

SCHEIN HENRY INC  
Form DEF 14A  
April 13, 2006

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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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(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 18, 2006**

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Henry Schein, Inc. (the Company), to be held at 9:00 a.m., on Thursday, May 18, 2006 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 13 directors of the Company for terms expiring in 2007.
2. To consider the ratification of the selection of BDO Seidman, LLP ( BDO Seidman ) as the Company's independent registered public accounting firm for the fiscal year ending December 30, 2006.
3. 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 April 7, 2006 are entitled to notice of and to vote at the meeting or any adjournments or postponements thereof.

You may vote in person or by proxy. You may cast your vote by signing and dating the enclosed proxy exactly as your name appears thereon and promptly returning it in the envelope provided, which requires no postage if mailed in the United States. You also have the option to vote by proxy via the Internet or toll-free touch-tone telephone.

Instructions to vote via the Internet or by telephone are listed on your proxy card or on the information forwarded by your bank or broker. These procedures are designed to authenticate your identity as a stockholder and to allow you to confirm that your instructions have been properly recorded. If you vote over the Internet, you may incur costs that you will be responsible for such as telephone and Internet access charges. The Internet and telephone voting facilities will close at 5:00 p.m. Eastern Standard Time on May 17, 2006.

You may revoke your proxy by voting in person at the meeting, by written notice to the Secretary, or by executing and delivering a later-dated proxy via the Internet, by telephone or by mail, prior to the closing of the polls. Attendance at the meeting does not in itself constitute revocation of a proxy. All shares that are entitled to vote and are represented by properly completed proxies timely received and not revoked will be voted as you direct. If no direction is given, the proxies will be voted as the Board of Directors recommends.

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 Henry Schein'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 13, 2006

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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 April 7, 2006 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 2006 Annual Meeting of Stockholders (the Annual Meeting). As of that date, 88,261,837 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 enclosed form of proxy are being mailed to stockholders of record of the Company on or about April 13, 2006. A copy of our 2006 Annual Report to Stockholders is being mailed 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.

Abstentions will, in effect, be votes against the ratification of the selection of the independent registered public accounting firm (Proposal 2), as this item requires the affirmative vote of a majority of the shares present and eligible to vote on such items. Broker non-votes will not be considered votes cast on Proposal 2 and the shares represented by broker non-votes with respect to this proposal will be considered present but not eligible to vote on this proposal.

We will pay the expense of this proxy solicitation. In addition to solicitation by mail, proxies may be solicited in person or by telephone or other means 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 mailing proxy materials to the beneficial owners of shares held of record by such persons.

The enclosed proxy is solicited by the Board of Directors of the Company. It may be revoked at any time prior to its exercise by giving written notice of revocation to the Secretary of the Company at Henry Schein, Inc., 135 Duryea Road, Melville, New York 11747, by executing a subsequent proxy and delivering it to the Secretary of the Company or 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.

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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 2007 Annual Meeting of Stockholders and until their successors are elected and qualified. Directors will be elected by plurality vote. The enclosed proxy, if executed and returned, 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 2005 Annual Meeting. 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 concerning the nominees:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Barry J. Alperin	65	Director
Gerald A. Benjamin	53	Executive Vice President, Chief Administrative Officer, Director
Stanley M. Bergman	56	Chairman, Chief Executive Officer, Director
James P. Breslawski	52	President, Chief Operating Officer, Director
Paul Brons	65	Director
Dr. Margaret A. Hamburg	51	Director
Donald J. Kabat	70	Director
Philip A. Laskawy	65	Director
Norman S. Matthews	73	Director
Mark E. Mlotek	50	Executive Vice President, Corporate Business Development, Director
Steven Paladino	49	Executive Vice President, Chief Financial Officer, Director
Marvin H. Schein	64	Director
Dr. Louis W. Sullivan	73	Director

*BARRY J. ALPERIN* has been a director since 1996. Mr. Alperin, a private consultant since 1995, served as Vice Chairman of Hasbro, Inc. from 1990 through 1995, as Co-Chief Operating Officer of Hasbro, Inc. from 1989 through 1990 and as Senior Vice President or Executive Vice President of Hasbro, Inc. from 1985 through 1989. Mr. Alperin served as a director of Seaman Furniture Company, Inc. from 1992 to 2001. He currently serves as a director of K NEX Industries, Inc., The Hain Celestial Group, Inc. and K-Sea Transportation Partners L.P.

