audit-related services and specifying the procedures for pre-approving other services is set forth in the Amended and Restated Charter of the Audit Committee, previously filed.

THE AFFIRMATIVE VOTE OF THE HOLDERS OF A MAJORITY OF THE OUTSTANDING SHARES OF COMMON STOCK PRESENT IN PERSON OR REPRESENTED BY PROXY AND ENTITLED TO VOTE ON THIS MATTER AT THE ANNUAL MEETING IS REQUIRED TO RATIFY THE SELECTION OF BDO USA AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2011. **THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSED SELECTION OF BDO USA AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2011.**

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**REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

***Role of the Audit Committee***

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors, including the Company's internal control over financial reporting, the quality of its financial reporting and the independence and performance of the Company's independent registered public accounting firm. The Audit Committee is responsible for establishing procedures for the receipt, retention and treatment of complaints received by the Company about accounting, internal control over financial reporting or auditing matters and confidential and anonymous submission by employees of the Company of concerns about questionable accounting or auditing matters. On an ongoing basis, the Audit Committee reviews all related party transactions, if any, for potential conflicts of interest and all such transactions must be approved by the Audit Committee.

The Audit Committee is composed of three independent directors as that term is defined by the listing standards of The NASDAQ Stock Market, Inc. (NASDAQ). Each of the members of the Audit Committee are audit committee financial experts, as defined under the rules of the Securities and Exchange Commission (SEC) and, as such, each satisfy the requirements of NASDAQ's Rule 5605(c)(2)(A). The Audit Committee operates under a written charter adopted by the Board of Directors, and that is in accordance with the Sarbanes-Oxley Act of 2002 and the rules of the SEC and NASDAQ listing standards relating to corporate governance and audit committees. The Audit Committee reviews and reassesses its charter on a periodic and as required basis.

Management has primary responsibility for the Company's financial statements and the overall reporting process, including the Company's disclosure controls and procedures as well as its system of internal control over financial reporting. The Company is responsible for evaluating the effectiveness of its disclosure controls and procedures on a quarterly basis and for performing an annual assessment of its internal control over financial reporting, the results of which are reported in the Company's annual 10-K filing with the SEC.

The Company's independent registered public accounting firm audits the annual financial statements prepared by management, expresses an opinion as to whether those financial statements fairly present the consolidated financial position, results of operations and cash flows of the Company and its subsidiaries in conformity with accounting principles generally accepted in the United States and discusses with management any issues that they believe should be raised with management. The Company's independent registered public accounting firm also audits, and expresses an opinion on the design and operating effectiveness of the Company's internal control over financial reporting.

The independent registered public accounting firm's ultimate accountability is to the Board of Directors of the Company and the Audit Committee, as representatives of the Company's stockholders.

The Audit Committee pre-approves audit, audit related and permissible non-audit related services provided by the Company's independent registered public accounting firm. During fiscal 2010, audit and audit related fees consisted of annual financial statement and internal control audit services, accounting consultations, employee benefit plan audits and other quarterly review services. Non-audit related services approved by the Audit Committee consisted of tax compliance, tax advice and tax planning services.

The Audit Committee meets with management regularly to consider, among other things, the adequacy of the Company's internal control over financial reporting and the objectivity of its financial reporting. The Audit Committee discusses these matters with the appropriate Company financial personnel and internal auditors. In addition, the Audit Committee has discussions with management concerning the process used to support certifications by the Company's Chief Executive Officer and Chief Financial Officer that are required by the SEC and the Sarbanes-Oxley Act to

accompany the Company's periodic filings with the SEC.

On an as needed basis and following each quarterly Audit Committee meeting, the Audit Committee meets privately with both the independent registered public accounting firm and the Company's internal auditors, each of whom has unrestricted access to the Audit Committee. The Audit Committee also appoints the independent registered public accounting firm, approves in advance its engagements to perform audit and any non-audit services and the fee for such services, and periodically reviews its performance and independence from management. In

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addition, when appropriate, the Audit Committee discusses with the independent registered public accounting firm plans for audit partner rotation as required by the Sarbanes-Oxley Act.

***Review of the Company's Audited Financial Statements for Fiscal 2010***

The Audit Committee reviewed the Company's audited financial statements for fiscal 2010 as well as the process and results of the Company's assessment of internal control over financial reporting. The Audit Committee has also met with management, the internal auditors and BDO USA, LLP ( BDO USA ), the Company's independent registered public accounting firm, to discuss the financial statements and internal control over financial reporting. Management has represented to the Audit Committee that the financial statements were prepared in accordance with accounting principles generally accepted in the United States, that internal control over financial reporting was effective and that no material weaknesses in those controls existed as of the fiscal year-end reporting date, December 25, 2010.

