SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 25, 1999

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

Commission file number 0-27078

HENRY SCHEIN, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, par value $.01
(Title of class)

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

YES: X NO: __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. __

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, computed by reference to the closing sales price as quoted on the NASDAQ National Market on March 20, 2000, was approximately $611,880,465.

As of March 20, 2000, 40,792,031 shares of registrant's Common Stock, par value $.01 per share, were outstanding.

Documents Incorporated by Reference:
Portions of the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year (December 25, 1999) are incorporated by reference in Part III hereof.

TABLE OF CONTENTS

PART I

ITEM 1. Business

General

The Company is the largest distributor of healthcare products and services to office-based healthcare practitioners in the combined North American and European markets. The Company has operations in the United States, Canada, Mexico, the United Kingdom, The Netherlands, Belgium, Germany, France, the Republic of Ireland, Austria, Spain, Israel, Australia and New Zealand, and conducts its business principally through two segments; healthcare distribution and technology. These segments, which are operated as individual business units, offer different products and services, albeit to the same customer base. The healthcare distribution segment consists of the Company's dental, medical, veterinary and international groups. The international group is comprised of the Company's healthcare distribution business units located primarily in Europe and the Pacific Rim, and offer products and services to dental, medical and veterinary customers located in their respective geographic regions. The technology segment consists primarily of the Company's practice management software business and certain other value-added products and services which are distributed primarily to healthcare professionals in the North American market.

The Company sells products and services to over 400,000 customers, primarily dental practices and dental laboratories, as well as physician practices, veterinary clinics and institutions. In 1999, the Company's healthcare distribution business sold products to over 75% of the estimated 110,000 dental practices in the United States. The Company believes that there is strong awareness of the "Henry Schein" name among office-based healthcare practitioners due to its more than 65 years of experience in distributing healthcare products. Through its comprehensive catalogs and other direct sales and marketing programs, the Company offers its customers a broad product selection of both branded and private brand products which includes in excess of 70,000 stock keeping units ("SKU's") in North America, approximately 60,000 SKU's in Europe and approximately 23,000 SKU's in Australia, at published prices that the Company believes are below those of many of its competitors. The Company, through its technology business unit, offers various value-added products and services such as practice management software. As of December 25, 1999, the Company sold over 33,000 dental practice management software systems; more than any of its competitors.

For further information on the Company's operating segments, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in ITEM 7 and Note 11 to the Consolidated Financial Statements.

During 1999, the Company distributed over 14.O million pieces of direct marketing materials (such as catalogs, flyers and order stuffers) to approximately 650,000 office-based healthcare practitioners. The Company supports its direct marketing efforts with approximately 800 telesales representatives who facilitate order processing and generate sales through direct and frequent contact with customers and with approximately 1,150 field sales consultants, including equipment sales specialists. The Company utilizes database segmentation techniques to more effectively market its products and services to customers. The Company continues to expand its management information systems and has established strategically located distribution centers in the United States, Canada, Europe and Australia to enable it to better serve its customers and increase its operating efficiency. The Company believes that these investments, coupled with its broad product offerings, enable the Company to provide its customers with a single source of supply for substantially all their healthcare product needs and provide them with convenient ordering and rapid, accurate and complete order fulfillment. The Company estimates that approximately 99% of all orders in the United States and Canada received before 5:00 p.m. and 6:00 p.m., respectively, are shipped on the same day the order is received and approximately 99% of orders are received by the customer within two days of placing the order. In addition, the Company estimates that approximately 99% of all items ordered in the United States and Canada are shipped without back ordering.

Acquisition and Joint Venture Strategies

The Company believes that there has been consolidation among healthcare products distributors serving office-based healthcare practitioners and that this consolidation will continue to create opportunities for the Company to expand through acquisitions and joint ventures. In recent years, the Company has acquired or entered into agreements with a number of companies engaged in businesses that are complementary to those of the Company. The Company's acquisition and joint venture strategies include acquiring additional sales that will be channeled through the Company's existing infrastructure, acquiring access to additional product lines, acquiring regional distributors with networks of field sales consultants and international expansion. During the year ended December 25, 1999, the Company completed nine acquisitions. The completed acquisitions, which had aggregate net sales for 1998 of approximately $324.0 million, included (a) four international companies, (b) four medical supply companies, and (c) one valued-added services company. Of the nine completed acquisitions, eight were accounted for under the purchase method of accounting and the remaining acquisition was accounted for under the pooling of interests method of accounting.

During 1998, the Company acquired five companies, which had aggregate net sales for 1997 of approximately $265.0 million, including (a) two dental supply companies, the most significant of which was the H. Meer Dental Supply Co., Inc. ("Meer"); (b) two medical supply companies and (c) one international dental supply company. Of the five completed acquisitions, four were accounted for under the pooling of interests method of accounting, and the remaining acquisition of a 50.1% interest was accounted for under the purchase method of accounting.

During 1997, the Company acquired 24 healthcare distribution businesses. The 1997 acquisitions, which had aggregate net sales for 1996 of approximately $558.6 million, included (a) eleven dental supply companies, the most significant of which was Sullivan Dental Products, Inc. ("Sullivan"); (b) four medical supply companies, the most significant of which was Micro Bio-Medics, Inc. ("MBMI"); (c) two international dental and three international medical supply companies; (d) three technology and value-added product companies; the most significant of which was Dentrix Dental Systems, Inc. ("Dentrix"); and (e) certain assets and the business of IDE Interstate, Inc., a direct marketer of healthcare products to dentists, doctors and veterinarians. Of the 24 completed acquisitions, six were accounted for under the pooling of interests method, with the remainder being accounted for under the purchase method of accounting (fourteen for 100% ownership interest and three for majority ownership interests).

Customers

The Company, through its healthcare distribution and technology businesses, serves over 400,000 customers worldwide in the dental, medical and veterinary markets. The Company's dental customers include office-based dental practices, dental laboratories, universities, institutions, governmental agencies and large group and corporate accounts; medical customers include office-based physician practices, podiatrists, surgery centers, institutions, hospitals and governmental agencies; and the Company's veterinary products are sold primarily to office-based veterinarians serving primarily small companion animals.

The Company believes that its healthcare distribution customers generally order from two or more suppliers for their healthcare product needs, and often use one supplier as their primary resource. The Company believes that its customers generally place larger orders and order more frequently from their primary suppliers. The Company estimates that it serves as a primary supplier to less than 15% of its total customer base and believes it has an opportunity to increase sales by increasing its level of business with those customers for which it serves as a secondary supplier.

Over the past several years; the Company has expanded its customer base to include larger purchasing organizations, including certain dental laboratories, institutions, government agencies, hospitals, and surgery centers. More recently, as cost-containment pressures have resulted in increased demand for low-cost products and value-added services, the Company has targeted specific groups of practices under common ownership, institutions and professional groups. For example, the Company has an exclusive direct marketing agreement with an American Medical Association ("AMA") sponsored service and a veterinarian-sponsored service, pursuant to which member practitioners have access to the services' lower priced products. In 1999, the AMA-sponsored service and the veterinarian-sponsored purchasing service accounted for net sales of over $39.7 million. These services, government institutions and agencies, hospitals and other large or collective purchasers, require low-cost pricing and detailed product and usage information and reporting. The Company believes it is well situated to meet the needs of these customers, given its broad, low-cost product offerings and its management information systems. No single customer accounted for more than 1.0% of net sales in 1999.

Sales and Marketing

The Company's sales and marketing efforts, which are designed to establish and solidify customer relationships through personal visits by field sales representatives and frequent direct marketing contact, emphasize the Company's broad product lines, competitive prices and ease of order placement. The key elements of the Company's program in the United States are:

Direct Marketing. During 1999, the Company distributed over 14.0 million pieces of direct marketing material, including catalogs, flyers, order stuffers and other promotional materials to approximately 650,000 office-based healthcare practitioners. The Company's principal U.S. dental catalog, which is issued semi-annually, contains an average of over 450 pages and includes approximately 36,000 SKU's. The number of catalogs and other materials received by each customer depends upon the market they serve, as well, as their purchasing history. The Company's catalogs include detailed descriptions and specifications of both branded and private brand products and are utilized by healthcare practitioners as a reference source. By evaluating its customers' purchasing patterns, area of specialty, past product selections and other criteria, the Company identifies customers who may respond better to specific promotions or products. To facilitate its direct marketing activities, the Company maintains an in-house advertising department, which performs many creative services, which the Company believes streamlines the production process, provides greater flexibility and creativity in catalog production, and results in cost savings.

Telesales. The Company supports its direct marketing with approximately 800 inbound and outbound telesales representatives who facilitate order processing and generate new sales through direct and frequent contact with customers. Inbound telesales representatives are responsible for assisting customers in purchasing decisions, as well as, answering product pricing and availability questions. In addition to assisting customers, inbound telesales representatives also market complementary or promotional products. The Company's telesales representatives utilize on-line computer terminals to enter customer orders and to access information about products, product availability, pricing, promotions and customer buying history.

The Company utilizes outbound telesales representatives and programs to better market its services to those customer accounts identified by the Company as either being high volume or high order frequency accounts. The Company's U.S. dental outbound telesales representatives accounted for approximately $205.6 million of the Company's net sales in 1999. The Company has approximately 250 medical and veterinary telesales representatives, many of which make outbound calls in addition to handling inbound telesales. Outbound telesales representatives strive to manage long-term relationships with these customers through frequent and/or regularly scheduled phone contact and personalized service.

The Company's telesales representatives generally participate in an initial two-week training course designed to familiarize the sales representative with the Company's products, services and systems. In addition, generally all telesales representatives attend periodic training sessions and special sales programs and receive incentives, including monthly commissions.

Field Sales Consultants. The Company has approximately 1,150 field sales consultants, including equipment sales specialists, covering certain major North American, European and Pacific Rim markets. These field sales consultants concentrate on attracting new customers and increasing sales to customers who do not currently order a high percentage of their total product needs from the Company. This strategy is designed to complement the Company's direct marketing and telesales strategies and to enable the Company to better market, service and support the sale of more sophisticated products and equipment. Once a field sales consultant has established a relationship with a customer, the consultant encourages the customer to use the Company's automated ordering process or its telesales representatives for its day-to-day needs. This simplifies the ordering process for the customer and increases the effectiveness of the field sales consultant.

Customer Service

A principal element of the Company's customer service approach is to offer an order entry process that is convenient, easy and flexible. Customers typically place orders with one of the Company's experienced telesales representatives. Orders may also be placed 24-hours a day by fax, mail, Internet, its computerized order entry system known as ArubA(R), or ArubA(R) TouchTone (the Company's 24-hour automated phone service).

The Company focuses on providing rapid and accurate order fulfillment and high fill rates. The Company estimates that approximately 99% of all items ordered in the United States and Canada are shipped without back ordering, and that approximately 99% of all orders in the United States and Canada received before 5:00 p.m. and 6:00 p.m., respectively, are shipped on the same day the order is received. In addition, because the Company seeks to service a customer's entire order from the distribution center nearest the customer's facility, approximately 99% of orders are received within two days of placing the order. The Company continually monitors its customer service through customer surveys, focus groups and daily statistical reports. The Company maintains a liberal return policy to better assure customer satisfaction with its products.

Products

The following chart sets forth the principal categories of products offered by the Company's healthcare distribution and technology businesses and certain top selling types of products in each category, with the percentage of 1999 consolidated net sales in parenthesis:

HEALTHCARE DISTRIBUTION (96.8%)

Dental Products (57.6%)

Consumable Dental Products and Small Equipment (44.9%)	Dental Laboratory Products (3.0%)	Large Dental Equipment (9.7%)
X-Ray Products; Infection Control; Handpieces; Preventatives; Impression Materials; Composites; and Anesthetics, and Financial Products	Teeth; Composites; Gypsum; Acrylics; Articulators; and Abrasives	Dental Chairs; Units and Lights; X-Rays; and Equipment Repair

Medical Products (35.2%)	Veterinary Products (4.0%)
Branded and Generic Pharmaceuticals; Surgical Products; Diagnostic Tests; Infection Control; and Vitamins	Branded and Generic Pharmaceuticals; Surgical Products; and Dental Products

TECHNOLOGY AND OTHER VALUE-ADDED PRODUCTS AND SERVICES (3.2%)

Software and Related Products; other value-added products

The percentage of 1998 and 1997 net sales was as follows: consumable dental products and small equipment, 49.8% and 51.1%, respectively; dental laboratory products, 3.6% and 3.3%, respectively; large dental equipment, 12.9% and 13.6%, respectively; medical products, 28.5% and 26.7%, respectively; veterinary products, 2.7% and 2.9%, respectively; and technology and value-added products and services, 2.5% and 2.4%, respectively.

Consumable Supplies and Equipment

The Company offers in excess of 70,000 SKU's to its customers in North America, of which approximately 55,000 SKU's are offered to its dental customers, approximately 23,000 are offered to its medical customers and approximately 22,000 are offered to its veterinary customers. Over 25% of the Company's products are offered to all three types of the Company's customers in North America. The Company offers approximately 60,000 SKU's and 23,000 SKU's to its customers in Europe and Australia, respectively. Approximately 7.9% of the Company's net sales in 1999 were from sales of products offered under the Henry Schein private brand (i.e., products manufactured by various third parties and HS Pharmaceutical for distribution by the Company under the Henry Schein(R) brand). The Company believes that the Henry Schein private brand line of over 7,500 SKU's offered in the United States and Canada is one of the most extensive in the industry. The Company also distributes certain generic pharmaceuticals manufactured by HS Pharmaceutical, a 50%-owned affiliated company. The Company updates its product offerings regularly to meet its customers' changing needs.

The Company offers a repair service, ProRepair(R), which provides one to two-day turnaround for hand pieces and certain small equipment. The Company also provides in-office installation and repair services for large equipment in certain markets in North America, Europe and the Pacific Rim. The Company had a total of 115 centers open at the end of 1999.

The Company offers its customers assistance in managing their practices providing access to a number of financial services and products at rates which the Company believes are lower than what they would be able to secure independently. The Company's equipment leasing programs allow it to fulfill a wide variety of practitioner financing needs. The Company also provides financing and consulting services for all phases of a physician's practice including practice start-up, practice acquisition and debt consolidation. The patient financing program provides the Company's dental and veterinary customers a method for reducing receivables and improving cash flow by providing patients access to financing. Through an arrangement with one of the nations largest bank credit card processors, the Company offers electronic bankcard processing. The Company also offers electronic insurance claims submission services for faster, cheaper processing of patient reimbursements, all through a third-party provider for a transaction fee. The Company does not assume any financial obligation to its customers or their patients in these programs. The Company also offers practice management consulting services in selected markets in the United States.

Technology and Other Value-Added Products and Services

The Company sells practice management software systems to its dental and veterinary customers. The Company sold over 23,500 and 9,900 units of its Easy Dental(R) Plus and Dentrix software systems, respectively, as of the end of fiscal 1999, and over 3,900 of its AVImark(R) veterinary software systems which includes conversions. The Company's practice management software products provide practitioners with patient treatment history, billing and accounts receivable analysis and management, an appointment calendar, electronic claims processing and word processing programs. The Company provides technical support and conversion services from other software. In addition, the Easy Dental(R) Plus and Dentrix software systems allow customers to connect with the Company's order entry management systems. The Dentrix system is one of the most comprehensive clinically-based dental practice management software packages in the United States. The Dentrix premium software product complements Easy Dental(R) Plus, the Company's high-value practice management system. The Company believes the combined software product offerings enhance its ability to provide its customers with the widest array of system solutions to help manage their practices.

Information Systems

The Company's management information systems generally allow for centralized management of key functions, including inventory and accounts receivable management, purchasing, sales and distribution. A key attribute of the Company's management information systems is the daily operating control reports which allow managers throughout the Company to share information and monitor daily progress relating to sales activity, gross profit, credit and returns, inventory levels, stock balancing, unshipped orders, order fulfillment and other operational statistics. The Company continually seeks to enhance and upgrade its order processing information system. Additionally, in the United States, the Company has installed an integrated information system for its large dental equipment sales and service functions. Such systems centralize the tracking of customers' equipment orders as well as spare parts inventories and repair services. (See "Management's Discussion and Analysis of Financial Conditions and Results of Operation" in ITEM 7.)

Distribution

The Company distributes its products in the United States primarily from its strategically located distribution centers in Eastern, Central, South Western and Western United States. Customers in Canada are serviced from distribution centers located in Eastern and Western Canada. The Company maintains significant inventory levels of certain products in order to satisfy customer demand for prompt delivery and complete order fulfillment of their product needs. These inventory levels are managed on a daily basis with the aid of the Company's sophisticated purchasing and stock status management information systems. Once a customer's order is entered, it is electronically transmitted to the distribution center nearest the customer's location and a packing slip for the entire order is printed for order fulfillment. The

Company's automated freight manifesting and laser bar code scanning facilitates the speed of the order fulfillment. The Company currently ships substantially all of its orders in the United States by United Parcel Service. In certain areas of the United States, the Company delivers its orders via contract carriers. The Company's European and Pacific Rim distribution centers include locations in the United Kingdom, the Republic of Ireland, France, The Netherlands, Germany, Spain, Australia and New Zealand.

Purchasing

The Company believes that effective purchasing is a key element to maintaining and enhancing its position as a low-cost provider of healthcare products. The Company frequently evaluates its purchase requirements and suppliers' offerings and prices in order to obtain products at the best possible cost. The Company believes that its ability to make high volume purchases has enabled it to obtain favorable pricing and terms from its suppliers. The Company obtains its products for its North American distribution centers from over 2,000 suppliers of name brand products; in addition, the Company has established relationships with numerous local vendors to obtain products for its European and Pacific Rim distribution centers. In 1999, the Company's top 10 healthcare distribution vendors and the Company's single largest vendor, accounted for approximately 22.2% and 8.1%, respectively, of the Company's aggregate purchases.

Competition

The distribution and manufacture of healthcare supplies and equipment is intensely competitive. Many of the healthcare distribution products the Company sells are available to the Company's customers from a number of suppliers. In addition, competitors of the Company could obtain exclusive rights from manufacturers to market particular products. Manufacturers could also seek to sell directly to end-users, and thereby eliminate the role of distributors, such as the Company. Significant price reductions by the Company's competitors could result in a similar reduction in the Company's prices as a consequence of its policy of matching its competitors' lowest advertised prices. Any of these competitive pressures may materially adversely affect operating results.

In the United States, the Company competes with other distributors, as well as several major manufacturers of dental, medical and veterinary products, primarily on the basis of price, breadth of product line, customer service and value-added services and products. In the sale of its dental products, the Company's principal national competitor is Patterson Dental Co. In addition, the Company competes against a number of other distributors that operate on a national, regional and local level. The Company's principal competitors in the sale of medical products are PSS World Medical, Inc. and the General Medical division of McKesson HBOC, Inc., which are national distributors. In the veterinary market, the Company's two principal national competitors include The Butler Company and Burns Veterinary Supply. The Company also competes against a number of regional and local medical and veterinary distributors, as well as, a number of manufacturers that sell directly to physicians and veterinarians. With regard to the Company's practice management software, the Company competes against numerous other firms, including firms with substantial sales such as InfoCure Corporation, which targets dental practices, and Idexx Laboratories, Inc., which serves veterinary practices. The Company believes that it competes in Canada substantially on the same basis as in the United States.

The Company also faces intense competition internationally, where the Company competes on the basis of price and customer service against several large competitors, including ORBIS, Sirona Dental and the GACD Group, as well as a large number of dental product distributors and manufacturers in Mexico, the United Kingdom, The Netherlands, Belgium, Germany, France, the Republic of Ireland, Austria, Spain, Portugal, Israel, Australia and New Zealand.