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

*STANLEY M. BERGMAN* has been our Chairman and Chief Executive Officer since 1989 and a director since 1982. Mr. Bergman held the position of President 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 is a certified public accountant.

*JAMES P. BRESLAWSKI* has been our President and Chief Operating Officer of the Company since May 2005 and a director since 1992. Mr. Breslawski held the position of Executive Vice President and



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President of U.S. Dental from 1990 to April 2005, with primary responsibility for the U.S. Dental Group. Between 1980 and 1990, Mr. Breslawski held various positions with us, including Chief Financial Officer, Vice President of Finance and Administration and Controller. Mr. Breslawski is a certified public accountant.

*PAUL BRONS* has been a director since April 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.

*DR. MARGARET A. HAMBURG* has been a director since 2003. Since 2005, Dr. Hamburg has served as Senior Scientist for the Nuclear Threat Initiative where she served as Vice President of Biological Programs from 2001 to 2004. From 1997 to 2001, Dr. Hamburg served as the Assistant Secretary for Planning and Evaluation, U.S. Department of Health and Human Services. From 1991 to 1997, Dr. Hamburg served as the Commissioner of Health for the City of New York. From 1988 to 1990, Dr. Hamburg held positions with the National Institute of Allergy & Infectious Diseases at the Office of Disease Prevention and Health Promotion, Office of the Assistant Secretary for Health and the U.S. Department of Health and Human Services.

*DONALD J. KABAT* has been a director since 1996. Mr. Kabat is the President of D.J.K. Consulting Services, Inc. and served as Chief Financial Officer of Central Park Skaters, Inc. from 1992 to 1995. From 1970 to 1992, Mr. Kabat was a partner in Andersen Consulting (now known as Accenture, Ltd.). Mr. Kabat currently serves on the Board of Directors of Phoenix House Development Fund.

*PHILIP A. LASKAWY* has been a director 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 Cap Gemini SA, General Motors Corporation, Loews Corporation and The Progressive Corporation.

*NORMAN S. MATTHEWS* has been a director 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 Finlay Fine Jewelry Corporation.

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

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

*MARVIN H. SCHEIN* has been a director since 1994 and has provided consulting services to us since 1982. Mr. Schein founded Schein Dental Equipment Corp. Prior to founding Schein Dental Equipment Corp., Mr. Schein held various management and executive positions with us.

*DR. LOUIS W. SULLIVAN* has been a director since 2003. Since 2002, Dr. Sullivan has been President Emeritus of Morehouse School of Medicine in Atlanta, Georgia. 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

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Health and Human Services. Dr. Sullivan currently serves on the Board of Directors of 3M Company, CIGNA Corporation, Bristol-Myers Squibb Company, United Therapeutics Corporation, BioSante Pharmaceuticals, Inc. and Inhibitex, Inc. Dr. Sullivan has committed to reduce the number of public company boards on which he serves to six or fewer by the end of May 2006.

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 DIRECTORS. **THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE PROPOSED NOMINEES FOR DIRECTORS.**

**CORPORATE GOVERNANCE**

**Board of Directors Meetings and Committees**

During the fiscal year ended December 31, 2005 ( fiscal 2005 ), the Board of Directors held seven meetings. The Board of Directors has affirmatively determined that Messrs. Alperin, Brons, Kabat, Laskawy, and Matthews, and Drs. Sullivan and Hamburg are independent, as defined under Rule 4200 of the Nasdaq Stock Market, Inc. ( Nasdaq ). The Board of Directors has an Audit Committee, Compensation Committee, Nominating and Governance Committee and a Strategic Advisory Committee. During fiscal 2005, the Audit Committee held four meetings, the Compensation Committee held eight meetings, the Nominating and Governance Committee held two meetings and the Strategic Advisory Committee held four meetings. During fiscal 2005, each director, other than Marvin Schein (who attended five of seven, or 71% of Board of Director meetings), attended 75% or more of the aggregate number of 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, as defined under Nasdaq s Rule 4200, meet at regularly scheduled executive sessions without members of management present.

***Audit Committee***

The Audit Committee currently consists of Messrs. Alperin, Kabat and Laskawy. All of the members of the Audit Committee are independent directors as defined under Nasdaq s Rule 4200. 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 Securities and Exchange Commission ( SEC ) and, as such, each satisfy the requirements of Rule 4350 of the Nasdaq.

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 our management, internal auditor 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 Corporate Information-Corporate Governance caption.