The Audit Committee has received from BDO USA the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and has discussed with BDO USA their independence from the Company and its management. The Audit Committee also received reports from BDO USA regarding all critical accounting policies and practices used by the Company, generally accepted accounting principles that have been discussed with management, and other material written communications between BDO USA and management. There were no differences of opinion reported between BDO USA and the Company regarding critical accounting policies and practices used by the Company. In addition, the Audit Committee discussed with BDO USA all matters required to be discussed by statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1 AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. Finally, the Audit Committee has received from, and reviewed with, BDO USA all communications and information concerning its audit of the Company's internal control over financial reporting as required by the Public Company Accounting Oversight Board Auditing Standard No. 5.

Based on these reviews, activities and discussions, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K for fiscal 2010.

THE AUDIT COMMITTEE

Donald J. Kabat, Chairman

Barry J. Alperin

Philip A. Laskawy

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*Notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933, as amended, or the Exchange Act, that might incorporate by reference this proxy statement or future filings made by the Company under those statutes, the Compensation Committee Report, the information in the Audit Committee Report contained under the heading "Review of the Company's Audited Financial Statements for Fiscal 2010," references to the Audit Committee Charter and reference to the independence of the Audit Committee members are not deemed filed with the SEC, are not deemed soliciting material and shall not be deemed incorporated by reference into any of those prior filings or into any future filings made by the Company under those statutes, except to the extent that the Company specifically incorporates such information by reference into a previous or future filing, or specifically requests that such information be treated as soliciting material, in each case under those statutes.*

## **VOTING OF PROXIES AND OTHER MATTERS**

The Board of Directors recommends that an affirmative vote be cast in favor of Proposals 1, 2, 3 and 5 and a vote for every one year with respect to Proposal 4 listed on the proxy card.

The Board of Directors knows of no other matter that may be brought before the meeting that requires submission to a vote of the stockholders. If any other matters are properly brought before the meeting, however, the persons named in the enclosed proxy or their substitutes will vote in accordance with their best judgment on such matters.

A complete list of stockholders entitled to vote at the Annual Meeting will be available for inspection beginning May 6, 2011 at our headquarters located at 135 Duryea Road, Melville, New York 11747.

## **ANNUAL REPORT ON FORM 10-K**

Our Annual Report on Form 10-K for the fiscal year ended December 25, 2010 has been filed with the SEC and is available free of charge through our Internet website, [www.henryschein.com](http://www.henryschein.com). Stockholders may also obtain a copy of the Form 10-K upon written request to Henry Schein, Inc., 135 Duryea Road, Melville, New York 11747, Attn: Corporate Communications, facsimile number: (631) 843-5975. In response to such request, the Company will furnish without charge the Form 10-K including financial statements, financial schedules and a list of exhibits.

## **STOCKHOLDER PROPOSALS**

Eligible stockholders wishing to have a proposal for action by the stockholders at the 2012 Annual Meeting included in our proxy statement must submit such proposal at the principal offices of the Company not later than December 9, 2011. It is suggested that any such proposals be submitted by certified mail, return receipt requested.

Under our Amended and Restated Certificate of Incorporation, as amended, a stockholder who intends to bring a proposal before the 2012 Annual Meeting without submitting such proposal for inclusion in our proxy statement cannot do so unless notice and a full description of such proposal (including all information that would be required in connection with such proposal under the SEC's proxy rules if such proposal were the subject of a proxy solicitation and the written consent of each nominee for election to the Board of Directors named therein (if any) to serve if elected) and the name, address and number of shares of common stock held of record or beneficially as of the record date for such meeting by the person proposing to bring such proposal before the 2012 Annual Meeting is delivered in person or mailed to, and received by, the Company by the later of March 29, 2012 and the date that is 75 days prior to the date of the 2012 Annual Meeting.

Under the SEC's proxy rules, proxies solicited by the Board of Directors for the 2012 Annual Meeting may be voted at the discretion of the persons named in such proxies (or their substitutes) with respect to any stockholder proposal not included in our proxy statement if we do not receive notice of such proposal on or before the deadline set forth in the

preceding paragraph.