Governmental Regulation

The Company's business is subject to requirements under various local, state, Federal and foreign governmental laws and regulations applicable to the manufacture and distribution of pharmaceuticals and medical devices. Among the Federal laws with which the Company must comply are the Federal Food, Drug, and Cosmetic Act, the Prescription Drug Marketing Act of 1987, and the Controlled Substances Act. It is possible that the Company may be prevented from selling manufactured products if the Company (including its 50%-owned affiliated company, HS Pharmaceutical, which distributes and manufactures generic pharmaceuticals) were to receive an adverse report following an inspection by the Food and Drug Administration (the "FDA") or the Drug Enforcement Administration, or if a competitor were to receive prior approval of new products from the FDA. A violation of a law by HS Pharmaceutical could cause its operations to be suspended. A suspension could have an adverse effect on the Company's equity in earnings of affiliates and could cause the Company to seek alternative sources of products manufactured by HS Pharmaceutical, possibly at higher prices than currently paid by the Company. In response to a Warning Letter from the FDA regarding its compliance with current Good Manufacturing Practices (cGMP's) of its dental anesthetic products, HS Pharmaceutical temporarily suspended the manufacture and shipment of these products to the United States. In each of January and February 1999, HS Pharmaceutical instituted a voluntary recall of approximately 240 batches, in the aggregate, of dental anesthetic products sold in 1997 and 1998 under its name and certain private labels. The Company's share of the net loss for 1999 of Henry Schein Pharmaceutical was approximately $0.07 per share on a diluted basis. During the fourth quarter of 1999, the FDA lifted its import ban and Henry Schein Pharmaceutical resumed manufacturing and shipments of these products to the United States.

The Federal Food, Drug, and Cosmetic Act generally regulates the introduction, manufacture, advertising, labeling, packaging, storage, handling, marketing and distribution of, and recordkeeping for, pharmaceuticals and medical devices shipped in interstate commerce. The Prescription Drug Marketing Act of 1987, which amended the Federal Food, Drug, and Cosmetic Act, establishes certain requirements applicable to the wholesale distribution of prescription drugs, including the requirement that wholesale drug distributors be registered with the Secretary of Health and Human Services or licensed by each state in which they conduct business in accordance with federally established guidelines on storage, handling and record maintenance. Under the Controlled Substances Act, the Company, as a distributor of controlled substances, is required to obtain annually a registration from the Attorney General in accordance with specified rules and regulations and is subject to inspection by the Drug Enforcement Administration acting on behalf of the Attorney General. The Company is required to maintain licenses and permits for the distribution of pharmaceutical products and medical devices under the laws of the states in which it operates. In addition, the Company's dentist and physician customers are subject to significant governmental regulation. There can be no assurance that regulations that impact dentists' or physicians' practices will not have a material adverse impact on the Company's business.

The Company believes that it is in substantial compliance with all of the foregoing laws and the regulations promulgated thereunder and possesses all material permits and licenses required for the conduct of its business.

Proprietary Rights

The Company holds trademarks relating to the "Henry Schein" name and logo, as well, as certain other trademarks. Pursuant to certain agreements executed in connection with a reorganization of the Company, both the Company and an affiliated company, Schein Pharmaceutical, Inc., a company engaged in the manufacture and distribution of multi-source pharmaceutical products, are entitled to use the "Schein" name in connection with their respective businesses, but Schein Pharmaceutical, Inc. is not entitled to use the name "Henry Schein". The Company intends to protect its trademarks to the fullest extent practicable.

Employees

As of December 25, 1999, the Company had over 6,500 full-time employees in North America, Europe and Australia, including approximately 800 telesales representatives, 1,150 field sales consultants, including equipment sales specialists, 1,550 warehouse employees, 150 computer programmers and technicians, 550 management employees and 2,300 office, clerical and administrative employees. None of the Company's employees are represented by a collective bargaining agreement. The Company believes that its relations with its employees are excellent.

Disclosure Regarding Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Certain information in ITEMS 1, 2, 3, 7 and 8 of this Form 10-K include information that is forward looking, such as the Company's opportunities to increase sales through, among other things, acquisitions; its exposure to fluctuations in foreign currencies; its anticipated liquidity and capital requirements; competitive product and pricing pressures and the ability to gain or maintain share of sales in global markets as a result of actions by competitors; and the results of legal proceedings. The matters referred to in forward looking statements could be affected by the risks and uncertainties involved in the Company's business. These risks and uncertainties include, but are not limited to, the effect of economic and market conditions, the impact of the consolidation of healthcare practitioners, the impact of healthcare reform, opportunities for acquisitions and the Company's ability to effectively integrate acquired companies, the acceptance and quality of software products, acceptance and ability to manage operations in foreign markets, the ability to maintain favorable supplier arrangements and relationships, possible disruptions in the Company's computer systems or telephone systems, possible increases in shipping rates or interruptions in shipping service, the level and volatility of interest rates and currency values, economic and political conditions in international markets, including civil unrest, government changes and restriction on the ability to transfer capital across borders, the impact of current or pending legislation, regulation and changes in accounting standards and taxation requirements, environmental laws in domestic and foreign jurisdictions, as well as certain other risks described above in this ITEM under "Competition" and "Government Regulation", and below in ITEM 3 in "Legal Proceedings" and in ITEM 7 in "Management's Discussion and Analysis of Financial Condition and Results of Operations". Subsequent written and oral forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this Form 10-K.

The Company's principal executive offices are located at 135 Duryea Road, Melville, New York 11747, and its telephone number is 631-843-5500. As used in this Report, the term the "Company" refers to Henry Schein, Inc., a Delaware corporation, and its subsidiaries, 50%-owned companies and predecessor, unless otherwise stated.

Executive Officers of the Registrant

The following table sets forth certain information regarding the executive officers of the Company.

Name	Age	Position
Stanley M. Bergman	50	Chairman, Chief Executive Officer, President and Director
Gerald A. Benjamin	47	Executive Vice President - Chief Administive Officer and Director
James P. Breslawski	46	Executive Vice President - President US Dental and Director
Leonard A. David	51	Vice President - Human Resources and Special Counsel and Director
Diane Forrest	53	Senior Vice President - Information Services and Chief Information Officer
Larry M. Gibson	53	President - Practice Management Technologies Group
Michael Racioppi	45	President - Medical Group
Mark E. Mlotek	44	Senior Vice President, Corporate Business Development Group and Director
Steven Paladino	42	Executive Vice President, Chief Financial Officer and Director
Michael Zack	47	Senior Vice President - International Group

Stanley M. Bergman has been Chairman, Chief Executive Officer and President since 1989 and a director of the Company since 1982. Mr. Bergman held the position of Executive Vice President of the Company and Schein Pharmaceutical, Inc. from 1985 to 1989 and Vice President of Finance and Administration of the Company from 1980 to 1985. Mr. Bergman is a certified public accountant.

Gerald A. Benjamin has been Executive Vice President, Chief Administrative Officer since February 2000. Prior to holding his current position, Mr. Benjamin was Senior Vice President of Administration and Customer Satisfaction since 1993, and has been a director of the Company since September 1994. Mr. Benjamin was Vice President of Distribution Operations of the Company from 1990 to 1992 and Director of Materials Management of the Company from 1988 to 1990.

James P. Breslawski has been Executive Vice President of the Company since 1990, with primary responsibility for the US Dental Group, and a director of the Company since 1990. Between 1980 and 1990, Mr. Breslawski held various positions with the Company, including Chief Financial Officer, Vice President of Finance and Administration and Controller. Mr. Breslawski is a certified public accountant.

Leonard A. David has been Vice President of Human Resources and Special Counsel since January 1995. 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 the Company. Mr. David has been a director of the Company since September 1994.

Diane Forrest has been Senior Vice President of Information Services and Chief Information Officer since 1994. Prior to joining the Company, Ms. Forrest was employed by Tambrands Inc. as Vice President of Information Services from 1987 to 1994, KPMG Peat Marwick as Senior Manager in the management consulting division from 1982 to 1987 and Nabisco Brands, Inc. as Corporate Manager of Manufacturing Systems from 1978 to 1982.

Larry M. Gibson joined the Company as President of the Practice Management Technologies Group in February 1997, concurrent with the acquisition of Dentrix. Before joining the Company, Mr. Gibson was founder, Chairman and CEO of Dentrix, started in 1980. Prior to his employment with Dentrix, Mr. Gibson was employed by Weidner Communication Systems from 1978.

Michael Racioppi has been President of the Medical Group since February 2000 and Interim President since September 1999. Prior to holding his current position, Mr. Racioppi was Vice President of the Company 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 the Company in 1992, Mr. Racioppi was employed by Ketchum Distributors Inc. as the Vice President of Purchasing and Marketing.

Mark E. Mlotek has been Senior Vice President of Corporate Business Development Group since February 2000. Prior to holding his current position, Mr. Mlotek was Vice President, General Counsel and Secretary from 1994 to 1999, and became a director of the Company in September 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 Executive Vice President and Chief Financial Officer since February 2000. Prior to holding his current position, Mr. Paladino was Senior Vice President and Chief Financial Officer of the Company since 1993 and has been a director of the Company since 1992. From 1990 to 1992, Mr. Paladino served as Vice President and Treasurer and from 1987 to 1990 served as Corporate Controller of the Company. Before joining the Company, Mr. Paladino was employed as a public accountant for seven years and most recently was with the international accounting firm of BDO Seidman, LLP. Mr. Paladino is a certified public accountant.

Michael Zack has been responsible for the International Group of the Company since 1989. Mr. Zack was employed by Polymer Technology (a subsidiary of Bausch & Lomb) as Vice President of International Operations from 1984 to 1989 and by Gruenenthal GmbH as Manager of International Subsidiaries from 1975 to 1984.

ITEM 2. Properties

The Company owns or leases the following properties:

Property	Location	Own or Lease	Approximate Square Footage	Lease Expiration Date
Corporate Headquarters	Melville, NY	Lease	172,000	December 2005
Distribution Center	Denver, PA	Lease	413,000	December 2007
Distribution Center	Pelham, NY (1)	Lease	108,000	July 2007
Distribution Center	Syosset, NY	Lease	120,000	April 2001
Distribution Center	Secaucus, NJ	Lease	138,000	November 2008
Distribution Center	Indianapolis, IN	Lease	225,000	June 2001
Distribution Center	West Allis, WI	Lease	108,000	November 2011
Distribution Center	Grapevine, TX	Lease	132,000	July 2008
Distribution Center	Sparks, NV	Lease	115,000	June 2002
Distribution Center	United Kingdom	Lease	85,000	August 2005
Distribution Center	Gallin, Germany	Own	172,000	N/A

(1) The Company is subletting 66,500 square feet of this facility through July 2007.

These properties are primarily used in the Company's healthcare distribution segment.

The Company also leases distribution, office, showroom and sales space in other locations in the United States, Canada, France, Germany, the Republic of Ireland, The Netherlands, Spain, Australia, New Zealand, Mexico, Israel and the United Kingdom. Two 50%-owned companies also lease space in the United States and Canada.

The Company believes that its properties are generally in good condition, are well maintained, and are generally suitable and adequate to carry on the Company's business. The Company has additional operating capacity at its listed facilities.

ITEM 3. Legal Proceedings

The manufacture or distribution of certain products by the Company involves a risk of product liability claims, and from time to time the Company is named as a defendant in products liability cases as a result of its distribution of pharmaceutical and other healthcare products. As of December 25, 1999, the Company was named a defendant in approximately fifty such cases. Of these product liability claims, thirty-eight involve claims made by healthcare workers who claim allergic reaction relating to exposure to latex gloves. In each of these cases, the Company acted as a distributor of both brand name and "Henry Schein" private brand latex gloves, which were manufactured by third parties. To date, discovery in these cases has generally been limited to product identification issues. The manufacturers in these cases have withheld indemnification of the Company pending product identification; however, the Company is taking steps to implead those manufacturers into each case in which the Company is a defendant. The Company is also a named defendant in nine lawsuits involving the sale of phentermine and fenfluramin. Plaintiffs in the cases allege injuries from the combined use of the drugs known as "Phen/fen." The Company expects to obtain indemnification from the manufacturers of these products, although this is dependent upon the financial viability of the manufacturer and insurer.

In addition, the Company is subject to other claims, suits and complaints, which arise in the course of the Company's business. In Texas District Court, Travis County, the Company, and one of its subsidiaries, are defendants in a matter entitled Shelly E. Stromboe & Jeanne N. Taylor, on Behalf of Themselves and All Other Similarly Situated vs. Henry Schein, Inc., Easy Dental Systems, Inc. and Dentisoft, Inc. Case No. 98-00886. This complaint alleges among other things, negligence, breach of contract, fraud and violations of certain Texas commercial statutes involving the sale of certain practice management software products sold prior to 1998 under the Easy Dental name. In October 1999, the Court, on motion, certified both a Windows Sub-Class and a DOS Sub-Class to proceed as a class action pursuant to Tex. R.Civ. P.42. It is estimated that 5,000 Windows customers and 15,000 DOS customers could be covered by the judge's ruling. The Company has filed an appeal of the Court's determination, during which time a trial on the merits is stayed. The Company intends to vigorously defend itself against this claim, as well as all other claims, suits and complaints.

The Company has various insurance policies, including product liability insurance covering risks and in amounts it considers adequate. In many cases the Company is provided indemnification by the manufacturer of the product. There can be no assurance that the coverage maintained by the Company is sufficient to cover all future claims or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide adequate protection for the Company. The Company intends to vigorously defend all such claims, suits and complaints. In the opinion of the Company, all such pending matters are covered by insurance or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial statements of the Company if disposed of unfavorably.

ITEM 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company's stockholders during the fourth quarter of fiscal 1999.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

The following table sets forth, for the periods indicated, the high and low reported sales prices of the Common Stock of the Company as reported on the NASDAQ National Market System for each quarterly period in fiscal 1998 and 1999 and for the first quarter of fiscal 2000 through March 20, 2000.

	High	Low
Fiscal 1998:		
1st Quarter	$ 41.00	$ 29.25
2nd Quarter	$ 46.25	$ 37.00
3rd Quarter	$ 51.13	$ 31.00
4th Quarter	$ 40.38	$ 24.75
Fiscal 1999:		
1st Quarter	$.46.88	$ 24.00
2nd Quarter	$ 35.00	$ 19.56
3rd Quarter	$ 32.13	$ 13.25
4th Quarter	$ 15.38	$ 10.38
Fiscal 2000:		
1st Quarter (Through March 20, 2000)	$ 18.81	$ 10.75

The Company's Common Stock is quoted through the NASDAQ National Market tier of the NASDAQ Stock Market under the symbol "HSIC". On March 20, 2000, there were approximately 893 holders of record of the Common Stock. On March 20, 2000, the last reported sales price was $15.00.

Dividend Policy

The Company does not anticipate paying any cash dividends on its Common Stock in the foreseeable future; it intends to retain its earnings to finance the expansion of its business and for general corporate purposes. Any payment of dividends will be at the discretion of the Company's Board of Directors and will depend upon the earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions with respect to payment of dividends and other factors. The Company's revolving credit agreement and the note issued in connection with an acquisition in The Netherlands limit the distributions of dividends without the prior written consent of the lenders.

ITEM 6. Selected Financial Data

The following selected financial data with respect to the Company's financial position and its results of operations for each of the five years in the period ended December 25, 1999 set forth below has been derived from the Company's consolidated financial statements. The selected financial data presented below should be read in conjunction with the Consolidated Financial Statements and related notes thereto in ITEM 8 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in ITEM 7. The Selected Operating Data and Net Sales By Market Data presented below have not been audited.

	Years Ended				
	December 25, 1999	December 26, 1998	December 27, 1997	December 28, 1996	December 30, 1995
	(In thousands, except per share and selected operating data)				
Statement of Operations Data:					
Net sales	$ 2,285,700	$ 1,921,685	$ 1,698,496	$ 1,374,343	$ 1,090,936
Gross profit	698,356	601,824	510,398	412,755	339,320
Selling, general and administrative expenses	579,124	505,628	447,789	369,642	306,347
Merger and integration costs (1)	13,467	56,666	50,779	-	-
Special management compensation (2)	-	-	-	-	20,797
Operating income	105,765	39,530	11,830	43,113	12,176
Other income (expense) - net	(15,982)	(3,516)	1,085	2,829	(3,921)
Income before taxes on income, minority interest and equity in earnings (losses) of affiliates	89,783	36,014	12,915	45,942	8,255
Taxes on income	35,589	20,325	17,670	18,606	10,823
Minority interest in net income(loss) of subsidiaries	1,690	145	(430)	246	509
Equity in earnings (losses) of affiliates	(2,192)	783	2,141	1,595	1,537
Net income (loss)	50,312	16,327	(2,184)	28,685	(1,540)
Net income (loss) per common share:					
Basic	$ 1.24	$ 0.42	$ (0.06)	$ 0.85	$ (0.06)
Diluted	$ 1.21	$ 0.39	$ (0.06)	$ 0.81	$ (0.06)
Weighted average shares outstanding:					
Basic	40,585	39,305	37,531	33,714	25,719
Diluted	41,438	41,549	37,531	35,202	25,719

	Years Ended				
	December 25, 1999	December 26, 1998	December 27, 1997	December 28, 1996	December 30, 1995
	(In thousands, except per share and selected operating data)				
Pro Forma Data (3):					
Pro forma operating income					$ 32,973
Pro forma net income (loss)		$ 13,748	$ (1,778)	$ 29,023	$ 17,936
Pro forma net income (loss) per common share:					
Basic		$ 0.35	$ (0.05)	$ 0.86	$ 0.70
Diluted		$ 0.33	$ (0.05)	$ 0.82	$ 0.66
Pro forma average shares outstanding:					
Basic		39,305	37,531	33,714	25,719
Diluted		41,549	37,531	35,202	27,005
Selected Operating Data:					
Number of orders shipped	7,979,000	6,718,000	6,064,000	5,127,000	4,571,000
Average order size	$ 286	$ 286	$ 280	$ 268	$ 239
Net Sales by Market Data:					
Healthcare Distribution:					
Dental (4)	$1,049,634	$1,083,994	$ 999,456	$ 819,721	$ 675,457
Medical	712,707	515,728	441,015	341,329	245,439
Veterinary	52,286	48,307	40,843	35,329	29,330
International (5)	404,186	230,999	181,239	146,999	107,703
Total Healthcare Distribution	2,218,813	1,879,028	1,662,553	1,343,378	1,057,929
Technology (6)	66,887	42,657	35,943	30,965	33,007
	$2,285,700	$1,921,685	$1,698,496	$1,374,343	$1,090,936
Balance Sheet data(at period end):					
Working capital	$ 428,429	$ 403,592	$ 312,916	$ 290,482	$ 188,303
Total assets	1,204,102	962,040	803,946	668,239	481,701
Total debt	363,624	209,451	148,685	59,404	79,498
Minority interest	7,855	5,904	2,225	5,289	4,547
Stockholders' equity	517,867	463,034	424,223	408,877	238,041

(1) Merger and integration costs consist primarily of investment banking, legal, accounting and advisory fees, compensation, write-off of duplicate management information systems, other assets and the impairment of goodwill arising from acquired businesses integrated into the Company's medical and dental businesses, as well as certain other integration costs incurred primarily in connection with the 1998 acquisition of Meer and the 1997 acquisitions of Sullivan, MBMI and Dentrix, which were accounted for under the pooling of interests method of accounting. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Acquisition and Joint Ventures Strategies" in ITEM 7 and the Consolidated Financial Statements and related notes thereto in ITEM 8.

(2) Includes: non-cash special management compensation charges of $17.5 million arising from final mark-to-market adjustments (reflecting an increase in estimated market value from 1994 to the initial public offering price of $16.00 per share) for stock grants made to an executive officer of the Company in 1992 and other stock issuances made to certain other senior management of the Company (because of certain repurchase features which expired with the initial public offering), an approximate $2.8 million non-cash special management compensation charge (also based on the initial public offering price of $16.00 per share) relating to compensatory options granted in 1995, and a cash payment of $0.5 million for additional income taxes resulting from such stock issuances.

(3) Reflects the pro forma elimination of special charges incurred in 1995 for special management compensation of $20.8 million, arising from a reorganization, and the related tax effects of $1.2 million and provision for income taxes on previously untaxed earnings of Dentrix as an S Corporation of $1.2 million, and $0.5 million for 1996 and 1995, respectively, and provision for income tax (expense) recoveries on previously untaxed earnings of Meer as an S Corporation of $(0.6) million, $0.4 million, $1.5 million, and $0.3 million for 1998, 1997, 1996, and 1995, respectively, and the pro forma elimination of a net deferred tax asset arising from Meer's conversion from an S Corporation to a C Corporation of

$2.0 million in 1998. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Acquisition and Joint Ventures Strategies" in ITEM 7 herein.

(4) Dental consists of the Company's dental business in the United States and Canada.