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***Compensation Committee***

The Compensation Committee currently consists of Messrs. Alperin, Kabat and Matthews. Generally, the Compensation Committee reviews and approves (i) all incentive and equity-based compensation plans, including, without limitation, stock option, restricted stock and restricted unit plans in which officers or employees may participate, (ii) the Company's ERISA and other 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 approving and evaluating the Company's compensation and benefit plans, policies and programs. All of the members of the Compensation Committee are independent directors as defined under Nasdaq's Rule 4200, non-employee directors as defined under the SEC's rules and outside directors as defined under Section 162(m) of the Internal Revenue Code of 1986, as amended, (the Code). The Compensation Committee operates under a charter available on our Internet website at [www.henryschein.com](http://www.henryschein.com), under the Corporate Information-Corporate Governance caption.

***Nominating and Governance Committee***

The Nominating and Governance Committee currently consists of Messrs. Alperin, Laskawy and 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 and management. 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 4200. 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 Corporate Information-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 Certificate of Incorporation 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, including experience in business or finance, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board of Directors;

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



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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.

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 Director's 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 performs a similar annual self-evaluation.

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

The Strategic Advisory Committee currently consists of Messrs. Brons, Laskawy, Matthews and Drs. Sullivan and Hamburg. 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 4200. The Strategic Advisory Committee operates under a charter available on our Internet website at [www.henryschein.com](http://www.henryschein.com), under the Corporate Information-Corporate Governance caption.

### **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 twelve of our thirteen directors attended the 2005 Annual Meeting of Stockholders.

### **Corporate Governance Guidelines**

The Board of Directors has adopted Corporate Governance Guidelines, a copy of which are available on our Internet website at [www.henryschein.com](http://www.henryschein.com), under the Corporate Information-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 session of independent directors, (ix) management development and succession planning, (x) Board of Directors compensation, (xi) attendance of directors at Annual Meeting, (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

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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 our Board of Directors; provided that any director in excess of such limit shall reduce their service to the limit by May 31, 2006.

Additionally, the Board of Directors believes that, to align the interests of our executive officers and directors with our stockholders, the executive officers and directors should have a financial stake in the Company. In March 2006, the Board of Directors adopted a policy requiring each executive officer to own, no later than three years from the effective date of the policy, equity in the Company equal to a minimum of three times such executive officer's annual base salary. Each director should own, no later than three years from the effective date of the policy, equity in the Company equal to a minimum of 100% of such director's annual retainer. Newly appointed executive officers and 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 executive officer or 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 director's or executive officer's annual base salary or annual retainer, as the case may be, must be owned by such director or executive officer in the form of shares of common stock. Further, executive officers may only sell up to one-half of the equity value above the ownership requirement.

### **Code of Business Conduct and Ethics**

We have adopted a Code of Business Conduct and Ethics that applies to our Chief Executive Officer, Chief Financial Officer and Controller. The Code of Business Conduct and Ethics is posted on our Internet website at [www.henryschein.com](http://www.henryschein.com), under the Corporate Information-Corporate Governance caption. We intend to disclose on our website any amendment to, or waiver of, a provision of the Code of Business Conduct and Ethics that applies to the Chief Executive Officer, Chief Financial Officer or Controller.

### **Compensation of Directors**

Directors who are employees of the Company receive no compensation for service as directors. In addition, Marvin H. Schein receives no compensation for service as a director but received compensation under his consulting agreement with the Company, as described under the heading "Certain Relationships and Related Transactions." Directors other than Mr. Schein 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 2005, Messrs. Alperin, Brons, Kabat, Laskawy and Matthews and Drs. Hamburg and Sullivan each received a \$40,000 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. On March 9, 2005, each of Messrs. Alperin, Kabat, Laskawy and Matthews and Drs. Hamburg and Sullivan received options to purchase 15,000 shares of our common stock at an exercise price of \$39.43 per share under our 1996 Non-Employee Director Stock Incentive Plan. Additionally, on April 8, 2005, Mr. Brons received options to purchase 15,000 shares of our common stock at an exercise price of \$37.45 per share under our 1996 Non-Employee Director Stock Incentive 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

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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.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table presents certain information regarding beneficial ownership of our common stock as of April 7, 2006 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 and each of the other four most highly paid executive officers (based on salary and bonus for fiscal 2005) serving as of December 31, 2005 (the Named Executive Officers ) and (v) all directors and executive officers as a group.