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**Exhibit A**

**AMENDMENT NUMBER FOUR  
TO THE  
HENRY SCHEIN, INC.  
1994 STOCK INCENTIVE PLAN**

**(As Amended and Restated Effective as of March 27, 2007)**

**WHEREAS**, Henry Schein, Inc. (the Company) maintains the Henry Schein, Inc. 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007), as amended (the Plan);

**WHEREAS**, pursuant to Section 13 of the Plan, the Company has reserved the right to amend the Plan;

**WHEREAS**, the Company desires to amend the Plan in certain respects; and

**WHEREAS**, pursuant to Section 13 of the Plan, approval by the Company's stockholders is required with respect to this amendment.

**NOW, THEREFORE**, the Plan is hereby amended effective as of November 17, 2010, subject to stockholder approval at the 2011 annual stockholders meeting, and solely with respect to Awards granted on or after November 17, 2010, as follows:

1. The definition of *Subsidiary* in Section 2(qq) of the Plan is amended in its entirety to read as follows:

(qq) *Subsidiary* means each of the following: (i) any subsidiary corporation within the meaning of Section 424(f) of the Code; (ii) any entity, trade or business (including, without limitation, a partnership or limited liability company) that is directly or indirectly controlled 50% or more (whether by ownership of stock, assets or an equivalent ownership interest or voting interest) by HSI or one of its Subsidiaries; and (iii) any other entity in which HSI or any of its Subsidiaries has a material equity interest and which is designated as a *Subsidiary* by resolution of the Committee; provided that, unless otherwise determined by the Committee, the Common Stock subject to any Award constitutes *service recipient stock* for purposes of Section 409A of the Code or otherwise does not subject the Award to Section 409A of the Code. An entity shall be deemed a *Subsidiary* of HSI only for such periods as the requisite ownership relationship is maintained unless otherwise determined by the Committee.

2. Section 6(a) of the Plan is amended in its entirety to read as follows:

(a) *Grant*. The Committee may grant Options to Key Employees and Consultants of the Company. Notwithstanding the foregoing, Options intended to be Incentive Stock Options shall be granted only to Key Employees of HSI or any Subsidiary that constitutes a subsidiary corporation within the meaning of Section 424(f) of the Code.

3. The following sentences are hereby added to the end of Section 6(e) of the Plan as follows:

Any Incentive Stock Option will not qualify as such, among other events (i) if the Key Employee disposes of the Common Stock acquired pursuant to the Incentive Stock Option at any time during the two (2) year period following the grant date or the one (1) year period following the date on which the Incentive Stock Option is exercised, or (ii) except in the event of the Key Employee's death or disability, as defined in Section 22(e)(3) of the Code, if the Key Employee is not employed by the HSI or any Subsidiary that constitutes a subsidiary corporation within the meaning

of Section 424(f) of the Code at all times during the period beginning on the grant date and ending three months before the date of exercise of the Incentive Stock Option. To the extent that any Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), it shall not effect the validity of the Option and such Option or the portion thereof which does not qualify shall constitute a separate non-qualified option.

4. Except as amended hereby and expressly provided herein, the Plan shall remain in full force and effect.

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**IN WITNESS WHEREOF**, this amendment has been executed February 15, 2011.

**HENRY SCHEIN, INC.**

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

**Name: Michael S. Ettinger**  
**Title: Senior Vice President**

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**AMENDMENT NUMBER FIVE  
TO THE  
HENRY SCHEIN, INC.  
1994 STOCK INCENTIVE PLAN**

**(As Amended and Restated Effective as of March 27, 2007)**

**WHEREAS**, Henry Schein, Inc. (the Company ) maintains the Henry Schein, Inc. 1994 Stock Incentive Plan (as amended and restated effective as of March 27, 2007), as amended (the Plan );

**WHEREAS**, pursuant to Section 13 of the Plan, the Company has reserved the right to amend the Plan;

**WHEREAS**, the Company desires to amend the Plan to define the duration of stockholder authorization for grants to French participants in order to comply with applicable French legal requirements as commented by the French tax administration guidelines and ensure eligibility for favorable tax and social security treatment for awards made to French participants; and

**WHEREAS**, pursuant to Section 13 of the Plan, approval by the Company s stockholders is required with respect to this amendment.