(5) International consists of the Company's business (primarily dental) outside the United States and Canada, primarily Europe and Australia.

(6) Technology consists of the Company's practice management software business and certain other value-added products and services.

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

The following discussion and analysis of the Company's consolidated financial condition and consolidated results of operations should be read in conjunction with the Company's consolidated financial statements and notes thereto included herein.

Acquisition and Joint Venture Strategies

The Company's results of operations in recent years have been significantly impacted by strategies and transactions undertaken by the Company to expand its business, both domestically and internationally, in part to address significant changes in the healthcare industry, including potential national healthcare reform, trends toward managed care, cuts in Medicare, consolidation of healthcare distribution companies and collective purchasing arrangements.

During the year ended December 25, 1999, the Company completed nine acquisitions. The completed acquisitions included General Injectables and Vaccines, Inc. ("GIV"), through the purchase of all of the outstanding common stock of Biological & Popular Culture, Inc., and the international dental, medical and veterinary healthcare distribution businesses of Heiland Holding GmbH (the "Heiland Group"). GIV, which had 1998 net sales of approximately $120.0 million, is a leading independent direct marketer of vaccines and other injectable products to office-based practitioners in the United States. The Heiland Group, the largest direct marketer of healthcare supplies to office-based practitioners in Germany, had 1998 net sales of approximately $130.0 million. The acquisition agreements for GIV and the Heiland Group provide for additional consideration of up to $20.0 million per year through 2004, not to exceed $75.0 million in total, and $3.9 million per year through 2001, respectively, to be paid if certain sales and profitability targets are met. The GIV acquisition agreement also provides for additional consideration of $5.4 million based upon sales of new products, as defined. The remaining seven acquisitions had combined net sales of approximately $74.0 million for 1998. Six of the acquisitions were accounted for under the purchase method of accounting, while the remaining acquisition was accounted for under the pooling of interests method of accounting. Results of operations of the business acquisitions accounted for under the purchase method of accounting have been included in the consolidated financial statements commencing with the acquisition dates. The total cash purchase price paid for the acquisitions accounted for under the purchase method of accounting was approximately $137.2 million. The excess of the acquisition costs over the fair value of identifiable assets will be amortized on a straight-line basis over 30 years. The pooling transaction was not material and has been included in the consolidated financial statements from the beginning of the quarter in which the acquisition occurred. The Company issued 189,833 shares of its Common Stock with an aggregate market value of $6.4 million in connection with the pooling transaction.

During the year ended December 26, 1998, the Company completed five acquisitions. The 1998 completed acquisitions included two dental supply companies, the most significant of which was Meer, a leading full-service dental distributor serving dentists, dental laboratories and institutions throughout the United States, with 1997 annual net sales of approximately $180.0 million. Combined, Meer and the other dental company had approximately $212.0 million in aggregate net sales for 1997. The completed acquisitions also included two medical supply companies with aggregate net sales for 1997 of approximately $37.0 million, and one international dental distribution business with 1997 net sales of approximately $16.0 million. Of the five completed acquisitions, four (including Meer) were accounted for under the pooling of interests method, and the remaining acquisition of a 50.1% interest was accounted for under the purchase method of accounting. The financial statements were restated to give retroactive effect to the Meer transaction, as the remaining three pooling transactions were not material and have been included in the consolidated financial statements from the beginning of the quarter in which the acquisitions occurred. Results of operations of the business acquisition accounted for under the purchase method of accounting have been included in the consolidated financial statements commencing with the acquisition date.

The Company issued 2,973,680 shares, 347,063 shares and 121,000 shares of its Common Stock, with an aggregate value of approximately $151.1 million in connection with three of the 1998 pooling transactions. Prior to its acquisition by the Company, Meer elected to be treated as an S Corporation under the Internal Revenue Code, and accordingly, was not subject to taxation at the corporate level. Pro forma adjustments have been made to reflect a provision for income taxes for each period presented and the elimination of a deferred tax benefit arising from Meer's conversion from the S Corporation to a C Corporation.

Additionally, in connection with one of the 1998 dental supply company acquisitions accounted for under the pooling of interests method of accounting, the Company issued shares of a subsidiary, with rights equivalent to those of the Company's Common Stock, which are exchangeable into 603,500 shares of the Company's Common Stock, at each shareholders' option, and had an aggregate value of approximately $24.0 million. The total cash purchase price for the 1998 acquisition accounted for under the purchase method of accounting was approximately $6.8 million. The excess of the acquisition costs over the fair value of identifiable net assets acquired are being amortized on a straight-line basis over 30 years.

During the year ended December 27, 1997, the Company acquired in pooling of interests transactions, all of the outstanding common stock of (i) Sullivan, a distributor of consumable dental supplies and equipment, (ii) MBMI, a distributor of medical supplies and (iii) Dentrix, a leading provider of clinically-based dental practice management systems. Prior to its acquisition of the company, Dentrix elected to be treated as an S Corporation under the Internal Revenue Code, and accordingly, its earnings were not subject to taxation at the corporate level. Pro forma adjustments have been made to reflect a provision for income taxes on such previously untaxed earnings for each period presented.

In addition to these three acquisitions, the Company completed 21 other acquisitions including; three medical and ten dental supply companies with aggregate net sales for 1996 of approximately $32.0 million and $41.8 million, respectively; two international dental and three international medical supply companies with aggregate net sales for 1996 of approximately $5.3 million and $18.3 million, respectively; two technology and other value-added product companies with aggregate net sales for 1996 of approximately $10.1 million; and certain assets and the business of IDE Interstate, Inc., a direct marketer of healthcare products to dentists, doctors and veterinarians with net sales for 1996 of approximately $50.0 million.

Of the twenty four 1997 completed acquisitions, six were accounted for under the pooling of interests method of accounting, with the remainder being accounted for under the purchase method of accounting (fifteen for 100% ownership interests and three for majority ownership interests). The financial statements were restated to give retroactive effect to three of the pooling transactions (Sullivan, MBMI and Dentrix) as the remaining three pooling transactions were not material and were included in the consolidated financial statements from the beginning of the quarter in which the acquisitions occurred. Operations of the 1997 completed acquisitions, accounted for under the purchase method of accounting, were included in the consolidated financial statements from their respective acquisition dates.

In connection with the 1999, 1998 and 1997 acquisitions, the Company incurred certain merger and integration costs of approximately $13.5 million, $56.7 million and $50.8 million, respectively. Net of taxes, merger and integration costs were approximately $0.23, $1.06 and $1.08 per share, on a diluted basis, respectively. Merger and integration costs for the healthcare distribution and technology segments were $13.5 million and $0.0 million for 1999, $55.7 million and $1.0 million for 1998 and $43.9 million and $6.9 million for 1997, respectively. Merger and integration costs consist primarily of investment banking, legal, accounting and advisory fees, compensation, impairment of goodwill arising from acquired businesses integrated into the Company's medical and dental businesses, as well as certain other integration costs associated with these mergers.

Excluding the merger and integration costs, and including pro forma adjustments, pro forma net income and pro forma net income per common share, on a diluted basis, would have been $59.8 million and $1.44, respectively, for the year ended December 25, 1999, $57.8 million and $1.39, respectively, for the year ended December 26, 1998, and $41.0 million and $1.03, respectively, for the year ended December 27, 1997.

The Company is a party to a number of claims, suits and complaints arising in the ordinary course of business, as described in "Legal Proceedings". In the opinion of the Company, all such pending matters are covered by insurance or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial statements of the Company if disposed of unfavorably.

Results of Operations

The following table sets forth for the periods indicated net sales, gross profit and operating profit, excluding merger and integration costs, (IN THOUSANDS) by business segment for the years ended 1999, 1998 and 1997.

	1999		1998		1997	
Net Sales by Segment Data:						
Healthcare distribution:						
Dental (1)	$1,049,634	45.9 %	$1,083,994	56.4 %	$ 999,456	58.8 %
Medical	712,707	31.2	515,728	26.9	441,015	26.0
Veterinary	52,286	2.3	48,307	2.5	40,843	2.4
International (2)	404,186	17.7	230,999	12.0	181,239	10.7
Total healthcare distribution	2,218,813	97.1	1,879,028	97.8	1,662,553	97.9
Technology (3)	66,887	2.9	42,657	2.2	35,943	2.1
Total	$2,285,700	100.0 %	$1,921,685	100.0 %	$1,698,496	100.0 %
Gross Profit by Segment Data:						
Healthcare distribution	$ 652,651	29.4 %	$ 568,071	30.2 %	$ 484,704	29.2 %
Technology	45,705	68.3	33,753	79.1	25,694	71.5
Total	$ 698,356	30.6 %	$ 601,824	31.3 %	$ 510,398	30.1 %
Adjusted Operating Profit (excluding merger and integration costs) by Segment Data:						
Healthcare distribution (4)	$ 93,934	4.2 %	$ 79,871	4.3 %	$ 48,881	2.9 %
Technology (5)	25,298	37.8	16,325	38.3	13,728	38.2
Total	$ 119,232	5.2 %	$ 96,196	5.0 %	$ 62,609	3.7 %

- --------------

(1) Dental consists of the Company's dental business in the United States and Canada.

(2) International consists of the Company's business (primarily dental) outside the United States and Canada, primarily in Europe, and Australia.

(3) Technology consists of the Company's practice management software business and certain other value-added products and services.

(4) Excludes merger and integration costs of $13.5 million, $55.7 million and $43.9 million in 1999, 1998 and 1997, respectively.

(5) Excludes merger and integration costs of $1.0 million and $6.9 million in 1998 and 1997, respectively.

1999 Compared to 1998

Net sales increased $364.0 million, or 18.9%, to $2,285.7 million in 1999 from $1,921.7 million in 1998. Of the $364.0 million increase, approximately $339.8 million, or 93.4%, represented an 18.1% increase in the Company's healthcare distribution business. As part of this increase, approximately $197.0 million represented a 38.2% increase in its medical business, $173.2 million represented a 75.0% increase in its international business, $4.0 million represented a 8.2% increase in the Company's veterinary business, and $(34.4) million represented a 3.2% decrease in the Company's dental business. The increase in medical net sales is primarily attributable to telesales and direct marketing activities, acquisitions, and increased sales to hospitals. In the international market, the increase in net sales was primarily due to acquisitions in Germany and the United Kingdom, and increased account penetration in the United Kingdom, Belgium, Spain and France. In the veterinary market, the increase in net sales was primarily due to increased account penetration. The decrease in dental net sales was primarily due to sales erosion related to the Meer acquisition and a reduction in dental equipment sales. The remaining increase in 1999 net sales was due to the technology business, which increased $24.2 million, or 56.8%, to $66.9 million for 1999, from $42.7 million for 1998. The increase in technology and value-added product sales was primarily due to increased practice management software sales and an acquisition.

Gross profit increased by $96.6 million, or 16.1%, to $698.4 million in 1999, from $601.8 million in 1998. Gross profit margin for healthcare distribution decreased by 0.7% to 30.6% from 31.3% last year. Healthcare distribution gross profit increased by $84.6 million, or 14.9%, to $652.7 million in 1999, from $568.1 million in 1998. Gross profit margin decreased by 0.8%, to 29.4%, from 30.2% last year primarily due to sales mix and lower manufacturers rebates as a result of reduced annual sales. Technology gross profit increased by $11.9 million, or 35.2%, to $45.7 million in 1999, from $33.8 million in 1998. Technology gross profit margin decreased by 10.8% to 68.3% from 79.1% last year primarily due to changes in sales mix.

Selling, general and administrative expenses increased by $73.5 million, or 14.5%, to $579.1 million in 1999 from $505.6 million in 1998. Selling and shipping expenses increased by $42.2 million, or 12.1%, to $390.6 million in 1999 from $348.4 million in 1998. As a percentage of net sales, selling and shipping expenses decreased 1.0% to 17.1% in 1999 from 18.1% in 1998. This decrease was primarily due to improvement in the Company's distribution efficiencies resulting from the leveraging of the Company's distribution infrastructure. General and administrative expenses increased $31.3 million, or 19.9%, to $188.5 million in 1999 from $157.2 million in 1998, primarily as a result of acquisitions. As a percentage of net sales, general and administrative expenses remained constant at 8.2% in 1999 and 1998.

Other income (expense) - net changed by $12.5 million, to $(16.0) million for the year ended December 25, 1999 from $(3.5) million for 1998 due to an increase in interest expense resulting from an increase in average borrowings and to a lesser extent an increase in interest rates, offset by higher interest income on notes receivable and accounts receivable balances.

Equity in earnings (losses) of affiliates decreased $3.0 million or 375%, to $(2.2) million in 1999 from $0.8 million in 1998. The decline was due to reduced earnings from an affiliate totaling approximately $1.3 million, net of taxes, due to a temporary cessation of production of anesthetic products produced by HS Pharmaceutical. HS Pharmaceutical is an affiliated company, which is accounted for under the equity method. On September 23, 1999, the FDA issued clearance to HS Pharmaceutical to resume production of its anesthetic products for shipment into the United States. HS Pharmaceutical resumed limited production and shipment of its products in the fourth quarter of 1999.

For 1999, the Company's effective tax rate was 39.6%. Excluding merger and integration costs, the majority of which are not deductible for income tax purposes, the Company's effective tax rate would have been 38.3%. The difference between the Company's effective tax rate, excluding merger and integration costs, and the Federal statutory rate relates primarily to state income taxes.

For 1998 the Company's effective tax rate was 56.4%. Excluding merger and integration costs, the majority of which are not deductible for income tax purposes, and including a proforma tax adjustment for Meer on previously untaxed earnings as an S Corporation, combined with the elimination of a net deferred tax asset arising from Meer's conversion from an S Corporation to a C Corporation, the Company's effective tax rate would have been 38.3%. The difference between the Company's effective tax rate, excluding merger and integration costs and the Meer tax adjustment, and the Federal statutory rate relates primarily to state income taxes.

1998 Compared to 1997

Net sales increased $223.2 million, or 13.1%, to $1,921.7 million in 1998 from $1,698.5 million in 1997. Of the $223.2 million increase, approximately $216.5 million or 97.8% represented a 13.0% increase in the Company's healthcare distribution business. As part of this increase, approximately $84.5 million represented a 8.5% increase in the Company's dental business, $74.7 million represented a 16.9% increase in its medical business, $49.8 million represented a 27.5% increase in its international business and $7.5 million represented a 18.3% increase in the Company's veterinary business. The increase in dental net sales was primarily the result of the continuing favorable impact of the Company's integrated sales and marketing approach (which coordinates the efforts of its field sales consultants with its direct marketing and telesales personnel), continued success in the Company's target marketing programs and purchase acquisitions, offset in part by a reduction in dental equipment sales resulting from the Company's disposal of its equipment manufacturing subsidiary, Marus Dental International ("Marus"), in August 1998 and estimated sales erosion on the Meer acquisition. The increase in medical net sales is primarily attributable to sales to hospitals, acquisitions and the benefits of a new telesales structure, partially offset by a decline in sales to renal dialysis centers. In the first quarter of 1998 the Company's largest renal dialysis customer, Renal Treatment Centers, Inc. ("RTC"), was acquired by Total Renal Care, Inc. which is not a customer of the Company. In March of 1998, RTC stopped purchasing Epogen from the Company, but continues to purchase other products. During fiscal year 1997, the Company's sales of Epogen to RTC amounted to $38.7 million. In the international market, the increase in net sales was due to increased account penetration in France, the United Kingdom and Spain and acquisitions, primarily in Germany, the United Kingdom and The Netherlands. In the veterinary market, the increase in net sales was primarily due to increased account penetration with core accounts and veterinary groups. Excluding net sales of Marus and RTC in both periods, as well as the estimated sales erosion on the Meer acquisition, healthcare distribution net sales would have grown by 16.1% in 1998 over 1997. The remaining increase in 1998 net sales was due to the technology business, which increased $6.7 million or 18.7% to $42.7 million for 1998, from $35.9 million for 1997. The increase in technology and value-added product sales was primarily due to increased practice management software sales.

Gross profit increased by $91.4 million, or 17.9%, to $601.8 million in 1998, from $510.4 million in 1997. Gross profit margin increased by 1.2% to 31.3% from 30.1% last year. Healthcare distribution gross profit increased by $83.4 million or 17.2% to $568.1 million in 1998, from $484.7 million in 1997. Healthcare distribution gross profit margin increased by 1.0% to 30.2% from 29.2% last year primarily due to sales mix. Technology gross profit increased by $8.1 million or 31.5% to, $33.8 million in 1998, from $25.7 million in 1997. Technology gross profit margin increased by 7.6% to 79.1% from 71.5% last year primarily due to increased sales volume of software systems.

Selling, general and administrative expenses increased by $57.8 million, or 12.9%, to $505.6 million in 1998 from $447.8 million in 1997. Selling and shipping expenses increased by $37.1 million, or 11.9%, to $348.4 million in 1998 from $311.3 million in 1997. As a percentage of net sales, selling and shipping expenses decreased 0.2% to 18.1% in 1998 from 18.3% in 1997. This decrease was primarily due to leveraging of the Company's distribution infrastructure. General and administrative expenses increased $20.7 million, or 15.2%, to $157.2 million in 1998 from $136.5 million in 1997, primarily as a result of acquisitions. As a percentage of net sales, general and administrative expenses increased 0.2% in 1998, to 8.2% from 8.0% in 1997.

Other income (expense) - net decreased by $4.6 million, to $(3.5) million for the year ended December 26, 1998 from $1.1 million for 1997 due to an increase in interest expense resulting from an increase in average borrowings and lower imputed interest income on long term accounts receivable balances.

Equity in earnings of affiliates decreased $1.3 million or 61.9% to $0.8 million in 1998 from $2.1 million in 1997. The decline is the result of the reduced earnings in the fourth quarter of an affiliate due to a voluntary recall of anesthetic products produced by Novocol.

For 1998, the Company's effective tax rate was 56.4%. Excluding merger and integration costs, the majority of which are not deductible for income tax purposes, and including a proforma tax adjustment for Meer on previously untaxed earnings as an S Corporation, combined with the elimination of a net deferred tax asset arising from Meer's conversion from an S Corporation to a C Corporation, the Company's effective tax rate would have been 38.3%. The difference between the Company's effective tax rate, excluding merger and integration costs and the Meer tax adjustment, and the Federal statutory rate relates primarily to state income taxes.

For, 1997 the Company's effective tax rate was 136.8%. On a pro forma basis, adjusting for assumed tax benefits arising from the losses of Meer as an S Corporation, and excluding merger and integration costs, the majority of which are not deductible for income tax purposes, the Company's effective tax rate would have been 39.7%. The difference between the effective tax rate (excluding merger and integration costs) and the Federal statutory rate relates primarily to state income taxes.

Year 2000

During the fourth quarter of 1999 the Company completed its company-wide program to prepare its computer systems, applications and software products for the year 2000. The cost of this program was approximately $2.5 million, with approximately $1.7 million representing incremental costs to the Company. Subsequent to December 31, 1999, the Company has not experienced any year 2000 problems either internally or from suppliers or other outside sources that had an adverse impact on the Company's operations or financial condition. The Company has no reason to believe that year 2000 failures will materially affect it in the future. However, since it may take several additional months before it is known whether the Company or suppliers, vendors or customers may have undergone year 2000 problems, no assurances can be given that the Company will not experience losses or disruptions due to year 2000 computer-related problems. The Company will continue to monitor the operation of its software products, computers and microprocessor-based devices for any year 2000 problems.

Euro Conversion

Effective January 1, 1999, 11 of the 15 member countries of the European Union have adopted the Euro as their common legal currency. On that date, the participating countries established fixed Euro conversion rates between their existing sovereign currencies and the Euro. The Euro now trades on currency exchanges and is available for non-cash transactions. The participating countries now issue sovereign debt exclusively in Euros, and have re-denominated outstanding sovereign debt. The authority to direct monetary policy for the participating coutnries, including money supply and official interest rates for the Euro, is now exercised by the new European Central Bank.

In 1998, the Company established a Euro Task Force to address its information system, product and customer concerns. The Company expects to achieve timely Euro information system and product readiness, so as to conduct transactions in the Euro, in accordance with implementation schedules as they are established by the European Commission. The Company does not anticipate that the costs of the overall effort will have a material adverse impact on future results.

Inflation

Management does not believe inflation had a material adverse effect on the financial statements for the periods presented.