Names and Addresses(1)	Shares Beneficially Owned	
	Number	Percent of Class
Barry J. Alperin(2)	82,371	*
Gerald A. Benjamin(3)	191,359	*
Stanley M. Bergman(4)	1,308,141	1.5%
James P. Breslawski(5)	411,783	*
Paul Brons(6)	6,371	*
Dr. Margaret A. Hamburg(7)	27,704	*
Donald J. Kabat(8)	75,371	*
Philip A. Laskawy(9)	47,371	*
Norman S. Matthews(10)	67,771	*
Mark E. Mlotek(11)	164,488	*
Steven Paladino(12)	338,583	*
Michael Racioppi(13)	140,679	*
Marvin H. Schein(14)	103,771	*
Dr. Louis W. Sullivan(15)	26,704	*
FMR Corp.(16)	7,143,814	8.1%
Neuberger Berman, Inc.(17)	5,766,326	6.6%
T. Rowe Price Associates, Inc.(18)	6,436,100	7.3%
Directors and Executive Officers as a Group (17 persons)(19)	3,286,063	3.7%

\* Represents less than 1%.

- (1) Unless otherwise indicated, the address for each person is c/o Henry Schein, Inc., 135 Duryea Road, Melville, New York 11747.
- (2) Represents (i) 6,121 shares owned directly and over which he has sole voting and dispositive power, including restricted common stock and (ii) outstanding options to purchase 76,250 shares that either are exercisable or will become exercisable within 60 days.
- (3) Represents (i) 18,453 shares owned directly and over which he has sole voting and dispositive power, including restricted common stock, (ii) outstanding options to purchase 169,919 shares that either are exercisable or will become exercisable within 60 days and (iii) 2,987 shares of the Company held in a 401(k) account.

- (4) Represents (i) 42,168 shares that Mr. Bergman owns directly and over which he has sole voting and dispositive power, including restricted common stock, (ii) 3,830 shares of the Company held in a 401(k) account, (iii) 1,254,235 shares over which Marion Bergman, Mr. Bergman's wife, and Lawrence O. Sneag have shared voting and dispositive power as co-trustees of the Stanley M. Bergman Continuing

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Trust dated September 15, 1994, (iv) 7,130 shares over which (a) Lawrence O. Sneag has voting and dispositive power as trustee of a trust for the benefit of Mr. Bergman's son, Paul Bergman, and (b) Mr. Bergman's sons have shared voting and dispositive power as trustees of a trust for the benefit of the Greenidge family, wherein Mr. Bergman is the grantor and (v) 778 shares held indirectly by Mr. Bergman's son, Paul Bergman. Of the 1,308,141 shares attributed to Mr. Bergman, he disclaims beneficial ownership with respect to 4,630 shares held in trust by his sons for the benefit of the Greenidge family.

- (5) Represents (i) 186,323 shares owned directly and over which he has sole voting and dispositive power, including restricted common stock, (ii) outstanding options to purchase 222,375 shares that either are exercisable or will become exercisable within 60 days and (iii) 3,085 shares of the Company held in a 401(k) account.
- (6) Represents (i) 2,621 shares owned directly and over which he has sole voting and dispositive power, including restricted common stock and (ii) outstanding options to purchase 3,750 shares that either are exercisable or will become exercisable within 60 days.
- (7) Represents (i) 3,121 shares owned directly and over which she has sole voting and dispositive power, including restricted common stock and (ii) outstanding options to purchase 24,583 shares that either are exercisable or will become exercisable within 60 days.
- (8) Represents (i) 2,121 shares owned directly and over which he has sole voting and dispositive power, including restricted common stock, (ii) 2,000 shares over which Mr. Kabat and his wife are co-trustees for the benefit of his wife and (iii) outstanding options to purchase 71,250 shares that either are exercisable or will become exercisable within 60 days.
- (9) Represents (i) 2,121 shares owned directly and over which he has sole voting and dispositive power, including restricted common stock, (ii) 4,000 shares owned indirectly by Mr. Laskawy's wife and (iii) outstanding options to purchase 41,250 shares that either are exercisable or will become exercisable within 60 days.
- (10) Represents (i) 12,121 shares owned directly and over which he has sole voting and dispositive power, including restricted common stock, (ii) 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 and (iii) outstanding options to purchase 46,250 shares that either are exercisable or will become exercisable within 60 days.
- (11) Represents (i) 7,133 shares owned directly and over which he has sole voting and dispositive power, including restricted common stock, (ii) 800 shares owned by Mr. Mlotek's children, (iii) options to purchase 154,879 shares that either are exercisable or will become exercisable within 60 days and (iv) 1,676 shares of the Company held in a 401(k) account.
- (12) Represents 19,853 shares owned directly and over which he has sole voting and dispositive power, including restricted common stock, (ii) outstanding options to purchase 315,750 shares that either are exercisable or will become exercisable within 60 days and (iii) 2,980 shares of the Company held in a 401(k) account.
- (13) Represents 5,570 shares owned directly and over which he has sole voting and dispositive power, including restricted common stock, (ii) outstanding options to purchase 132,375 shares that either are exercisable or will become exercisable within 60 days and (iii) 2,734 shares of the Company held in a 401(k) account.
- (14) Represents (i) 100,000 shares owned directly and over which he has sole voting and dispositive power and (ii) 3,771 shares of the Company held in a 401(k) account.