**NOW, THEREFORE**, the Plan is hereby amended effective as of March 9, 2011, subject to stockholder approval at the 2011 annual stockholders meeting, as follows:

1. The following sentences are hereby added to the end of Section 3 of the Plan as follows:

Without limiting the foregoing or Section 5, subject to stockholder approval of the Plan at the 2011 Annual Stockholders Meeting, no Award shall be granted to a Key Employee or Consultant who is a resident of France or subject to the social security scheme in France (a French Participant ) on or after the fifth anniversary of stockholder approval of this amendment, unless: (i) the stockholders approve a new term for Awards to French Participants after such five year term; or (ii) this limitation is not required under applicable French law, regulation or other authority.

2. Except as amended hereby and expressly provided herein, the Plan shall remain in full force and effect.

**IN WITNESS WHEREOF**, this amendment has been executed March 9, 2011.

**HENRY SCHEIN, INC.**

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

**Name: Michael S. Ettinger  
Title: Senior Vice President**

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**HENRY SCHEIN, INC.**

**135 DURYE A ROAD, MAIL STOP E-365**

**MELVILLE, NY 11747**

**VOTE BY INTERNET [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS: KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION OF THIS PROXY CARD

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

	<b>For All</b>	<b>Withhold All</b>	<b>For All Except</b>	To withhold authority to vote for any individual nominee(s), mark <b>For All Except</b> and write the number(s) of the nominee(s) on the line below.
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**The Board of Directors recommends you vote FOR the following:**

1. Election of Directors Nominees	o	o	o
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- |                      |                           |                         |                     |                    |
|----------------------|---------------------------|-------------------------|---------------------|--------------------|
| 01 Stanley M Bergman | 02 Gerald A Benjamin      | 03 James P Breslawski   | 04 Mark E Mlotek    | 05 Steven Paladino |
| 06 Barry J Alperin   | 07 Paul Brons             | 08 Donald J Kabat       | 09 Philip A Laskawy | 10 Karyn Mashima   |
| 11 Norman S Matthews | 12 Bradley T Sheares, PhD | 13 Louis W Sullivan, MD |                     |                    |

**The Board of Directors recommends you vote FOR proposals 2 and 3.**

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>2</b> PROPOSAL TO AMEND THE COMPANY S 1994 STOCK INCENTIVE PLAN.	o	o	o
<b>3</b> PROPOSAL TO APPROVE, BY NON-BINDING VOTE, THE 2010 COMPENSATION PAID TO THE COMPANY S NAMED	o	o	o

EXECUTIVE OFFICERS.

**The Board of Directors recommends  
you vote 1 YEAR on the following  
proposal:**

	1 year	2 years	3 years	Abstain
<b>4</b> PROPOSAL TO RECOMMEND, BY NON-BINDING VOTE, THE FREQUENCY OF FUTURE ADVISORY VOTES ON EXECUTIVE COMPENSATION.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

For address change/comments, mark here. o  
(see reverse for instructions)

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name, by authorized officer.

**The Board of Directors recommends  
you vote FOR the following proposal:**

	For	Against	Abstain
<b>5</b> PROPOSAL TO RATIFY THE SELECTION OF BDO USA, LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2011.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

**NOTE:** Such other business as may properly come before the meeting or any adjournment or postponement thereof.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners) Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:** The Combined Document, Notice & Proxy Statement is/are available at [www.proxyvote.com](http://www.proxyvote.com).

**HENRY SCHEIN, INC.**

**135 Duryea Road, Melville, New York 11747**

**This proxy is solicited on behalf of the Board of Directors**

The undersigned, having duly received the Notice of Annual Meeting of Stockholders and the Proxy Statement, hereby appoints Stanley M. Bergman and Michael S. Ettinger as proxies, each with the power to act alone and with the power of substitution and revocation, to represent the undersigned and to vote, as designated on the other side, all shares of common stock of Henry Schein, Inc. held of record by the undersigned on March 21, 2011, at the Annual Meeting of Stockholders to be held at 11:00 a.m. on Wednesday, May 18, 2011 at the Melville Marriott Long Island, 1350 Old Walt Whitman Road, Melville, New York and at any adjournments or postponements thereof. The undersigned hereby revokes any previous proxies with respect to the matters covered by this proxy. The Board of Directors recommends a vote FOR Proposals 1, 2, 3 and 5 listed on the reverse side and recommends a vote of 1 YEAR for Proposal 4 listed on the reverse side.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED ON THIS PROXY BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES FOR DIRECTORS LISTED IN PROPOSAL 1, FOR PROPOSALS 2, 3 AND 5 AND FOR 1 YEAR FOR PROPOSAL 4.  
PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY PROMPTLY IN THE ENCLOSED ENVELOPE.**

**Address change/comments:**

(If you noted any Address Changes and/or Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**