Effect of Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("FAS 133"), "Accounting for Derivative Instruments and Hedging Activities". In May 1999, the FASB voted to delay the effective date of FAS 133 by one year. The Company will be required to adopt FAS 133 for transactions entered into for quarters in the fiscal year beginning after December 30, 2000. FAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of the hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings. The Company is in the process of determining the impact that the adoption of FAS 133 will have on its results of operations and financial position.

Risk Management

The Company has operations in the United States, Canada, Mexico, the United Kingdom, The Netherlands, Belgium, Germany, France, the Republic of Ireland, Austria, Spain, Israel, Australia and New Zealand. Substantially all of the Company's operations endeavor to protect margins by using foreign currency forward contracts to hedge the estimated foreign currency payments to foreign vendors. The total U.S. dollar equivalent of all foreign currency forward contracts hedging debt and the purchase and sale of merchandise was $10.8 million as of the 1999 fiscal year end.

The Company considers its investment in foreign operations to be both long-term and strategic. As a result, the Company does not hedge the long-term translation exposure to its balance sheet. The Company has experienced negative translation adjustments of approximately $8.3 million and $0.4 million in 1999 and 1998, respectively, which adjustments were reflected in the balance sheet as an adjustment to stockholders' equity. The cumulative translation adjustment at the end of 1999 showed a net negative translation adjustment of $10.4 million.

The Company has a Canadian subsidiary which purchases in U.S. dollars, some of the products it sells locally in Canadian dollars. In order to minimize its exposure to fluctuations in U.S. dollar/Canadian dollar exchange rates, the Company, in November and December 1999, entered into foreign currency forward contracts with major international banks to fix the exchange rate at which it buys some of its year 2000 U.S. dollar denominated products. Under these agreements, the Company has obligations to buy approximately $4.0 million U.S. dollars at predetermined fixed rates. The Company anticipates entering into new such contracts in the normal course of business.

In October 1997, the Company entered into a Netherlands Guilder (NLG) loan in the amount of 6.5 million NLG. The loan serves to hedge the repayment of an intercompany loan in the same amount, denominated in NLG, due from a Dutch subsidiary. The NLG loan calls for periodic payments and a balloon payment of 4.1 million NLG in January 2002.

The Company had entered into two interest rate swaps with major financial institutions to exchange variable rate interest for fixed rate interest. The net result was to substitute a weighted average fixed interest rate of 7.21% for the variable LIBOR rate on $13.0 million of the Company's debt. The interest rate swaps expire in December 2003 and November 2004.

Liquidity and Capital Resources

The Company's principal capital requirements have been to fund (a) repayments on bank borrowings, (b) acquisitions, (c) capital expenditures, and (d) working capital needs resulting from increased sales, special inventory forward buy-in opportunities and to fund initial start-up inventory requirements for new distribution centers. Since sales have been strongest during the fourth quarter and special inventory forward buy-in opportunities are most prevalent just before the end of the year, the Company's working capital requirements have been generally higher from the end of the third quarter to the end of the first quarter of the following year. The Company has financed its business primarily through its revolving credit facilities, private placement loans and stock issuances.

Net cash provided by operating activities for the year ended December 25, 1999 of $48.0 million resulted primarily from net income of $50.3 million, increased by non-cash charges relating primarily to depreciation and amortization of $28.3 million, offset by a net use of working capital of $36.8 million. The use of working capital was primarily due to a decrease in accounts payable and other accrued expenses of $33.4 million, and an $22.3 million increase in accounts receivable resulting primarily from increased net sales and a decrease in the percentage of customers who make payment with their orders, offset in part by an $12.1 million decrease in inventories, and a $6.8 million decrease in other current assets. The Company anticipates future uses of working capital as a result of its continued sales growth, and special inventory forward buy-in opportunities.

Net cash used in investing activities for the year ended December 25, 1999 of $164.1 million resulted primarily from cash used to make acquisitions of $132.6 million and capital expenditures of $34.5 million. During the past three years, the Company has invested $89.9 million in the development of new computer systems, and expenditures for new and existing operating facilities. In the coming year, the

Company expects to invest in excess of $25.0 million per year in capital projects to modernize and expand its facilities and infrastructure systems and integrate operations.

Net cash provided by financing activities for the year ended December 25, 1999 of $121.9 million resulted primarily from cash proceeds from borrowings and issuance of stock of approximately $283.6 million offset primarily by debt repayments of approximately $161.7 million.

Certain holders of minority interests in acquired entities or ventures have the right at certain times to require the Company to acquire their interest at either fair market value or a formula price based on earnings of the entity.

The Company's cash and cash equivalents as of December 25, 1999 of $26.0 million consist of bank balances and investments in commercial paper rated AAA by Moody's (or an equivalent rating). These investments have staggered maturity dates, none of which exceed three months, and have a high degree of liquidity since the securities are actively traded in public markets.

The Company entered into an amended revolving credit facility on August 15, 1997 that increased its main credit facility to $150.0 million and extended the facility termination date to August 15, 2002. Borrowings under the credit facility were $53.7 million at December 25, 1999. The Company also has one uncommitted bank line totaling $15.0 million, none of which had been borrowed at December 25, 1999. On June 30, 1999 and September 25, 1998, the Company completed private placement transactions under which it issued $130.0 million and $100.0 million, respectively, in Senior Notes, the proceeds of which were used respectively, for the permanent financing of its acquisitions of GIV and Heiland, as well as repaying and retiring a portion of four uncommitted bank lines and to pay down amounts owed under its revolving credit facility. The $130.0 million notes come due on June 30, 2009 and bear interest at a rate of 6.94% per annum. Principal payments totaling $20.0 million are due annually starting September 25, 2006 for the $100.0 million notes and bear interest at a rate of 6.66% per annum. Interest is payable semi-annually. Certain of the Company's subsidiaries have credit facilities that totaled $53.2 million at December 25, 1999 under which $41.5 million had been borrowed.

The aggregate purchase price of the acquisitions completed during 1999, including the acquisition of the minority interests of two subsidiaries, was approximately $139.0 million, payable $132.6 million in cash and $6.4 million in stock. The acquisitions of GIV and the Heiland Group were funded by the Company's revolving credit agreement and various short-term borrowings entered into in January 1999. Existing borrowing lines primarily funded the remaining cash portion of the purchases.

The Company believes that its cash and cash equivalents of $26.0 million as of December 25, 1999, its ability to access public and private debt and equity markets, and the availability of funds under its existing credit agreements will provide it with sufficient liquidity to meet its currently foreseeable short-term and long-term capital needs.

ITEM 7A. Market Risks

The Company is exposed to market risks, which include changes in U.S. and international interest rates as well as changes in foreign currency exchange rates as measured against the U.S. dollar and each other. The Company attempts to reduce these risks by utilizing financial instruments, pursuant to Company policies.

The value of the U.S. dollar affects the Company's financial results. Changes in exchange rates may positively or negatively affect the Company's revenues (as expressed in U.S. dollars), gross margins, operating expenses, and retained earnings. Where the Company deems it prudent, it engages in hedging programs aimed at limiting in part the impact of currency fluctuations. Using primarily forward exchange contracts, the Company hedges those transactions that, when remeasured according to generally accepted accounting principles, impact the income statement. From time to time, the Company purchases short-term forward exchange contracts to protect against currency exchange risks associated with the anticipated revenue of the Company's international subsidiaries. As of December 25, 1999, the Company has outstanding foreign currency forward contracts aggregating $10.8 million related to debt and the purchase and sale of merchandise. The contracts hedge against currency fluctuations of Deutsche Mark ($0.8 million), British Pounds ($8.2 million), Swiss Francs ($0.5 million) and Australian dollars ($1.3 million). At December 25, 1999, the Company had net deferred losses from foreign currency forward contracts of $0.3 million. The contracts expire at various dates through February 2001.

These hedging activities provide only limited protection against currency exchange risks. Factors that could impact the effectiveness of the Company's programs include volatility of the currency markets, and availability of hedging instruments. All currency contracts that are entered into by the Company are components of hedging programs and are entered into for the sole purpose of hedging an existing or anticipated currency exposure, not for speculation. Although the Company maintains these programs to reduce the impact of changes in currency exchange rates, when the U. S. dollar sustains a strengthening position against currencies in which the Company sells products and services or a weakening exchange rate against currencies in which the Company incurs costs, the Company's revenues or costs are adversely affected.

As of December 25, 1999, the Company had $13.0 million outstanding in interest rate swaps. These swaps are used to convert floating rate debt relating to the Company's revolving credit agreement, to fixed rate debt to reduce the Company's exposure to interest rate fluctuations. The net result was to substitute a weighted averaged fixed interest rate of 7.2% for the variable LIBOR rate on $13.0 million of the Company's debt. The swaps expire in December 2003 and December 2004. Under the interest rate environment during the year ended December 25, 1999, the net fair value of the Company's interest rate swap agreements resulted in a recognized loss of approximately $0.3 million.

ITEM 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS
HENRY SCHEIN, INC. AND SUBSIDIARIES

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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Henry Schein, Inc.
Melville, New York

We have audited the accompanying consolidated balance sheets of Henry Schein, Inc. and Subsidiaries as of December 25, 1999 and December 26, 1998, and the related consolidated statements of operations and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 25, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Henry Schein, Inc. and Subsidiaries at December 25, 1999 and December 26, 1998, and the results of their operations and cash flows for each of the three years in the period ended December 25, 1999 in conformity with generally accepted accounting principles.

BDO SEIDMAN, LLP

New York, New York
February 25, 2000

HENRY SCHEIN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 25, 1999	December 26, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,019	$ 28,222
Accounts receivable, less reserves of $20,391, and $20,136, respectively	388,063	338,121
Inventories	285,590	270,008
Deferred income taxes	15,520	14,532
Prepaid expenses and other	63,617	53,646
Total current assets	778,809	704,529
Property and equipment, net	86,627	67,646
Goodwill and other intangibles, net	295,113	148,428
Investments and other	43,553	41,437
	$ 1,204,102	$ 962,040
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 198,983	$ 169,860
Bank credit lines	41,527	19,372
Accruals:		
Salaries and related expenses	31,188	29,675
Merger and integration costs	10,093	21,992
Other	64,710	50,404
Current maturities of long-term debt	3,879	9,634
Total current liabilities	350,380	300,937
Long-term debt	318,218	180,445
Other liabilities	9,782	11,720
Total liabilities	678,380	493,102
Minority interest	7,855	5,904
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value, authorized 120,000,000, issued: 40,768,306 and 40,250,936, respectively	407	402
Additional paid-in capital	361,757	348,119
Retained earnings	167,809	119,064
Treasury stock, at cost, 62,479 shares	(1,156)	(1,156)
Accumulated comprehensive loss	(10,359)	(2,057)
Deferred compensation	(591)	(1,338)
Total stockholders' equity	517,867	463,034
	$ 1,204,102	$ 962,040

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME
(In thousands, except per share data)

	Years Ended December 25, 1999	Years Ended December 26, 1998	Years Ended December 27, 1997
Net sales	$ 2,285,700	$ 1,921,685	$ 1,698,496
Cost of sales	1,587,344	1,319,861	1,188,098
Gross profit	698,356	601,824	510,398
Operating expenses:			
Selling, general and administrative	579,124	505,628	447,789
Merger and integration costs	13,467	56,666	50,779
Operating income	105,765	39,530	11,830
Other income (expense):			
Interest income	7,777	6,964	7,353
Interest expense	(23,593)	(12,050)	(7,643)
Other - net	(166)	1,570	1,375
Income before taxes on income, minority interest and equity in earnings (losses) of affiliates	89,783	36,014	12,915
Taxes on income	35,589	20,325	17,670
Minority interest in net income (loss) of subsidiaries	1,690	145	(430)
Equity in earnings (losses) of affiliates	(2,192)	783	2,141
Net income (loss)	$ 50,312	$ 16,327	$ (2,184)
Net income (loss)	$ 50,312	$ 16,327	$ (2,184)
Other comprehensive income (loss):			
Foreign currency translation adjustment	(8,302)	(448)	(973)
Other comprehensive income (loss)	$ 42,010	$ 15,879	$ (3,157)
Net income (loss) per common share:			
Basic	$ 1.24	$ 0.42	$ (0.06)
Diluted	$ 1.21	$ 0.39	$ (0.06)
Weighted average common shares outstanding:			
Basic	40,585	39,305	37,531
Diluted	41,438	41,549	37,531
Pro forma:			
Historical net income (loss)		$ 16,327	$ (2,184)
Pro forma adjustment:			
Elimination of deferred tax benefit arising from conversion of an acquisition from S Corporation to a C Corporation		(2,000)	-
Income tax (expense) benefit related to aquired S Corporation		(579)	406
Pro forma net income (loss)		$ 13,748	$ (1,778)
Pro forma net income (loss) per common share:			
Basic		$ 0.35	$ (0.05)
Diluted		$ 0.33	$ (0.05)

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock $.01 Par Value Shares	Common Stock $.01 Par Value Amount	Additional Paid-in Capital	Retained Earnings
Balance, December 28, 1996 as previously reported	36,619,516	$366	$ 316,771	$ 96,278
Retained earnings of three companies acquired under the pooling of interests method, not deemed material in the aggregate	__	__	__	5,899
Adjustment to change the fiscal year end of the three companies aquired under the pooling of interests method	__	__	__	2,037
Net loss	__	__	__	(2,184)
Dividends paid by pooled companies	__	__	__	(2,442)
Shares issued for acquisitions	906,401	9	2,945	__
Issuance of restricted stock	44,846	__	__	__
Treasury shares issued for acquisitions (246,960 shares)	__	__	__	__
Purchase of treasury stock (30,507 shares)	__	__	__	__
Shares reacquired from a prior years acquisition (2,339 shares)	__	__	__	__
Treasury shares retired	(5,644)	__	(95)	__
Accumulated comprehensive loss	__	__	__	__
Shares issued by pooled company	171,714	1	2,875	__
Shares issued to ESOP trust	44,122	__	1,150	__
Shares issued for stock options, including tax benefit	339,617	5	4,998	__
Balance, December 27, 1997	38,120,572	381	328,644	99,588
Retained earnings of three companies aquired under the pooling of interests method, not deemed material in the aggregate	__	__	__	5,161
Net income	__	__	__	16,327
Dividends paid by pooled companies	__	__	__	(2,012)
Shares issued for acquisitions	1,124,469	11	2,110	__
Shares issued to ESOP trust	34,720	__	1,311	__
Amortization of restricted stock	__	__	__	__
Accumulated comprehensive loss	__	__	__	__
Shares issued for stock options and warrants, including tax benefit	971,175	10	16,054	__
Balance, December 26, 1998	40,250,936	402	348,119	119,064
Deficit of one company aquired under the pooling of interests method, not deemed material in the aggregate	__	__	__	(1,567)
Net income	__	__	__	50,312
Shares issued for acquisitions, net	189,833	2	1,900	__
Shares issued to ESOP trust	101,233	1	1,766	__
Amortization of restricted stock	__	__	__	__
Accumulated comprehensive loss	__	__	__	__
Shares issued for stock options and warrants, including tax benefit	226,304	2	9,972	__
Balance, December 25, 1999	40,768,306	$407	$ 361,757	$ 167,809

	Treasury Stock	Accumulated Comprehensive Loss	Deferred Compensation	Total Stockholders' Equity
Balance, December 28, 1996 as previously reported	$ (3,902)	$ (636)	$ -	$ 408,877
Retained earnings of three companies acquired under the pooling of interests method, not deemed material in the aggregate	__	__	__	5,899
Adjustment to change the fiscal year end of the three companies aquired under the pooling of interests method	__	__	__	2,037
Net loss	__	__	__	(2,184)
Dividends paid by pooled companies	__	__	__	(2,442)
Shares issued for acquisitions	__	__	__	2,954
Issuance of restricted stock	__	__	(1,625)	(1,625)
Treasury shares issued for acquisitions (246,960 shares)	3,303	__	__	3,303
Purchase of treasury stock (30,507 shares)	(618)	__	__	(618)
Shares reacquired from a prior years acquisition (2,339 shares)	(34)	__	__	(34)
Treasury shares retired	95	__	__	-
Accumulated comprehensive loss	__	(973)	__	(973)
Shares issued by pooled company	__	__	__	2,876
Shares issued to ESOP trust	__	__	__	1,150
Shares issued for stock options, including tax benefit	__	__	__	5,003
Balance, December 27, 1997	(1,156)	(1,609)	(1,625)	424,223
Retained earnings of three companies aquired under the pooling of interests method, not deemed material in the aggregate	__	__	__	5,161
Net income	__	__	__	16,327
Dividends paid by pooled companies	__	__	__	(2,012)
Shares issued for acquisitions	__	__	__	2,121
Shares issued to ESOP trust	__	__	__	1,311
Amortization of restricted stock	__	__	287	287
Accumulated comprehensive loss	__	(448)	__	(448)
Shares issued for stock options and warrants, including tax benefit	__	__	__	16,064
Balance, December 26, 1998	(1,156)	(2,057)	(1,338)	463,034
Deficit of one company aquired under the pooling of interests method, not deemed material in the aggregate	__	__	__	(1,567)
Net income	__	__	__	50,312

Shares issued for acquisitions, net	—	—	—	1,902
Shares issued to ESOP trust	—	—	—	1,767
Amortization of restricted stock	—	—	747	747
Accumulated comprehensive loss	—	(8,302)	—	(8,302)
Shares issued for stock options and warrants, including tax benefit	—	—	—	9,974
Balance, December 25, 1999	$ (1,156)	$ (10,359)	$ (591)	$ 517,867

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended		
	December 25, 1999	December 26, 1998	December 27, 1997
Cash flows from operating activities:			
Net income (loss)	$ 50,312	$ 16,327	$ (2,184)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	28,273	19,984	15,730
Provision for losses and allowances on accounts receivable	255	4,379	3,857
Stock issued to ESOP trust	1,767	1,311	1,150
Provision (benefit) for deferred income taxes	13	185	(3,920)
Write-off of equipment and intangibles	415	13,500	8,600
Undistributed (earnings) losses of affiliates	2,192	(783)	(2,141)
Minority interest in net income (loss) of subsidiaries	1,690	145	(430)
Other	(129)	178	221
Changes in assets and liabilities (net of acquisitions):			
Increase in accounts receivable	(22,258)	(48,947)	(50,711)
Decrease (increase) in inventories	12,102	(34,533)	(19,939)
Decrease (increase) in other current assets	6,786	(12,143)	(5,241)
(Decrease) increase in accounts payable and accruals	(33,414)	43,090	13,139
Net cash provided by (used in) operating activities	48,004	2,693	(41,869)
Cash flows from investing activities:			
Capital expenditures	(34,549)	(33,521)	(21,862)
Business acquisitions, net of cash acquired	(132,552)	(13,883)	(42,267)
Proceeds from sale of fixed assets	8,583	8,121	-
Other	(5,557)	(9,416)	(6,173)
Net cash used in investing activities	(164,075)	(48,699)	(70,302)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	131,211	129,717	19,040
Principal payments on long-term debt	(14,873)	(49,192)	(14,795)
Proceeds from issuance of stock	12,487	10,956	5,306
Proceeds from borrowing from banks	139,924	112,344	73,582
Purchase of treasury stock	-	-	(618)
Payments on borrowings from banks	(146,877)	(139,503)	(1,177)
Distributions to stockholders	-	(2,012)	(2,442)
Other	40	105	(730)
Net cash provided by financing activities	121,912	62,415	78,166
Net increase (decrease) in cash and cash equivalents	5,841	16,409	(34,005)
Effect of exchange rate changes on cash	(8,044)	-	-
Cash and cash equivalents, beginning of year	28,222	11,813	45,818
Cash and cash equivalents, end of year	$ 26,019	$ 28,222	$ 11,813

See accompanying notes to consolidated financial statements.

(In thousands, except share data)

Note 1-Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Henry Schein, Inc. and all of its wholly-owned and majority-owned subsidiaries (the "Company"). Investments in unconsolidated affiliates, which are greater than 20% and less than or equal to 50% owned, are accounted for under the equity method. All material intercompany accounts and transactions are eliminated in consolidation.

Use of Estimates

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

Fiscal Year

The Company reports its operations on a 52-53 week basis ending on the last Saturday of December. Fiscal years ended December 25, 1999, December 26, 1998 and December 27, 1997 all consisted of 52 weeks.