- (15) Represents (i) 2,621 shares owned directly and over which he has sole voting and dispositive power, including restricted common stock and (ii) outstanding options to purchase 24,083 shares that either are exercisable or will become exercisable within 60 days.
- (16) The principal office of FMR Corp. is 82 Devonshire Street, Boston, Massachusetts 02109. The foregoing information regarding the stock holdings of FMR Corp. and its affiliates is based on an amended Schedule 13G filed by FMR Corp. with the SEC on February 14, 2006.

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- (17) The principal office of Neuberger Berman, Inc. is 605 Third Avenue, New York, New York 10158-3698. The foregoing information regarding the stock holdings of Neuberger Berman, Inc. and its affiliates is based on a Schedule 13G filed by Neuberger Berman, Inc. with the SEC on February 14, 2006.
- (18) 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 (the Exchange Act ), 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 amended Schedule 13Gs filed by Price Associates with the SEC on February 14, 2006.
- (19) Includes (i) with respect to all directors and Named Executive Officers, (a) 1,684,569 shares, directly or indirectly, beneficially owned, (b) 21,063 shares of the Company held in 401(k) accounts and (c) options to purchase 1,284,714 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, (a) 30,888 shares, directly or indirectly, beneficially owned, (b) 302,565 shares of the Company held in 401(k) accounts and (c) options to purchase 6,013 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 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 2005 the executive officers and directors of the Company timely complied with all applicable filing requirements.

**Table of Contents****COMPENSATION OF EXECUTIVE OFFICERS****Executive Officers**

Our executive officers and their ages and positions as of April 7, 2006 are:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Gerald A. Benjamin	53	Executive Vice President, Chief Administrative Officer, Director
Stanley M. Bergman	56	Chairman, Chief Executive Officer, Director
James P. Breslawski	52	President, Chief Operating Officer, Director
Leonard A. David	57	Senior Vice President, Chief Compliance Officer
Stanley Komaroff	71	Senior Advisor
Mark E. Mlotek	50	Executive Vice President, Corporate Business Development, Director
Steven Paladino	49	Executive Vice President, Chief Financial Officer, Director
Michael Racioppi	51	President, Medical Division
Michael Zack	53	President, International Group

The biographies for Messrs. Bergman, Benjamin, Breslawski, Mlotek and Paladino follow the table listing our directors. Biographies for our other executive officers are:

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

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

*MICHAEL RACIOPPI* has been President of the Medical Division since 2000 and Interim President since 1999. Prior to holding his current position, Mr. Racioppi was Vice President since 1994, with primary responsibility for the Medical Division, the marketing and merchandising groups. Mr. Racioppi served as Vice President and as Senior Director, Corporate Merchandising from 1992 to 1994. Before joining us in 1992, Mr. Racioppi was employed by Ketchum Distributors, Inc. as the Vice President of Purchasing and Marketing.

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

**Table of Contents****Summary Compensation Table**

The following table sets forth information concerning annual and long-term compensation for the fiscal years ended December 31, 2005, December 25, 2004 and December 27, 2003 of the Named Executive Officers.

Name and Principal Position	Year	Annual Compensation		Other Annual Compensation (\$)(1)	Long-Term Compensation Awards	
		Salary (\$)	Bonus (\$)		Securities Underlying Options (#)	All Other Compensation (\$)(2)
Stanley M. Bergman Chairman and Chief Executive Officer	2005	869,010	1,200,984	173,421		68,373
	2004	830,000	900,000	71,517		62,340
	2003	800,000	1,250,000	62,577		58,387
James P. Breslawski President and Chief Operating Officer	2005	500,000	400,000	21,067	57,500	30,478
	2004	397,500	330,000	20,295	50,000	26,539
	2003	383,000	375,000	18,874	50,000	24,528
Steven Paladino Executive Vice President and Chief Financial Officer	2005	388,961	300,000	21,220	39,000	28,240
	2004	371,500	230,000	20,448	52,000	28,287
	2003	358,000	275,000	18,874	52,000	26,529
Gerald A. Benjamin Executive Vice President and Chief Administrative Officer	2005	385,296	300,000	21,220	37,500	28,697
	2004	368,500	245,000	20,448	50,000	28,735
	2003	355,000	275,000	18,874	50,000	27,082
Michael Racioppi President, Medical Division	2005	340,275	320,000	21,220	37,500	25,293
	2004	337,500	175,500	20,448	50,000	25,306
	2003	300,000	324,000	18,874	29,650	22,033

(1) Represents (i) for Mr. Bergman in 2005, \$9,885 of automobile expenses, \$121,839 for the cost to us of providing administrative services to Mr. Bergman, \$1,800 for the cost of providing telephone services, \$6,549 for the cost of providing transportation services and \$23,463 in legal fees we reimbursed Mr. Bergman in connection with the negotiation of the amendment to his employment agreement, (ii) for Mr. Bergman in 2004, \$18,069 of automobile expenses and \$27,379 for the cost to us of providing administrative services to Mr. Bergman, (iii) for Mr. Bergman in 2003, \$16,945 of automobile expenses and \$28,687 for the cost to us of providing administrative services to Mr. Bergman, and (iv) for all other Named Executive Officers an automobile allowance of \$18,000 in each of 2005 and 2004 and \$16,800 in 2003 and a cash award of \$3,220 in 2005, \$2,448 in 2004 and \$2,074 in 2003, except for Mr. Breslawski who received a cash award of \$3,067 in 2005 and \$2,295 in 2004. The payments to Mr. Bergman are pursuant to the terms of his employment agreement, as amended, described below. Pursuant to the terms of Mr. Bergman's employment agreement, Mr. Bergman received payments to cover the tax incurred resulting from his use of the Company provided automobile in amounts of \$9,885, \$18,069 and \$16,945 for 2005, 2004 and 2003, respectively, which amounts are included as Other Annual Compensation.

(2)

The 2005 amounts shown in this column represent (i) matching contributions under our 401(k) plan of \$11,173 for Mr. Bergman, \$4,586 for Mr. Breslawski, \$5,001 for Mr. Paladino, \$4,960 for Mr. Benjamin and \$4,375 for Mr. Racioppi, and (ii) excess life insurance premiums and SERP contributions of \$7,998 and \$49,202 for Mr. Bergman, \$2,617 and \$23,275 for Mr. Breslawski, \$1,295 and \$21,944 for Mr. Paladino, \$1,970 and \$21,767 for Mr. Benjamin and \$1,721 and \$19,197 for Mr. Racioppi. The 2004 amounts shown in this column represent (i) matching contributions under our 401(k) plan of \$12,923 for Mr. Bergman, \$5,303 for Mr. Breslawski, \$5,783 for Mr. Paladino, \$5,734 for Mr. Benjamin and \$4,846 for Mr. Racioppi, and (ii) excess life insurance premiums and SERP contributions of \$2,006 and \$47,411 for Mr. Bergman, \$2,006 and \$19,230 for Mr. Breslawski, \$1,282 and \$21,222 for Mr. Paladino, \$1,949 and \$21,052 for Mr. Benjamin and \$1,256 and \$1,682 for Mr. Racioppi. The 2003 amounts shown in this column represent (i) matching contributions under our 401(k) plan of \$10,241 for Mr. Bergman, \$5,053 for Mr. Breslawski, \$5,516 for Mr. Paladino, \$5,468 for Mr. Benjamin and \$4,361 for Mr. Racioppi, and (ii) excess life insurance premiums and SERP contributions of \$2,388 and \$45,758 for Mr. Bergman,

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\$1,549 and \$17,926 for Mr. Breslawski, \$1,470 and \$19,543 for Mr. Paladino, \$2,233 and \$19,381 for Mr. Benjamin and \$1,395 and \$1,034 for Mr. Racioppi.

**Option Grants in Fiscal 2005**

The following table sets forth information with respect to the options granted during fiscal 2005 to each of the Named Executive Officers and their potential realizable value at the end of the option terms assuming specified levels of appreciation of the common stock.