Revenue Recognition

Sales are recorded when products are shipped or services are rendered except for revenues derived from post contract customer support for practice management software which is deferred and recognized ratably over the period in which the support is to be provided.

Inventories

Inventories consist substantially of finished goods and are valued at the lower of cost or market. Cost is determined by the first-in, first-out ("FIFO") method.

Property and Equipment and Depreciation and Amortization

Property and equipment are stated at cost. Depreciation is computed primarily under the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	40
Machinery and warehouse equipment	5-10
Furniture, fixtures and other	3-10
Computer equipment and software	5-8

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

Note 1-Significant Accounting Policies-(Continued)

Taxes on Income

The Company accounts for income taxes under an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. In estimating future tax consequences, the Company generally considers all expected future events other than enactments of changes in tax laws or rates. The effect on deferred tax assets and liabilities of a change in tax rates will be recognized as income or expense in the period that includes the enactment date. The Company files a consolidated Federal income tax return with its 80% or greater owned subsidiaries.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments and other short-term investments with an initial maturity of three months or less to be cash equivalents. The Company has determined that the effect of foreign exchange rate changes on cash flows were not material for the years ended December 26, 1998 and December 27, 1997.

Foreign Currency Translation and Transactions

The financial position and results of operations of the Company's foreign subsidiaries are determined using local currency as the functional currency. Assets and liabilities of these subsidiaries are translated at the exchange rate in effect at each year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from the use of differing exchange rates from period to period are included in the accumulated comprehensive loss account in stockholders' equity. Gains and losses resulting from foreign currency transactions are included in earnings, except for certain hedging transactions (see below).

Financial Instruments

The Company uses forward exchange contracts to hedge certain firm commitments denominated in foreign currencies. Gains and losses on these positions are deferred and included in the basis of the transaction when it is completed.

In order to manage interest rate exposure, the Company has entered into interest rate swap agreements to exchange variable rate debt into fixed rate debt without the exchange of the underlying principal amounts. Net payments or receipts under the agreements are recorded as adjustments to interest expense.

The carrying amounts reported in the consolidated balance sheets for cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount reported for long-term debt approximates fair value because certain of the underlying instruments are at variable rates, which are repriced frequently. The remaining portion of long-term debt approximates fair value because the interest approximates current market rates for financial instruments with similar maturities and terms.

Note 1-Significant Accounting Policies--(Continued)

Acquisitions

The net assets of businesses purchased are recorded at their fair value at the acquisition date and the consolidated financial statements include their operations from that date. Any excess of acquisition costs over the fair value of identifiable net assets acquired is included in goodwill and is amortized on a straight-line basis over periods not exceeding 30 years. Certain acquisitions provide for contingent consideration, primarily cash, to be paid in the event certain financial performance targets are satisfied over periods typically not exceeding three years from the date of acquisition. The Company's policy is to record a liability for such amounts when it becomes probable that targets will be met.

Long-Lived Assets

Long-lived assets, such as goodwill and property and equipment, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be written down to fair value. In connection with certain acquisitions, the Company has determined that certain long-lived assets have been impaired (see Note 6).

Stock-Based Compensation

The Company accounts for its stock option awards under the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date or other measurement date over the amount an employee must pay to acquire the stock. The Company makes pro forma disclosures of net income and earnings per share as if the fair value based method of accounting had been applied as required by Statement of Financial Accounting Standards No. 123 ("FAS 123"), "Accounting for Stock-Based Compensation."

Earnings Per Share

Basic earnings per share includes no dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the effect of common shares issuable upon exercise of stock options.

Comprehensive Income

Comprehensive income refers to revenues, expenses, gains and losses that under generally accepted accounting principles are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. The Company's comprehensive income is comprised of foreign currency translation adjustments.

New Accounting Pronouncements

Note 1-Significant Accounting Policies--(Continued)

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("FAS 133"), "Accounting for Derivative Instruments and Hedging Activities". In May 1999, the FASB voted to delay the effective date of FAS 133 by one year. The Company will be required to adopt FAS 133 for transactions entered into for quarters in the fiscal year beginning after December 30, 2000. FAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of the hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings. The Company is in the process of determining the impact that the adoption of FAS 133 will have on its results of operations and financial position.

Note 2-Earnings Per Share

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

	Years ended		
	December 25, 1999	December 26, 1998	December 27, 1997
Basic	40,585	39,305	37,531
Effect of assumed conversion of employee stock options	853	2,244	-
Diluted	41,438	41,549	37,531

Options to purchase approximately 2,485,000, 772,000 and 4,135,000 shares of common stock at prices ranging from $24.56 to $46.00, $39.88 to $46.00 and $4.21 to $36.18 per share were outstanding during portions of 1999, 1998, and 1997, respectively, but were not included in the computation of diluted earnings per share for each of the respective years because they were anti-dilutive.

(In thousands, except share data)

Note 3-Property and Equipment Net

Major classes of property and equipment consist of the following:

	December 25, 1999	December 26, 1998
Land	$ 1,257	$ 795
Buildings and leasehold improvements	37,543	25,626
Machinery and warehouse equipment	24,117	26,102
Furniture, fixtures and other	25,430	22,362
Computer equipment and software	58,982	46,517
	147,329	121,402
Less accumulated depreciation and amortization	60,702	53,756
Net property and equipment	$ 86,627	$ 67,646

Equipment held under capital leases amounted to approximately $2,541 and $1,195 as of December 25, 1999 and December 26, 1998 (See Note 13(b)).

Note 4-Goodwill and Other Intangibles, Net

Goodwill and other intangibles consist of the following:

	December 25, 1999	December 26, 1998
Goodwill	$ 314,353	$ 155,976
Other	12,116	10,575
	326,469	166,551
Less accumulated amortization	31,356	18,123
	$ 295,113	$ 148,428

Goodwill represents the excess of the purchase price of acquisitions over the fair value of identifiable net assets acquired. During 1999, the increase in goodwill was primarily due to eight acquisitions, including the purchase of six companies which totaled approximately $149,166 which included $38,972 of acquired goodwill, the minority interests of two subsidiaries, which totaled approximately $1,272 and additional purchase price consideration of approximately $7,939 for one current year and five prior year acquisitions. Other intangibles include covenants not to compete, computer programming costs, customer lists and deferred acquisition costs. In connection with certain acquisitions, the Company has determined that the goodwill of certain acquisitions was impaired in 1998 (see Note 6).

(In thousands, except share data)

Note 5-Investments and Other

Investments and other consist of:

	December 25, 1999	December 26, 1998
Investments in unconsolidated affiliates	$ 12,852	$ 12,856
Long term notes receivable	19,770	16,599
Other	10,931	11,982
	$ 43,553	$ 41,437

The Company's investments are predominately 50% owned unconsolidated affiliates consisting of various companies involved in the healthcare distribution business and HS Pharmaceutical, Inc., which manufactures and distributes generic pharmaceuticals. As of December 25, 1999, the Company's investments in unconsolidated affiliates were $3,246 more than the Company's proportionate share of the underlying equity of these affiliates. This amount, which has been treated as goodwill, is being amortized over 30 years and charged to equity in the operating results of these companies. As of December 25, 1999, approximately $7,364 of the Company's retained earnings represented undistributed earnings of affiliates. Combined financial data for substantially all of these companies are as follows:

	December 25, 1999	December 26, 1998
Current assets	$ 46,233	$ 51,683
Total assets	71,619	76,238
Liabilities	56,154	57,356
Stockholders' equity	15,465	18,882

	Years ended		
	December 25, 1999	December 26, 1998	December 27, 1997
Net sales	$ 112,746	$ 114,788	$ 98,954
Operating income (loss)................................	(3,530)	2,589	7,303
Net income (loss)......................................	(5,230)	541	4,841

Note 6-Business Acquisitions

The Company has completed the acquisition of 38 healthcare distribution and technology businesses between 1997 and 1999, the most significant of which were; (i) in transactions accounted for under the purchase method of accounting during 1999; General Injectables and Vaccines, Inc. ("GIV") through the purchase of all of the outstanding common stock of Biological Popular Culture, Inc., a leading independent direct marketer of vaccines and other injectables to office based practitioners throughout the United States; and the Heiland Group GmbH ("Heiland"), the largest direct marketer of healthcare supplies to the medical, dental, and veterinarian office-based practitioners, in Germany; and (ii) in transactions accounted for under the pooling of interests method of accounting during 1998 and 1997, respectively; the H. Meer Dental Supply Co., Inc, ("Meer") a distributor of consumable dental supplies and equipment with sales and service centers located throughout the United States; Sullivan Dental Products, Inc. ("Sullivan"), distributor of consumable dental supplies and dental equipment with 52 sales and service centers located throughout the United States; Micro Bio-Medics, Inc. ("MBMI"), a distributor of medical supplies to physicians and hospitals as well as to other healthcare professionals nationwide; and Dentrix Dental Systems, Inc. ("Dentrix"), a leading provider of clinically-based dental practice management systems.

GIV and Heiland had 1998 net sales of approximately $120,000 and $130,000, respectively. The purchase price and resultant goodwill, which is being amortized over 20 years, for these acquisitions was approximately $65,000 and $47,400, and $60,400 and $55,800, respectively (see Note 8(a)). The acquisition agreements for GIV and Heiland provide for additional consideration of up to $20,000 per year through 2004, not to exceed $75,000 in total, and $3,900 per year through 2001, respectively, to be paid if certain sales and profitability targets are met. The GIV acquisition agreement also provides for additional consideration of $5,400 based upon sales of new products, as defined.

Pursuant to the respective merger agreements for Meer, Sullivan, MBM and Dentrix, which were completed on August 14, 1998, November 12, 1997, August 1, 1997 and February 28, 1997, the Company issued approximately 2,974,000, 7,594,900, 3,231,400 and 1,070,000 shares of its Common Stock with aggregate market values (on their respective closing dates) of approximately $132,700, $266,800, $122,800 and $29,400, respectively, and assumed and exchanged all options to purchase Sullivan and MBMI stock for options to purchase 1,192,000 and 1,117,000, respectively, of the Company's Common Stock. Prior to its acquisition by the Company, Meer elected to be taxed as an S Corporation under the Internal Revenue Code. Accordingly, the current taxable income or loss of Meer was attributable to its shareholders. Since its acquisition, Meer has been taxed as a regular corporation. For the years ended December 26, 1998 and December 27, 1997, pro forma adjustments have been made to the restated statements of operations to reflect the income tax provisions and recoveries that would have been provided for had Meer been subject to income taxes in prior years.

Note 6-Business Acquisitions--(Continued)

Additionally, during 1999, the Company acquired six other companies, which had total sales in 1998 of approximately $74,000, that were accounted for under the purchase method of accounting. The total purchase price of the six companies acquired was approximately, $11,800 and the resulting goodwill of $8,266 is being amortized over 30 years. The Company also acquired one company which is being accounted for under the pooling of interests method of accounting which was not material. In connection with this acquisition, the Company issued 189,833 shares of its Common Stock with an aggregate market value of $6.4 million.

During 1998, the Company acquired four other businesses, with aggregate net sales for 1997 of approximately $85,000, three of which were accounted for under the pooling of interests method of accounting, with the remaining acquisition of a 50.1% ownership interest being accounted for under the purchase method of accounting. The total amount of cash paid (for the purchased businesses) and the value of the Company's Common Stock issued in connection with three of these acquisitions was approximately $6,800 and approximately $18,400, respectively. In connection with one of the acquisitions, the Company issued shares of a subsidiary, with rights equivalent to those of the Company's Common Stock, which are exchangeable into 603,500 shares of the Company's Common Stock, at each shareholders' option, and had an aggregate value of approximately $24,000.

During 1997, the Company acquired 21 other businesses, three of which were accounted for under the pooling of interests method of accounting, with the remainder being accounted for under the purchase method of accounting (15 for 100% ownership interests and three for majority ownership interests). The total amount of cash paid and promissory notes issued, and the value of the Company's Common Stock issued in connection with these acquisitions was $40,798 and $34,000, respectively.

The financial statements have been restated to give retroactive effect to the Meer, Sullivan, MBMI and Dentrix transactions only, as the remaining pooling transactions were not material and have been included in the consolidated financial statements from the beginning of the quarter in which the acquisitions occurred. Results of operations of the business acquisitions accounted for under the purchase method of accounting had been included in the consolidated financial statements commencing with their respective acquisition dates.

During 1997, pursuant to a shareholders' agreement, certain minority shareholders of a subsidiary of the Company exercised their option to sell their shares in the subsidiary to the Company. The value of the shares put to the Company was approximately $11,800, of which approximately $3,200 was paid for in cash, with the remainder payable over two years in equal annual installments.

The Company has incurred certain direct costs in connection with the aforementioned acquisitions accounted for under the pooling of interests method of accounting and the integration of these and certain other acquired businesses into the Company's infrastructure. These costs, which have been classified as merger and integration costs are as follows:

(In thousands, except share data)

Note 6-Business Acquisitions-(Continued)

	Years ended		
	December 25, 1999	December 26, 1998	December 27, 1997
Direct transaction costs (1)	$ 4,032	$ 7,100	$ 13,300
Integration costs:			
Severance and other direct costs	3,437	12,366	9,879
Costs associated with the closure of distribution centers (2)	5,583	15,400	7,100
Long-lived asset write-off and impairment (3)	415	13,500	8,600
Signing bonuses (4)	-	8,300	11,900
Total integration costs	9,435	49,566	37,479
Total merger and integration costs	$ 13,467	$ 56,666	$ 50,779

- --

(1) Primarily investment banking and professional fees, including $3,533 related to Meer in 1999 (primarily legal fees resulting from the acquisition).
(2) Primarily rent and consulting fees.
(3) Consists of write-offs of duplicate management information systems, other assets and goodwill of $3,724 in 1998 (primarily associated with the consolidation of the dental business under one national infrastructure) and $4,000 in 1997 (primarily associated with the consolidation of the medical business under one national infrastructure). The reduction in goodwill was based on the expected loss of customers and resulting decrease in cashflows derived from such customers on a pre-acquisition basis.
(4) Signing bonuses and stay pay packages to sales force and certain senior management directly related to the mergers.

The following table shows amounts paid and charged against the merger and integration accrual.

	Balance at Beginning of Period	Provision	Payments	Applied Against Long-Lived Assets(1)	Adjustments to Reflect Actual Costs	Balance at End of Period
Year ended December 27, 1997:						
Severance and other direct costs	$ --	$ 9,879	$ (3,008)	$ --	--	$ 6,871
Direct transaction and other integration costs	--	40,900	(23,975)	(6,740)	--	10,185
	$ --	$ 50,779	$(26,983)	$ (6,740)	$ --	$ 17,056
Year ended December 26, 1998:						
Severance and other direct costs	$ 6,871	$ 12,366	$(11,294)	$ --	$ --	$ 7,943
Direct transaction and other integration costs	10,185	44,300	(31,185)	(9,251)	--	14,049
	17,056	$ 56,666	$(42,479)	$ (9,251)	$ --	$ 21,992
Year ended December 25, 1999:						
Severance and other costs	$ 7,943	$ 4,721	$ (9,686)	$ --	$ (1,284)	$ 1,694
Direct transaction and other integration costs	14,049	8,340	(9,156)	(6,524)	1,690	8,399
	$ 21,992	$ 13,061	$(18,842)	$ (6,524)	$ 406	$ 10,093

(1) to reflect specific write-offs relating to amounts previously provided.

(In thousands, except share data)

Note 6-Business Acquisitions-(Continued)

As a result of the acquisitions and integration of these and certain other businesses into the Company's infrastructure 870 employees were terminated through December 25, 1999. Of the 870 terminated employees, 129 received severance payments during 1997, 502 received severance payments during 1998, 206 received severance payments during 1999 and 33 were owed severance at December 25, 1999.

The summarized unaudited pro forma results of operations set forth below for 1999 and 1998 assume the acquisitions, which were accounted for under the purchase method of accounting, occurred as of the beginning of each of these periods.

	December 25, 1999	December 26, 1998
Net sales	$ 2,290,230	$ 2,278,755
Net income (1)	$ 50,353	$ 11,657
Net income per common share:		
Basic	$ 1.24	$ 0.30
Diluted	$ 1.22	$ 0.28
Pro forma net income, reflecting adjustment for income tax expense on previously untaxed earnings of Meer		$ 9,078
Pro forma net income per common share:		
Basic		$ 0.23
Diluted		$ 0.22

- --------------

(1)Includes merger and integration costs of approximately $13,467 and the related tax benefit of $3,983 in 1999 and $56,666 and related tax benefit of $12,591 in 1998, respectively.

Pro forma adjusted net income per common share, including acquisitions, may not be indicative of actual results, primarily because the pro forma earnings include historical results of operations of acquired entities and do not reflect any cost savings or potential sales erosion that may result from the Company's integration efforts.

(In thousands, except share data)

Note 7-Bank Credit Lines

At December 25, 1999, certain subsidiaries of the Company had available various bank credit lines totaling approximately $53,241 expiring through December 2002. Borrowings of $41,527 under these credit lines at interest rates ranging from 3.93% to 8.25% were collateralized by accounts receivable, inventory and property and equipment with an aggregate net book value of $85,269 at December 25, 1999.

Note 8--Long-Term Debt

Long-term debt consists of:

	December 25, 1999	December 26, 1998
Private Placement Loans (a)	$ 230,000	$ 100,000
Borrowings under Revolving Credit Agreement (b)	53,664	68,969
Notes payable for business acquisitions (c)	2,436	6,937
Notes payable to banks, interest variable (7.5% at December 25, 1999), payable in quarterly installments ranging from $19 to $24 through 2016, secured by inventory and accounts receivable in the amount of $35,870	25,208	4,050
Mortgage payable to bank in quarterly installments of $13 interest at 4.4% through 2013, collateralized by a building with a net book value of $1,039 and various notes and loans payable with interest, in varying installments through 2007, uncollateralized	7,338	7,692
Capital lease obligations in various installments through fiscal 2006; interest at 6.5% to 10% or varies with prime rate	3,451	2,431
Total	322,097	190,079
Less current maturities	3,879	9,634
Total long-term debt	$ 318,218	$ 180,445

(a) Private Placement Loans

On June 30, 1999, the Company completed a private placement transaction under which it issued $130,000 in Senior Notes, the proceeds of which were used for the permanent financing of its acquisitions of GIV and Heiland, as well as repaying and retiring a portion of four uncommitted bank lines. The notes come due on June 30, 2009 and bear interest at a rate of 6.94% per annum. Interest is payable semi-annually.

On September 25, 1998, the Company completed a private placement transaction under which it issued $100,000 in Senior Notes, the proceeds of which were used to pay down amounts owed under its revolving credit facility. Principal payments totaling $20,000 are due annually starting September 25, 2006 through 2010. The notes bear interest at a rate of 6.66% per annum. Interest is payable semi-annually.

(In thousands, except share data)

Note 8-Long-Term Debt--(Continued)

(b) Revolving Credit Agreement

On August 15, 1997, the Company entered into an amended revolving credit agreement which, among other things, increased the maximum available borrowings to $150,000 from $100,000 and extended the term of the agreement to August 15, 2002. The interest rate on any borrowings under the agreement is based on prime or LIBOR as defined in the agreement, which were 8.50%, and 6.19%, respectively, at December 25, 1999. The borrowings outstanding at December 25, 1999 were at interest rates ranging from 4.25% to 6.94%. The agreement provides for a sliding scale fee ranging from 0.1% to 0.3%, based upon certain financial ratios, on any unused portion of the commitment. The agreement also provides, among other things, that the Company will maintain, on a consolidated basis, as defined, a minimum tangible net worth; current, cash flow, and interest coverage ratios; a maximum leverage ratio; and contains restrictions relating to annual dividends in excess of $500, guarantees of subsidiary debt, investments in subsidiaries, mergers and acquisitions, liens, capital expenditures, certain changes in ownership and employee and shareholder loans.

(c) Notes Payable for Business Acquisitions

In May 1997, a subsidiary of the Company entered into a term loan for $8,299 to acquire the remaining minority interests of a foreign subsidiary. The loan is denominated in British Pounds, and interest is payable quarterly at 5.5%. In 1998 the Company paid $4,478 and the remaining amount due was paid during 1999.

In October 1997, the Company entered into a Netherlands Guilder (NLG) loan in the amount of 6.5 million NLG. The loan serves to hedge the repayment of an intercompany loan in the same amount, denominated in NLG, due from a Dutch subsidiary. The NLG loan calls for periodic payments and a balloon payment of 4.1 million NLG in January 2002. Interest is payable quarterly at a rate of 5.28% per annum, plus a margin. The agreement also provides for the same financial covenants and restrictions as the revolving credit agreement.

As of December 25, 1999, the aggregate amounts of long-term debt maturing in each of the next five years are as follows: 2000 - $3,879; 2001 - $5,648; 2002 - $65,923; 2003 - $2,524; 2004 - $2,020.

Note 9--Taxes on Income

Taxes on income are based on income before taxes on income, minority interest and equity in earnings (losses) of affiliates as follows:

	Years ended		
	December 25, 1999	December 26, 1998	December 27, 1997
Domestic	$ 84,877	$ 31,959	$ 10,785
Foreign	4,906	4,055	2,130
Total	$ 89,783	$ 36,014	$ 12,915

(In thousands, except share data)

Note 9-Taxes on Income--(Continued)

The provision for taxes on income was as follows:

	Years ended		
	December 25, 1999	December 26, 1998	December 27, 1997
Current tax expense:			
U.S. Federal	$ 28,137	$ 15,339	$ 18,019
State and local	5,579	1,412	2,455
Foreign	1,860	3,389	1,116
Total current	35,576	20,140	21,590
Deferred tax expense (benefit):			
U.S. Federal	954	657	(3,954)
State and local	(1,338)	304	(78)
Foreign	397	(776)	112
Total deferred	13	185	(3,920)
Total provision	$ 35,589	$ 20,325	$ 17,670

The tax effects of temporary differences that give rise to the Company's deferred tax asset (liability) are as follows:

	December 25, 1999	December 26, 1998
Current deferred tax assets:		
Inventory, premium coupon redemptions and accounts receivable valuation allowances	$ 8,062	$ 6,645
Uniform capitalization adjustments to inventories	3,979	2,613
Other accrued liabilities	3,479	5,274
Total current deferred tax asset	15,520	14,532
Non-current deferred tax asset (liability):		
Property and equipment	(4,659)	(3,581)
Provision for other long-term liabilities	(2,769)	(2,721)
Net operating loss carryforward	91	91
Net operating losses of foreign subsidiaries	3,672	2,482
Total non-current deferred tax liability	(3,665)	(3,729)
Valuation allowance for non-current deferred tax assets	(3,697)	(2,549)
Net non-current deferred tax liabilities	(7,362)	(6,278)
Net deferred tax asset	$ 8,158	$ 8,254

The net deferred tax asset is realizable as the Company has sufficient taxable income in prior years to realize the tax benefit for deductible temporary differences. The non-current deferred liability is included in Other liabilities on the Consolidated Balance Sheets.

(In thousands, except share data)

Note 9-Taxes on Income--(Continued)

At December 25, 1999, the Company has net operating loss carryforwards for Federal income tax purposes of $718, which are available to offset future Federal taxable income through 2010. Foreign net operating losses totaled $9,919 at December 25, 1999. Such losses can be utilized against future foreign income. These losses expire between 2000 and 2005, with $1,573 expiring in 2000.

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

	Years ended		
	December 25, 1999	December 26, 1998	December 27, 1997
Provision at Federal statutory rate	$ 31,425	$ 12,741	$ 4,877
State income taxes, net of Federal income tax effect	2,757	1,109	1,630
Net foreign and domestic losses for which no tax benefits are available	196	386	167
Foreign income taxed at other than the Federal statutory rate	38	17	(2)
Deferred tax benefit arising from termination of S Corporation election of an acquired company	-	(2,000)	-
Tax effect of S Corporation	-	(579)	406
Non-deductible merger and integration costs	1,329	8,814	10,752
Other	(156)	(163)	(160)
Income tax provision	$ 35,589	$ 20,325	$ 17,670

Provision has not been made for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries. Those earnings have been and will continue to be reinvested. These earnings could become subject to additional tax if they were remitted as dividends, if foreign earnings were loaned to the Company or a U.S. affiliate, or if the Company should sell its stock in the foreign subsidiaries. It is not practicable to determine the amount of additional tax, if any, that might be payable on the foreign earnings; however, the Company believes that foreign tax credits would substantially offset any U.S. tax. At December 25, 1999, the cumulative amount of reinvested earnings was approximately $9,790.

Note 10--Financial Instruments and Credit Risk Concentrations

(a) Financial Instruments

To reduce its exposure to fluctuations in foreign currencies and interest rates, the Company is party to foreign currency forward contracts and interest rate swaps with major financial institutions.

While the Company is exposed to credit loss in the event of nonperformance by the counter parties of these contracts, the Company does not anticipate nonperformance by the counter parties. The Company does not require collateral or other security to support these financial instruments.

Note 10-Financial Instruments and Credit Risk Concentrations--(Continued)

As of December 25, 1999, the Company had outstanding foreign currency forward contracts aggregating $10,800 related to debt and the purchase and sale of merchandise. The contracts hedge against currency fluctuations of Deutsche Mark ($800), British Pounds ($8,200), Swiss Francs ($500) and Australian dollars ($1,300). At December 25, 1999, the Company had net deferred losses from foreign currency forward contracts of $322. The contracts expire at various dates through February 2001.

As of December 25, 1999, the Company had $13,000 outstanding in interest rate swaps. These swaps are used to convert floating rate debt relating to the Company's revolving credit agreement, to fixed rate debt to reduce the Company's exposure to interest rate fluctuations. The net result was to substitute a weighted average fixed interest rate of 7.2% for the variable LIBOR rate on $13,000 of the Company's debt. The swaps expire in December 2003 and December 2004. Under the interest rate environment during the year ended December 25, 1999, the net fair value of the Company's interest rate swap agreements resulted in a recognized loss of $263.

(b) Concentrations of Credit Risk

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of trade receivables and short-term cash investments. The Company places its short-term cash investments with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to a large customer base and its dispersion across different types of healthcare professionals and geographic areas. The Company maintains an allowance for losses based on the expected collectability of all receivables. Included in Accounts receivable at December 25, 1999 and December 26, 1998 is $3,998 and $10,791, respectively, related to Easy Dental(R) Plus software sales with non-interest bearing extended payment terms. Total unamortized discounts at December 25, 1999 and December 26, 1998 amounted to $348 and $293 based on an imputed interest rate of 8.50% and 7.75%, respectively. Included in interest income for the years ended December 25, 1999, December 26, 1998 and December 27, 1997 was approximately $45, $737 and $1,216, respectively, of imputed interest relating to these non-interest bearing extended payment term receivables.

Note 11-Segment and Geographic Data

The Company has two reportable segments: healthcare distribution and technology. The healthcare distribution segment which is comprised of the Company's dental, medical, veterinary and international business groups, distributes healthcare products (primarily consumable) and services to office based healthcare practitioners and professionals in the combined North American, European and the Pacific Rim markets. The technology segment consists primarily of the Company's practice management software business and certain other value-added products and services which are distributed primarily to healthcare professionals in the North American market.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates segment performance based on operating income.

The Company's reportable segments are strategic business units that offer different products and services, albeit to the same customer base. Most of the technology business was acquired as a unit, and the management at the time of acquisition was retained. The following table presents information about the Company's business segments:

(In thousands, except share data)

Note 11-Segment and Geographic Data--(Continued)

	Years ended		
	December 25, 1999	December 26, 1998	December 27, 1997
Net Sales:			
Healthcare distribution (1):			
Dental	$ 1,049,634	$ 1,083,994	$ 999,456
Medical	712,707	515,728	441,015
Veterinary	52,286	48,307	40,843
International (2)	404,186	230,999	181,239
Total healthcare distribution	2,218,813	1,879,028	1,662,553
Technology (3)	66,887	42,657	35,943
	$ 2,285,700	$ 1,921,685	$ 1,698,496

- --------------

(1)Consists of consumable products, small equipment, laboratory products, large dental equipment, branded and generic pharmaceuticals, surgical products, diagnostic tests, infection control and vitamins.
(2)Consists of products sold in Dental, Medical and Veterinary groups in European and Pacific Rim markets.
(3)Consists of practice management software and other value-added products and services.

(In thousands, except share data)

Note 11-Segment and Geographic Data--(Continued)

	Years ended December 25, 1999	December 26, 1998	December 27, 1997
Operating Income:			
Healthcare distribution (includes merger and integration costs of $13,467, $55,688 and $43,911, respectively)	$ 80,467	$ 24,183	$ 4,970
Technology (includes merger integration costs of $0, $978 and $6,868 respectively)	25,298	15,347	6,860
Total	$ 105,765	$ 39,530	$ 11,830
Interest Income:			
Healthcare distribution	$ 7,811	$ 6,198	$ 6,011
Technology	1,534	1,373	1,417
Total	$ 9,345	$ 7,571	$ 7,428
Interest Expense:			
Healthcare distribution	$ 24,785	$ 12,585	$ 7,632
Technology	376	72	86
Total	$ 25,161	$ 12,657	$ 7,718

	December 25, 1999	December 26, 1998	December 27, 1997
Total Assets:			
Healthcare distribution	$ 1,134,312	$ 935,573	$ 769,258
Technology	110,563	42,371	41,844
Total	$ 1,244,875	$ 977,944	$ 811,102
Depreciation and Amortization:			
Healthcare distribution	$ 26,355	$ 19,341	$ 15,071
Technology	1,918	643	659
Total	$ 28,273	$ 19,984	$ 15,730
Capital Expenditures:			
Healthcare distribution	$ 32,639	$ 32,664	$ 21,514
Technology	1,910	857	348
Total	$ 34,549	$ 33,521	$ 21,862

(In thousands, except share data)

Note 11-Segment and Geographic Data--(Continued)

The following table reconciles segment totals to consolidated totals as of, and for the years ending December 25, 1999, December 26, 1998 and December 27, 1997:

	1999	1998	1997
Total Assets:			
Total assets for reportable segments	$ 1,244,875	$ 977,944	$ 811,102
Receivables due from healthcare distribution segment	(40,773)	(15,904)	(7,156)
Consolidated total assets	$ 1,204,102	$ 962,040	$ 803,946
Interest Income:			
Total interest income for reportable segments	$ 9,345	$ 7,571	$ 7,428
Interest on receivables due from healthcare distribution segment ..	(1,369)	(566)	(75)
Interest on receivables due from technology segment	(199)	(41)	-
Total consolidated interest income	$ 7,777	$ 6,964	$ 7,353
Interest Expense:			
Total interest expense for reportable segments	$ 25,161	$ 12,657	$ 7,718
Interest on payables due to healthcare distribution segment	(199)	(41)	-
Interest on payables due to technology segment	(1,369)	(566)	(75)
Total consolidated interest expense	$ 23,593	$ 12,050	$ 7,643

The following table presents information about the Company by geographic area as of, and for the years ending December 25, 1999, December 26, 1998 and December 27, 1997. There were no material amounts of sales or transfers among geographic areas and there were no material amounts of United States export sales.

	1999		1998		1997	
	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets
North America	$1,904,924	$ 249,524	$ 1,710,968	$ 174,917	$ 1,533,096	$ 163,418
Europe	352,385	124,664	200,066	34,021	165,400	30,584
Pacific Rim	28,391	7,552	10,651	7,136	-	-
Consolidated Total ...	$2,285,700	$ 381,740	$ 1,921,685	$ 216,074	$ 1,698,496	$ 194,002

Note 12-Employee Benefit Plans

(a) Stock Compensation Plan

The Company established the 1994 Stock Option Plan for the benefit of certain employees. As amended in May 1999, pursuant to this plan the Company may issue up to approximately 5,180,000 shares of its Common Stock. The Plan provides for two classes of options: Class A options and Class B options. A maximum of 237,897 shares of Common Stock may be covered by Class A options. Both incentive and non-qualified stock options may be issued under the Plan.

(In thousands, except share data)

Note 12-Employee Benefit Plans--(Continued)

In 1995, Class A options to acquire 237,897 common shares were issued to certain executive management at an exercise price of $4.21 per share, substantially all of which became exercisable upon the closing of the Company's initial public offering which was on November 3, 1995. The exercise price of all Class B options issued has been equal to the market price on the date of grant and accordingly no compensation cost has been recognized. Substantially all Class B options become exercisable up to the tenth anniversary of the date of issuance, subject to acceleration upon termination of employment.

On May 8, 1996, the Company's stockholders approved the 1996 Non-Employee Director Stock Option Plan, under which the Company may grant options to each director who is not also an officer or employee of the Company, for up to 50,000 shares of the Company's Common Stock. The exercise price and term, not to exceed 10 years, of each option is determined by the plan committee at the time of the grant. During 1999, 1998 and 1997, 13,000, 3,000 and 2,000 options, respectively were granted to certain non-employee directors at exercise prices which were equal to the market price on the date of grant.

Additionally, in 1997 as a result of the Company's acquisition of Sullivan and MBMI, the Company assumed their respective stock option plans (the "Assumed Plans"). Options granted under the Assumed Plans are exercisable for up to ten years from the date of grant at prices not less than the fair market value of the respective acquirees' common stock at the date of grant, on a converted basis.

A summary of the status of the Company's two fixed stock option plans and the Assumed Plans, and the related transactions for the years ended December 25, 1999, December 26, 1998 and December 27, 1997 is presented below:

	1999		1998		1997	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	4,434,173	$ 25.89	4,134,577	$ 18.19	2,713,255	$ 11.68
Granted	1,447,935	17.35	1,339,362	39.01	1,758,918	27.45
Exercised	(226,304)	36.22	(971,175)	10.95	(279,363)	12.60
Forfeited	(216,464)	36.76	(68,591)	30.80	(58,233)	23.25
Outstanding at end of year	5,439,340	$ 23.53	4,434,173	$ 25.89	4,134,577	$ 18.19
Options exercisable at year end	3,593,439	$ 23.62	2,725,828	$ 19.63	2,755,010	$ 13.24
Weighted-average fair value of options granted during the year ..		$ 9.85		$ 17.17		$ 17.68

(In thousands, except share data)

Note 12-Employee Benefit Plans--(Continued)

The following table summarizes information about stock options outstanding at December 25, 1999:

	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
Range of Exercise Prices					
$ 4.21 to $ 16.00	1,929,322	5.2	$ 11.46	1,204,031	$ 11.23
$16.13 to $ 27.00	1,662,580	7.3	22.20	1,143,753	22.38
$29.00 to $ 46.00	1,847,438	8.0	37.34	1,245,655	36.75
	5,439,340	6.7	$ 23.53	3,593,439	$ 23.62

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Pro forma information regarding net income and earnings per share is required by FAS 123, and has been determined as if the Company and its acquired subsidiaries had accounted for its employee stock options under the fair value method of FAS 123. The weighted average fair value of options granted during 1999, 1998 and 1997 was $9.85, $17.17 and $17.68, respectively. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 1999, 1998 and 1997, risk-free interest rates of 5.6% for 1999 and 5.5% for 1998 and 1997; volatility factor of the expected market price of the Company's Common Stock of 45.8% for 1999 and 30% for 1998 and 1997, and a weighted-average expected life of the option of 10 years.

Under the accounting provisions of FAS 123, the Company's net income (loss) and earnings (loss) per share for the years ended December 25, 1999, December 26, 1998 and December 27, 1997 would have been adjusted to the pro forma amounts indicated below:

	1999	1998	1997
Net income (loss)	$ 43,012	$ 9,615	$ (15,014)
Net income (loss) per common share:			
Basic	$ 1.06	$ 0.24	$ (0.40)
Diluted	$ 1.04	$ 0.23	$ (0.40)
Net income (loss), reflecting special adjustments (1)		$ 7,036	$ (14,608)
Net income (loss), per common share to reflect special adjustments (1):			
Basic		$ 0.18	$ (0.39)
Diluted		$ 0.17	$ (0.39)

- --------------------------------

(1) Special adjustments include adjustments for income tax provisions and benefits on previously untaxed losses of Meer.

(In thousands, except share data)

Note 12-Employee Benefit Plans--(Continued)

(b) Profit Sharing Plans

Prior to April 1, 1998, the Company had qualified contributory and noncontributory 401(k) and profit sharing plans, respectively, for eligible employees. As of April 1, 1998, the Company's profit sharing plan was merged into its 401(k) plan. Assets of the profit sharing plan are now held in self-directed accounts within the 401(k) plan. Contributions to the plans were determined by the Board of Directors and charged to operations during 1999, 1998 and 1997 amounted to $6,517, $6,033 and $5,300, respectively.

(c) Employee Stock Ownership Plan (ESOP)

In 1994, the Company established an ESOP and a related trust as a benefit for substantially all of its domestic employees. This plan supplemented the Company's Profit Sharing Plan. Charges to operations related to this plan were $2,283, $1,400 and $1,226 for 1999, 1998 and 1997, respectively. Under this plan, the Company issued 101,233 and 34,720 shares of the Company's Common Stock to the trust in 1999 and 1998 to satisfy the 1998 and 1997 contribution. The Company expects to fund the 1999 contribution in 2000 with shares of the Company's Common Stock. As of April 1, 1998 the Company's ESOP was merged into its 401(k) plan. Shares of the Company's Common Stock are held in trust by the 401(k) plan.

(d) Supplemental Executive Retirement Plan

In 1994, the Company instituted an unfunded non-qualified supplemental executive retirement plan for eligible employees. The increase in value which was charged to operations, were $617, $283 and $112 for 1999, 1998 and 1997, respectively.

Note 13-Commitments and Contingencies

(a) Operating Leases

The Company leases facilities and equipment under noncancelable operating leases expiring through 2011. Management expects that in the normal course of business, leases will be renewed or replaced by other leases.

Future minimum annual rental payments under the noncancelable leases at December 25, 1999 are as follows:

2000	$ 24,637
2001	20,987
2002	16,818
2003	13,653
2004	12,339
Thereafter	33,430
Total minimum lease payments	$121,864

Total rental expense for 1999, 1998 and 1997 was $25,798, $19,130, and $19,537, respectively.

(In thousands, except share data)

Note 13-Commitments and Contingencies --(Continued)

(b) Capital Leases

The Company leases certain equipment under capital leases. The following is a schedule by years of approximate future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments at December 25, 1999.

2000	$ 1,188
2001	797
2002	414
2003	333
2004	259
Thereafter	1,329
Total minimum lease payments	4,320
Less: Amount representing interest at 6.5% to 10%	(869)
	$ 3,451

(c) Litigation

The manufacture or distribution of certain products by the Company involves a risk of product liability claims, and from time to time the Company is named as a defendant in products liability cases as a result of its distribution of pharmaceutical and other healthcare products. As of December 25, 1999, the Company was named a defendant in approximately fifty such cases. Of these product liability claims, thirty-eight involve claims made by healthcare workers who claim allergic reaction relating to exposure to latex gloves. In each of these cases, the Company acted as a distributor of both brand name and "Henry Schein" private brand latex gloves, which were manufactured by third parties. To date, discovery in these cases has generally been limited to product identification issues. The manufacturers in these cases have withheld indemnification of the Company pending product identification; however, the Company is taking steps to implead those manufacturers into each case in which the Company is a defendant. The Company is also a named defendant in nine lawsuits involving the sale of phentermine and fenfluramin. Plaintiffs in the cases allege injuries from the combined use of the drugs known as "Phen/fen." The Company expects to obtain indemnification from the manufacturers of these products, although this is dependent upon the financial viability of the manufacturer and insurer.

In addition, the Company is subject to other claims, suits and complaints, which arise in the course of the Company's business. In Texas District Court, Travis County, the Company, and one of its subsidiaries, are defendants in a matter entitled Shelly E. Stromboe & Jeanne N. Taylor, on Behalf of Themselves and All Other Similarly Situated vs. Henry Schein, Inc., Easy Dental Systems, Inc. and Dentisoft, Inc. Case No. 98-00886. This complaint alleges among other things, negligence, breach of contract, fraud and violations of certain Texas Commercial Statutes involving the sale of certain practice management software products sold prior to 1998 under the Easy Dental name. In October 1999, the Court, on motion, certified both a Windows Sub-Class and a DOS Sub-Class to proceed as a class action pursuant to Tex. R.Civ. P.42. It is estimated that 5,000 Windows customers and 15,000 DOS customers could be covered by the judge's ruling. The Company has filed an appeal of the Court's determination, during which time a trial on the merits is stayed. The Company intends to vigorously defend itself against this claim, as well as all other claims, suits and complaints.

(In thousands, except share data)

Note 13-Commitments and Contingencies--(Continued)

The Company has various insurance policies, including product liability insurance covering risks and in amounts it considers adequate. In many cases the Company is provided by indemnification by the manufacturer of the product. There can be no assurance that the coverage maintained by the Company is sufficient to cover all future claims or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide adequate protection for the Company. The Company intends to vigorously defend all such claims, suits and complaints. In the opinion of the Company, all such pending matters are covered by insurance or are of such kind, or involve such amounts, as would not have a material adverse effect on the financial statements of the Company if disposed of unfavorably.

(d) Employment, Consulting and Noncompete Agreements

The Company has employment, consulting and noncompete agreements expiring through 2004 (except for a lifetime consulting agreement with a principal stockholder which provides for initial compensation of $283 per year, increasing $25 every fifth year beginning in 2002). The agreements provide for varying base aggregate annual payments of approximately $4,337 per year which decrease periodically to approximately $424 per year. In addition, some agreements have provisions for incentive and additional compensation.

Note 14-Supplemental Cash Flow Information

Cash paid for interest and income taxes amounted to the following:

	Years Ended		
	December 25, 1999	December 26, 1998	December 27, 1997
Interest	$ 19,528	$ 10,047	$ 8,354
Income taxes	$ 23,266	$ 15,420	$ 13,055

In conjunction with business acquisitions, the Company used cash as follows:

	Years Ended		
	December 25, 1999	December 26, 1998	December 27, 1997
Fair value of assets acquired, excluding cash	$ 239,278	$ 22,725	$ 74,035
Less liabilities assumed and created upon acquisition	106,726	8,842	31,768
Net cash paid	$ 132,552	$ 13,883	$ 42,267

(In thousands, except share data)

Note 15-Quarterly Information (Unaudited)

The following presents certain unaudited quarterly financial data:

	Quarters ended			
	March 27, 1999	June 26, 1999	September 25, 1999	December 25, 1999
Net Sales	$ 536,335	$ 559,310	$ 578,794	$ 611,261
Gross profit	163,417	174,050	173,964	186,925
Operating income	21,445	26,778	26,519	31,023
Net income	9,913	13,337	11,523	15,539
Net income per share:				
Basic	$ 0.25	$ 0.33	$ 0.28	$ 0.38
Diluted	$ 0.24	$ 0.32	$ 0.28	$ 0.38

	Quarters ended			
	March 28, 1998	June 27, 1998	September 26, 1998	December 26, 1998
Net Sales	$ 450,342	$ 475,992	$ 492,631	$ 502,720
Gross profit	136,707	149,583	153,699	161,835
Operating income	10,937	14,312	4,828	9,453
Net income	6,113	7,822	2,306	86
Net income per share:				
Basic	$ 0.16	$ 0.20	$ 0.06	$ 0.00
Diluted	$ 0.15	$ 0.19	$ 0.06	$ 0.00

The Company's business is subject to seasonal and other quarterly influences. Net sales and operating profits are generally higher in the fourth quarter due to timing of sales of software and equipment, year-end promotions and purchasing patterns of office-based healthcare practitioners and are generally lower in the first quarter due primarily to the increased purchases in the prior quarter. Quarterly results also may be materially affected by a variety of other factors, including the timing of acquisitions and related costs, the release of software enhancements, timing of purchases, special promotional campaigns, fluctuations in exchange rates associated with international operations and adverse weather conditions. Diluted earnings per share calculations for each quarter include the effect of stock options, when dilutive to the quarter's average number of shares outstanding for each period, and therefore the sum of the quarters may not necessarily be equal to the full year earnings per share amount.

During the fourth quarter of 1998, the Company incurred incremental costs totaling approximately $400 and reduced earnings from an affiliate totaling approximately $1,300 net of taxes due to a voluntary recall of anesthetic products produced by an affiliated company which is accounted for under the equity method.

ITEM 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure

None.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

The information set forth under the caption "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K and the information set forth under the caption "Election of Directors" in the Company's definitive 2000 Proxy Statement to be filed pursuant to Regulation 14A is incorporated herein by reference.

ITEM 11. Executive Compensation

The information required by this item is hereby incorporated by reference from the Company's definitive 2000 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is hereby incorporated by reference from the Company's definitive 2000 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 13. Certain Relationships and Related Transactions

The information required by this item is hereby incorporated by reference from the Company's definitive 2000 Proxy Statement to be filed pursuant to Regulation 14A.

PART IV

ITEM 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) 1. Financial Statements
The Consolidated Financial Statements of the Company filed as a part of this report are listed on the index on page 28.

2. Financial Statement Schedules
None.

3. Exhibits

The exhibits required by Item 601 of Regulation S-K and filed herewith are listed in the Exhibit List immediately preceding the exhibits.

(b) Reports on Form 8-K
None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Melville, State of New York, on March 24, 2000.

Henry Schein, Inc.

By: /s/ STANLEY M. BERGMAN
Stanley M. Bergman
Chairman, Chief Executive
Officer and President

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

Signature	Capacity	Date
/s/ STANLEY BERGMAN Stanley M. Bergman	Chairman, Chief Executive Officer, and President (principal executive officer)	March 24, 2000
/s/ STEVEN PALADINO Steven Paladino	Executive Vice President, Chief Financial Officer and Director (principal financial and accounting officer)	March 24, 2000
/s/ JAMES P. BRESLAWSKI James P. Breslawski	Director	March 24, 2000
/s/ GERALD A. BENJAMIN Gerald A. Bejamin	Director	March 24, 2000
/s/ LEONARD A. DAVID Leonard A. David	Director	March 24, 2000
/s/ MARK. E. MLOTEK Mark E. Mlotek	Director	March 24, 2000
/s/ BARRY ALPERIN Barry Alperin	Director	March 24, 2000
/s/ PAMELA JOSEPH Pamela Joseph	Director	March 24, 2000
/s/ DONALD J. KABAT Donald J. Kabat	Director	March 24, 2000
/s/ MARVIN H. SCHEIN Marvin H. Schein	Director	March 24, 2000
/s/ IRVING SHAFRAN Irving Shafran	Director	March 24, 2000

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Henry Schein, Inc.
Melville, New York

The audits referred to in our report dated February 25, 2000 relating to the consolidated financial statements of Henry Schein, Inc. and subsidiaries, which is contained in Item 8 of the Form 10-K included the audit of the financial statement schedule listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based upon our audits.

In our opinion the financial statement schedule presents fairly, in all material respects, the information set forth therein.

BDO SEIDMAN, LLP

February 25, 2000
New York, New York

Schedule II

Valuation and Qualifying Accounts

Column A	Column B	Column C	Column D	Column E
		Add		
Description	Balance at beginning of period	Charged to costs and expenses	Deductions	Balance at end of period
Year ended December 27, 1997:				
Allowance for doubtful accounts................	$ 6,692	$ 4,321	$ (1,544)	$ 9,469
Other accounts receivable allowances (1).......	3,443	2,010	--	5,453
	$ 10,135	$ 6,331	$ (1,544)	$ 14,922
Year ended December 26, 1998:				
Allowance for doubtful accounts................	$ 9,469	$ 4,326	$ (588)	$ 13,207
Other accounts receivable allowances (1).......	5,453	2,955	(1,479)	6,929
	$ 14,922	$ 7,281	$ (2,067)	$ 20,136
Year ended December 25, 1999:				
Allowance for doubtful accounts................	$ 13,207	$ 4,861	$ (5,268)	$ 12,800
Other accounts receivable allowances (1).......	6,929	1,127	(465)	7,591
	$ 20,136	$ 5,988	$ (5,733)	$ 20,391

(1) Primarily allowance for sales returns

Exhibit No.	Description	Page No.

Unless otherwise indicated, exhibits are incorporated by reference to the correspondingly numbered exhibits in the Company's Registration Statement on Form S-1 (Commission File No. 33-96528)

3.1	Form of Amended and Restated Articles of Incorporation	
3.2	Form of By-laws	
10.1	Amended and Restated HSI Agreement (the "HSI Agreement"), effective as of February 16, 1994, among the Company, Marvin H. Schein, the Trust established by Marvin H. Schein under Trust Agreement dated September 9, 1994, the Charitable Trust established by Marvin H. Schein under Trust Agreement dated September 12, 1994, the Estate of Jacob M. Schein, the Trusts established by Articles Third and Fourth of the Will of Jacob M. Schein, the Trust established by Pamela Joseph under Trust Agreement dated February 9, 1994, the Trust established by Martin Sperber under Trust Agreement dated September 19, 1994, the Trust established by Stanley M. Bergman under Trust Agreement dated September 15, 1994, Pamela Schein, Pamela Joseph, Martin Sperber, Stanley M. Bergman, Steven Paladino and James P. Breslawski (collectively, the "HSI Parties")	
10.2	HSI Registration Rights Agreement dated September 30, 1994, among the Company, Pamela Schein, the Trust established by Pamela Joseph under Trust Agreement dated February 9, 1994, Marvin H. Schein, the Trust established by Marvin H. Schein under Trust Agreement dated December 31, 1993, the Trust established by Marvin H. Schein under Trust Agreement dated September 19, 1994, the Charitable Trust established by Marvin H. Schein under Trust Agreement dated September 12, 1994, Martin Sperber, the Trust established by Martin Sperber under Trust Agreement dated September 19, 1994, Stanley M. Bergman and the Trust	
10.3	Letter Agreement dated September 30, 1994 to the Company from Marvin H. Schein, Pamela Joseph, and Pamela Schein	
10.4	Release to the HSI Agreement dated September 30, 1994	
10.5	Separation Agreement dated as of September 30, 1994 by and between the Company, Schein Pharmaceutical, Inc. and Schein Holdings, Inc.	

Exhibit No.	Description	Page No.
10.6	Restructuring Agreement dated September 30, 1994 among Schein Holdings, Inc., the Company, the Estate of Jacob M. Schein, Marvin H. Schein, the Trust established by Marvin H. Schein under Trust Agreement dated December 31, 1993, the Trust established by Marvin H. Schein under Trust Agreement dated September 9, 1994, the Charitable Trust established by Marvin H. Schein under Trust Agreement dated September 12, 1994, Pamela Schein, Pamela Joseph, the Trust established by Pamela Joseph under Trust Agreement dated February 9, 1994; the Trusts under Articles Third and Fourth of the Will of Jacob M. Schein; Stanley M. Bergman, the Trust established by Stanley M. Bergman under Trust Agreement dated September 15, 1994, Martin Sperber, the Trust established by Martin Sperber under Trust Agreement dated December 31, 1993, and the Trust established by Martin Sperber under Trust Agreement dated September 19, 1994	
10.7	Agreement and Plan of Corporate Separation and Reorganization dated as of September 30, 1994 among Schein Holdings, Inc., the Company, the Estate of Jacob M. Schein, Marvin H. Schein, the Trust established by Marvin H. Schein under Trust Agreement dated December 31, 1993, the Trust established by Marvin H. Schein under Trust Agreement dated September 9, 1994, the Charitable Trust established by Marvin H. Schein under Trust Agreement dated September 12, 1994, Pamela Schein, the Trust established Article Fourth of the Will of Jacob M. Schein for the benefit of Pamela Schein and her issue under Trust Agreement dated September 29, 1994, Pamela Joseph, the Trust established by Pamela Joseph under Trust Agreement dated February 9, 1994, the Trust established by Pamela Joseph under Trust Agreement dated September 28, 1994 and the Trusts under Articles Third and Fourth of the Will of Jacob M. Schein	
10.8	Henry Schein, Inc. 1994 Stock Option Plan, as amended and restated effective as of July 1, 1995**	
10.9	Henry Schein, Inc. Amendment and Restatement of the Supplemental Executive Retirement Plan **	
10.11	Consulting Agreement dated September 30, 1994 between the Company and Marvin H. Schein**	
10.13	Amended and Restated Stock Issuance Agreement dated as of December 24, 1992 between the Company and Stanley M. Bergman**	
10.14	Stock Issuance Agreements dated December 27, 1994 between the Company and various executive officers**	

Exhibit No.	Description	Page No.
10.15	Form of Henry Schein, Inc. Non-Employee Director Stock Option Plan**	
10.16	Amended Credit Agreement dated December 15, 1995 among the Company, The Chase Manhattan Bank, N.A., Cooperatieve Centrale Raiffeisen Boerenleenbank, B.A. "Rabobank Nederland", New York Branch, Natwest Bank, N.A. and European American Bank (Incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1 (Commission File No. 33-96528))	
10.17	First Amendment to the Amended Credit Agreement dated December 15, 1995 among the Company, The Chase Manhattan Bank, N.A., Natwest Bank, N.A., "Rabobank Nederland" and European American Bank +	
10.18	Amendments to the Company's 1994 Stock Option Plan effective as of July 15, 1997.	
10.19	Revolving Credit Agreement (the ("Credit Agreement") dated as of January 31, 1997 among the Company, The Chase Manhattan Bank, Fleet Bank, N.A., Cooperative Centrale Raiffeisen Boerenleenbank, B.A., "Rabobank Nederland", New York Branch and european American BAnk (Incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1 Commission File No. 33-96528	
10.20	Employment Agreement dated March 7, 1997, between Bruce J. Haber and the Company (Incorporated by reference to the Company's Registration Statement on Form S-4 (Registration No. 333-30615))	
10.21	Termination of Employment Agreement, dated March 7, 1997 as revised, between Bruce J. Haber and the Company (Incorporated by reference to Exhibit 10.92 to the Company's Registration Statement on Form S-4(Registration No. 333-30615))	
10.22	Amendment dated as of June 30, 1997 to Credit Agreement (Incorporated by reference to Exhibit 10.103 to the Company's Registration Statement on Form S-4 (Commission File No. 333-36081))	
10.23	Amendment No. 2 and Supplement to Revolving Credit Agreement, dated August 15, 1997 (Incorporated by reference to Exhibit 10.104 to the Company's Registration Statement on Form S-4 (Commission File No. 333-36081))	
10.24	Lease Agreement dated December 23, 1997, between First Industrial Pennsylvania, L.P. and the Company (Incorporated by reference to Exhibit 10.103 to the Company's 1998 Annual Report on Form 10K).	
10.25	Amendment dated as of May 15, 1998 to Credit Agreement (Incorporated by reference to Exhibit 10.108 to the Company's Quarterly Report on Form 10Q for the quarter ended June 27, 1998)	
10.26	Henry Schein, Inc. Senior Executive Group 2000 Performance Incentive Plan Summary.+**	
10.27	Stock Purchase Agreement by and among the Company, New River Management Company, L.L.C., Chiron Corporation and Biological & Popular Culture Inc., dated as of December 8, 1998 (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated December 31, 1998)	
10.28	Amendment No. 1, dated as of December 30, 1998, to the Stock Purchase Agreement by and among the Company, New River Management Company, L.L.C., Chiron Corporation and Biological & Popular Culture Inc., dated as of December 8, 1998. (Incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K dated December 31, 1998).	

Exhibit No.	Description	Page No.
10.29	Rights Agreement dated as of Novemebr 30,1998, between the Company and Continental Stock Transfer and Trust Co. (filed as the exhibit to the Company's Current Report on Form 8-K, dated Novemebr 30, 1998).	
10.30	Form of the Note Purchase Agreements between the Company and the Purchasers listed on Schedule A thereto relating to an aggregate of $130,000,000 in principal amount of the Company's 6.94% Senior Notes due June 30, 2009 (Incorporated by Reference to Exibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 26, 1999).	
10.31	Form of Agreements dated January 1, 2000 between the Company and Gerald Benjamin, James Breslawski, Leonard David, Mark Mlotek, Steven Paladino and Michael Zack, respectively.+**	
10.32	Employment Agreement dated as of January 1, 2000 between the Company and Stanley M. Bergman.+**	
10.33	Form of Agreements dated January 1, 2000 between the Company and Michael Ettinger, Diane Forrest, Larry Gibson and Michael Racioppi, respectively.+**	
11.1	Statement re: computation of per share income (loss)*	
21.1	List of Subsidiaries of the Company.	
27.1	Financial data Schedules - Year ended December 25, 1999.+	

- -----------
+ Filed herewith
** Indicates management contract or compensatory plan or agreement

Exhibit 10.31

Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747

January 1, 2000

Dear :

In recognition of your contributions to Henry Schein, Inc. ("HSI" or the "Company") and the Company's desire to assure your continued services in the event of a pending or actual Change in Control (as hereinafter defined) of HSI, the Company's Board of Directors is pleased to offer you the Change in Control protection outlined in this letter agreement ("Agreement"). This Agreement amends and restates in its entirety any and all prior agreements between you and the Company relating to the subject matter hereof.

1. Term Of Agreement. The term of this Agreement shall commence on the date of this letter (the "Effective Date") and end on June 30, 2001 (the "Original Term"). The Original Term may be renewed from time to time for a term or terms to be determined by the Company, in its sole discretion (the "Renewal Terms"). "Term" shall mean the Original Term and all Renewal Terms. Notwithstanding the foregoing, if a Change in Control occurs during the Term, the Term shall not expire earlier than two years from the date the Change in Control occurs.

2. Entitlement to Cash Bonus. Provided (a) you are then employed by the Company or (b) you were employed by the Company until your employment was terminated by the Company without Cause or by you for Good Reason, in either case, (i) within ninety (90) days prior to the effective date of the Change in Control, or (ii) after the first public announcement of the pendency of the Change in Control, upon the effective date of the

Change in Control you shall be entitled to a cash payment equal to the Change in Control Price (as defined), as determined as of such payment date, times , such payment to be paid to you no later than 10 days after the effective date of the Change in Control ("Bonus Payment Date"). In the event that the Change in Control Price increases in the 50-day period after the Bonus Payment Date occurs, you shall be entitled to receive an additional payment equal to the product of such increase in the Change in Control Price times , such amount payable to you no later than 60 days from the Bonus Payment Date.

3. Entitlement to Severance Benefits.

(a) Cash Severance Benefit. In the event your employment is terminated (a "Termination") by the Company without Cause or by you for Good Reason, in either case within two years following a Change in Control, you shall be entitled to receive the sum of the following, payable in a cash lump sum no later than 15 days after the Termination date: (i) Base Salary through the Termination date; (ii) a pro rata annual incentive award at target for the year in which the Termination occurs, and (iii) an amount equal to 300% of the sum of your Base Salary plus your target annual cash bonus. In addition, notwithstanding the foregoing, in the event your employment is terminated by the Company without Cause or by you for Good Reason, in either case (i) within ninety (90) days prior to the effective date of a Change in Control, or (ii) after the first public announcement of the pendency of the Change in Control, such termination shall, upon the effective date of a Change in Control, be deemed to be a "Termination" covered under the preceding sentence of this Section 3(a), and you shall be entitled to the amounts provided for under the preceding sentence.

(b) Other Severance Benefits. In the event you are entitled to the amounts provided for in Section 3(a) hereof, and notwithstanding anything to the contrary contained in any stock option or restricted stock agreement, you shall also be entitled to the following: (i) immediate vesting of all outstanding stock options to the fullest extent permitted under the applicable stock option plan; (ii) elimination of all restrictions on any restricted or deferred stock awards outstanding at the time of Termination, (iii) immediate vesting of all restricted or deferred stock awards and non-qualified retirement benefits, (iv) settlement of all deferred compensation arrangements in accordance with any then applicable deferred compensation plan or election form (iv) continued participation in all HSI's welfare benefit plans at the same benefit level at which you were participating on the Termination date for a period of 36 months unless and until the date or dates you receive substantially equivalent coverage from a subsequent employer.

(c) Section 280(G) Gross-Up Protection. In the event you become entitled to payments, all or a portion of which become subject to tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any other similar tax, but excluding any income tax of any nature)("Excise Tax"), HSI shall pay you an additional amount ("Gross-Up Payment") such that the amount retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax. The amount of the Gross-Up Payment shall be calculated by HSI's independent auditors. In the event that such Gross-Up Payment is finally determined to be less than the amount necessary to provide that the amount to be retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax, HSI shall pay an additional amount to you in respect of such deficiency (including any interest and penalties). In the event that such Gross-Up Payment is finally determined to exceed the amount necessary to provide that the amount to be retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax, you must promptly repay the entire amount of such excess Gross- Up Payment to HSI.

(d) No Mitigation; No Offset. In the event of any Termination, you shall be under no obligation to seek other employment and no amounts due to you under this Agreement shall be subject to offset due to any remuneration attributable to subsequent employment that you may obtain.

(e) Exclusivity of Severance Payments; Release. In the event you are entitled to the amounts provided for in Section 3(a) hereof, you shall not be entitled to any other severance payments or severance benefits from HSI or any payments by HSI on account of any claim by you of wrongful termination, including claims under any federal, state or local human and civil rights or labor laws. Termination payments and benefits made to you are conditioned upon your execution of a release agreement, in a form reasonably satisfactory to HSI, releasing any and all claims arising out of your employment (other than enforcement of this Agreement), any rights under HSI's incentive compensation and employee benefit plans, and any claim for any non-employment related tort for personal injury.

4. Definitions.For purposes of this Agreement, the following terms shall have the meanings ascribed to them.

(a) "Base Salary" means the annualized rate of pay in effect on the Termination date, provided that if a reduction in Base Salary is the basis for a Termination for Good Reason, then "Base Salary" shall mean the rate of pay in effect immediately prior to such reduction.

(b) "Cause" shall exist if: (i) you are convicted of, or plead nolo contendere to, any felony which materially and adversely impacts HSI's financial condition or reputation, (ii) you engage in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out your duties which materially and adversely impacts HSI's financial condition or reputation, or (iii) you violate Section 5 of this Agreement.

(c) A "Change in Control" shall be deemed to occur upon any of the following: (i) acquisition by any one "person" (as such term is defined in ss.3(a)(9) of the Securities and Exchange Act of 1934, as amended, and used in ss.13(d) and 14(d) thereof, including "group" as defined in ss.13(d) thereof) of 33% or more of the Company's voting shares without the prior express approval of the Company's Board of Directors; (ii) acquisition by any one "person" or "group" (as referred to in the preceding sentence) of more than 50% of HSI's voting shares; (iii) directors elected to the Board over any 24 month period not nominated by the HSI Executive Committee represent 30% or more of the total number of directors constituting the Board at the beginning of the period (or such nomination results from an actual or threatened proxy contest); (iv) any merger, consolidation or other corporate combination upon the completion of which HSI shares do not represent more than 50% of the combined voting power of the resulting entity; and (v) upon the sale of all or substantially all of the consolidated assets of HSI, other than a distribution to shareholders.

(d) "Change in Control Price" shall mean an amount in cash, not more than $40, equal to the higher of (i) the amount of cash and fair market value of property that is the highest price per share paid (including extraordinary dividends) in any transaction triggering the Change in Control or any liquidation of shares following a sale of substantially all assets of the Company, or (ii) the highest fair market value per share at any time during the 60-day period preceding and 60-day period following the Change in Control.

(e) "Confidential Information" shall mean all information concerning the business of HSI relating to any of their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of "Confidential Information" is information (i) that is or becomes part of the public domain, other than through your breach of this Agreement, or (ii) regarding HSI's business or industry properly acquired by you in the course of your career as an employee in HSI's industry and independent of your employment by HSI. For this purpose, information known or available generally within the trade or industry of HSI shall be deemed to be known or available to the public.

(f) "Good Reason" shall mean your termination of your employment based upon one or more of the following events (except as a result of a prior termination): (i) any change in your position or responsibilities or assignment of duties materially inconsistent with your status prior to the Change in Control; (ii) following a business combination related to a Change in Control, a failure to offer you a position in the combined business entity, having authority equivalent in scope to the authority in the position held by you in the Company immediately prior to such business combination; (iii) any decrease in your Base Salary, target annual incentive or long- term incentive opportunity; (iv) any breach of the terms of this Agreement by HSI after receipt of written notice from you and a reasonable opportunity to cure such breach; (v) HSI fails to obtain any successor entity's assumption of its obligations to you hereunder; or (vi) the Company requiring you to perform your services as an employee on an ongoing basis at a location more than 75 miles distant from the location at which you perform your services as of the date immediately prior to the Change in Control.

5. Non-Disclosure; Non-Solicitation; Non-Disparagement.

(a) During the Term and thereafter, you shall not, without HSI's prior written consent disclose to anyone (except in good faith in the ordinary course of business) or make use of any Confidential Information except in the performance of your duties hereunder or when required to do so by law. In the event that you are so required by law, you shall give prompt written notice to HSI sufficient to allow HSI the opportunity to object to or otherwise resist such order.

(b) During the Term and for a period of 24 months thereafter, you shall not, without HSI's prior written consent, solicit for employment, whether directly or indirectly, any person who (i) at the time is employed by HSI or any affiliate, or (ii) was employed by HSI or any affiliate within three months prior to such solicitation.

(c) You agree that, during the Term and thereafter (including following any Termination for any reason) you will not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage or be damaging to HSI or its respective officers, directors, employees, advisors, businesses or reputations. Notwithstanding the foregoing, nothing in this Agreement shall preclude you from making truthful statements or disclosures that are required by applicable law, regulation or legal process.

6. Resolution of Disputes. Any controversy or claim arising out of or relating to this Agreement or any breach or asserted breach hereof shall be resolved by binding arbitration, to be held at an office closest to HSI's principal offices in accordance with the rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. Pending the resolution of any arbitration or court proceeding, HSI shall continue payment of all amounts and benefits due you hereunder. All reasonable costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be promptly paid on your behalf by HSI; provided, however, that no such expense reimbursement shall be made if and to the extent the arbitrator(s) determine(s) that any of your litigation assertions or defenses were in bad faith or frivolous.

7. Effect of Agreement on Other Benefits. Except as specifically provided in this Agreement, the existence of this Agreement shall not be interpreted to prohibit or restrict your participation in any other employee benefit or other plans or programs in which you currently participate.

8. Not an Employment Agreement. This Agreement is not a contract of employment between you and HSI. HSI may terminate you at any time, subject to the terms hereof or any other agreement that might exist between you and HSI.

9. Assignability; Binding Nature. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (as applies to you) and permitted assigns. HSI agrees that in the event of a sale or transfer of assets, it shall, as a condition of such sale, require such assignee or transferee to expressly assume HSI's liabilities, obligations and duties hereunder.

10. Governing Law/Jurisdiction. This Agreement shall be governed by and construed and interpreted in accordance with the laws of New York without reference to principles of conflict of laws.

Please acknowledge your acceptance of the terms of this Agreement by executing below and returning a copy to HSI.

HENRY SCHEIN, INC.

By:

Name:
Title:

Accepted:

Exhibit 10.32

Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747

January 1, 2000

Dear :

In recognition of your contributions to Henry Schein, Inc. ("HSI" or the "Company") and the Company's desire to assure your continued services in the event of a pending or actual Change in Control (as hereinafter defined) of HSI, the Company's Board of Directors is pleased to offer you the Change in Control protection outlined in this letter agreement ("Agreement"). This Agreement amends and restates in its entirety any and all prior agreements between you and the Company relating to the subject matter hereof.

1. Term Of Agreement. The term of this Agreement shall commence on the date of this letter (the "Effective Date") and end on June 30, 2001 (the "Original Term"). The Original Term may be renewed from time to time for a term or terms to be determined by the Company, in its sole discretion (the "Renewal Terms"). "Term" shall mean the Original Term and all Renewal Terms. Notwithstanding the foregoing, if a Change in Control occurs during the Term, the Term shall not expire earlier than two years from the date the Change in Control occurs.

2. Entitlement to Cash Bonus. Provided (a) you are then employed by the Company or (b) you were employed by the Company until your employment was terminated by the Company without Cause or by you for Good Reason, in either case, (i) within ninety (90) days prior to the effective date of the Change in Control, or (ii) after the first public announcement of the pendency of the Change in Control, upon the effective date of the

Change in Control you shall be entitled to a cash payment equal to the Change in Control Price (as defined), as determined as of such payment date, times such payment to be paid to you no later than 10 days after the effective date of the Change in Control ("Bonus Payment Date"). In the event that the Change in Control Price increases in the 50-day period after the Bonus Payment Date occurs, you shall be entitled to receive an additional payment equal to the product of such increase in the Change in Control Price times 45,000, such amount payable to you no later than 60 days from the Bonus Payment Date.

3. Entitlement to Severance Benefits.

(a) Cash Severance Benefit. In the event your employment is terminated (a "Termination") by the Company without Cause or by you for Good Reason, in either case within two years following a Change in Control, you shall be entitled to receive the sum of the following, payable in a cash lump sum no later than 15 days after the Termination date: (i) Base Salary through the Termination date; (ii) a pro rata annual incentive award at target for the year in which the Termination occurs, and (iii) an amount equal to 200% of the sum of your Base Salary plus your target annual cash bonus. In addition, notwithstanding the foregoing, in the event your employment is terminated by the Company without Cause or by you for Good Reason, in either case (i) within ninety (90) days prior to the effective date of a Change in Control, or (ii) after the first public announcement of the pendency of the Change in Control, such termination shall, upon the effective date of a Change in Control, be deemed to be a "Termination" covered under the preceding sentence of this Section 3(a), and you shall be entitled to the amounts provided for under the preceding sentence.

(b) Other Severance Benefits. In the event you are entitled to the amounts provided for in Section 3(a) hereof, and notwithstanding anything to the contrary contained in any stock option or restricted stock agreement, you shall also be entitled to the following: (i) immediate vesting of all outstanding stock options to the fullest extent permitted under the applicable stock option plan; (ii) elimination of all restrictions on any restricted or deferred stock awards outstanding at the time of Termination, (iii) immediate vesting of all restricted or deferred stock awards and non-qualified retirement benefits, (iv) settlement of all deferred compensation arrangements in accordance with any then applicable deferred compensation plan or election form (iv) continued participation in all HSI's welfare benefit plans at the same benefit level at which you were participating on the Termination date for a period of 24 months unless and until the date or dates you receive substantially equivalent coverage from a subsequent employer.

(c) Section 280(G) Gross-Up Protection. In the event you become entitled to payments, all or a portion of which become subject to tax imposed under Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any other similar tax, but excluding any income tax of any nature)("Excise Tax"), HSI shall pay you an additional amount ("Gross-Up Payment") such that the amount retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax. The amount of the Gross-Up Payment shall be calculated by HSI's independent auditors. In the event that such Gross-Up Payment is finally determined to be less than the amount necessary to provide that the amount to be retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax, HSI shall pay an additional amount to you in respect of such deficiency (including any interest and penalties). In the event that such Gross-Up Payment is finally determined to exceed the amount necessary to provide that the amount to be retained by you after reduction for any Excise Tax (including penalties or interest thereon) equals the amount to be paid to you by HSI hereunder prior to the imposition of such Excise Tax, you must promptly repay the entire amount of such excess Gross- Up Payment to HSI.

(d) No Mitigation; No Offset. In the event of any Termination, you shall be under no obligation to seek other employment and no amounts due to you under this Agreement shall be subject to offset due to any remuneration attributable to subsequent employment that you may obtain.

(e) Exclusivity of Severance Payments; Release. In the event you are entitled to the amounts provided for in Section 3(a) hereof, you shall not be entitled to any other severance payments or severance benefits from HSI or any payments by HSI on account of any claim by you of wrongful termination, including claims under any federal, state or local human and civil rights or labor laws. Termination payments and benefits made to you are conditioned upon your execution of a release agreement, in a form reasonably satisfactory to HSI, releasing any and all claims arising out of your employment (other than enforcement of this Agreement), any rights under HSI's incentive compensation and employee benefit plans, and any claim for any non-employment related tort for personal injury.

4. Definitions. For purposes of this Agreement, the following terms shall have the meanings ascribed to them.

(a) "Base Salary" means the annualized rate of pay in effect on the Termination date, provided that if a reduction in Base Salary is the basis for a Termination for Good Reason, then "Base Salary" shall mean the rate of pay in effect immediately prior to such reduction.

(b) "Cause" shall exist if: (i) you are convicted of, or plead nolo contendere to, any felony which materially and adversely impacts HSI's financial condition or reputation, (ii) you engage in conduct that constitutes willful gross neglect or willful gross misconduct in carrying out your duties which materially and adversely impacts HSI's financial condition or reputation, or (iii) you violate Section 5 of this Agreement.

(c) A "Change in Control" shall be deemed to occur upon any of the following: (i) acquisition by any one "person" (as such term is defined in ss.3(a)(9) of the Securities and Exchange Act of 1934, as amended, and used in ss.13(d) and 14(d) thereof, including "group" as defined in ss.13(d) thereof) of 33% or more of the Company's voting shares without the prior express approval of the Company's Board of Directors; (ii) acquisition by any one "person" or "group" (as referred to in the preceding sentence) of more than 50% of HSI's voting shares; (iii) directors elected to the Board over any 24 month period not nominated by the HSI Executive Committee represent 30% or more of the total number of directors constituting the Board at the beginning of the period (or such nomination results from an actual or threatened proxy contest); (iv) any merger, consolidation or other corporate combination upon the completion of which HSI shares do not represent more than 50% of the combined voting power of the resulting entity; and (v) upon the sale of all or substantially all of the consolidated assets of HSI, other than a distribution to shareholders.

(d) "Change in Control Price" shall mean an amount in cash, not more than $40, equal to the higher of (i) the amount of cash and fair market value of property that is the highest price per share paid (including extraordinary dividends) in any transaction triggering the Change in Control or any liquidation of shares following a sale of substantially all assets of the Company, or (ii) the highest fair market value per share at any time during the 60-day period preceding and 60-day period following the Change in Control.

(e) "Confidential Information" shall mean all information concerning the business of HSI relating to any of their products, product development, trade secrets, customers, suppliers, finances, and business plans and strategies. Excluded from the definition of "Confidential Information" is information (i) that is or becomes part of the public domain, other than through your breach of this Agreement, or (ii) regarding HSI's business or industry properly acquired by you in the course of your career as an employee in HSI's industry and independent of your employment by HSI. For this purpose, information known or available generally within the trade or industry of HSI shall be deemed to be known or available to the public.

(f) "Good Reason" shall mean your termination of your employment based upon one or more of the following events (except as a result of a prior termination): (i) any change in your position or responsibilities or assignment of duties materially inconsistent with your status prior to the Change in Control; (ii) following a business combination related to a Change in Control, a failure to offer you a position in the combined business entity, having authority equivalent in scope to the authority in the position held by you in the Company immediately prior to such business combination; (iii) any decrease in your Base Salary, target annual incentive or long- term incentive opportunity; (iv) any breach of the terms of this Agreement by HSI after receipt of written notice from you and a reasonable opportunity to cure such breach; (v) HSI fails to obtain any successor entity's assumption of its obligations to you hereunder; or (vi) the Company requiring you to perform your services as an employee on an ongoing basis at a location more than 75 miles distant from the location at which you perform your services as of the date immediately prior to the Change in Control.

5. Non-Disclosure; Non-Solicitation; Non-Disparagement.

(a) During the Term and thereafter, you shall not, without HSI's prior written consent disclose to anyone (except in good faith in the ordinary course of business) or make use of any Confidential Information except in the performance of your duties hereunder or when required to do so by law. In the event that you are so required by law, you shall give prompt written notice to HSI sufficient to allow HSI the opportunity to object to or otherwise resist such order.

(b) During the Term and for a period of 24 months thereafter, you shall not, without HSI's prior written consent, solicit for employment, whether directly or indirectly, any person who (i) at the time is employed by HSI or any affiliate, or (ii) was employed by HSI or any affiliate within three months prior to such solicitation.

(c) You agree that, during the Term and thereafter (including following any Termination for any reason) you will not make statements or representations, or otherwise communicate, directly or indirectly, in writing, orally, or otherwise, or take any action which may, directly or indirectly, disparage or be damaging to HSI or its respective officers, directors, employees, advisors, businesses or reputations. Notwithstanding the foregoing, nothing in this Agreement shall preclude you from making truthful statements or disclosures that are required by applicable law, regulation or legal process.

6. Resolution of Disputes. Any controversy or claim arising out of or relating to this Agreement or any breach or asserted breach hereof shall be resolved by binding arbitration, to be held at an office closest to HSI's principal offices in accordance with the rules and procedures of the American Arbitration Association. Judgment upon the award rendered by the arbitrator(s) may be entered in any court of competent jurisdiction. Pending the resolution of any arbitration or court proceeding, HSI shall continue payment of all amounts and benefits due you hereunder. All reasonable costs and expenses of any arbitration or court proceeding (including fees and disbursements of counsel) shall be promptly paid on your behalf by HSI; provided, however, that no such expense reimbursement shall be made if and to the extent the arbitrator(s) determine(s) that any of your litigation assertions or defenses were in bad faith or frivolous.

7. Effect of Agreement on Other Benefits. Except as specifically provided in this Agreement, the existence of this Agreement shall not be interpreted to prohibit or restrict your participation in any other employee benefit or other plans or programs in which you currently participate.

8. Not an Employment Agreement. This Agreement is not a contract of employment between you and HSI. HSI may terminate you at any time, subject to the terms hereof or any other agreement that might exist between you and HSI.

9. Assignability; Binding Nature. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (as applies to you) and permitted assigns. HSI agrees that in the event of a sale or transfer of assets, it shall, as a condition of such sale, require such assignee or transferee to expressly assume HSI's liabilities, obligations and duties hereunder.

10. Governing Law/Jurisdiction. This Agreement shall be governed by and construed and interpreted in accordance with the laws of New York without reference to principles of conflict of laws.

Please acknowledge your acceptance of the terms of this Agreement by executing below and returning a copy to HSI.

HENRY SCHEIN, INC.

By:

Name:
Title:

Accepted:

Exhibit 10.33

EMPLOYMENT AGREEMENT dated as of January 1, 2000 between HENRY SCHEIN, INC., a Delaware corporation (the "Company"), and STANLEY M. BERGMAN ("Bergman").

Bergman is currently Chairman of the Board, Chief Executive Officer and President of the Company. The Company recognizes that Bergman has made substantial contributions to the success of the Company over a long period of time and desires to assure the Company of Bergman's continued service. Bergman desires to continue to perform services for the Company.

In consideration of the agreements hereinafter set forth, the Company and Bergman agree as follows:

1. EMPLOYMENT

1.1 Capacity; Duties. The Company hereby employs Bergman as the Company's Chairman of the Board, President and Chief Executive Officer. Bergman shall have general supervision over the business and affairs of the Company and its subsidiaries, shall report and be responsible only to, and subject to the supervision of, the Board of Directors of the Company, and shall have powers and authority superior to those of any other officer or employee of the Company or any of its subsidiaries. The Board of Directors may with Bergman's consent, which consent may be withheld in his reasonable discretion, confer the title of President upon another person without any diminution in the compensation or benefits payable to Bergman hereunder. Subject to Section 6(b) hereof, Bergman may serve on the board of directors of any other corporation, may be involved in civic or charitable activities and may manage his personal investments, so long as such service does not interfere with his duties to the Company or its subsidiaries. Bergman accepts the employment described herein and agrees to devote his full business time and effort thereto, and to perform those duties normally attributable to the positions for which he is employed hereunder. Bergman shall not be required to perform duties hereunder that would require him to relocate his residence.

1.2 Employment Period. Subject to the succeeding sentence hereof, Bergman's employment shall be for the period (the "Employment Period") commencing on January 1, 2000, and ending on the earlier of (i) December 31, 2002, or (ii) the date on which Bergman's employment is terminated earlier pursuant to Section 4 hereof.

The Employment Period may be extended by the Company from time to time for successive one-year periods by giving Bergman notice (an "Extension Notice") thereof at least six months but not more than twelve months prior to the date that the then applicable Employment Period is to expire. Notwithstanding the preceding sentence the Employment Period shall not be extended if Bergman, within 90 days after any Extension Notice is given, advises the Company that he chooses not to extend the Employment Period. The date on which the Employment Period is scheduled to expire pursuant to whichever shall be the later of clause (i) above or the second sentence hereof is hereinafter referred to as the "Employment Expiration Date."

2. COMPENSATION

2.1 Base Salary. During the Employment Period, as compensation for Bergman's employment hereunder, Bergman shall receive a base salary at the rate of $585,000 per annum, commencing on January 1, 2000, payable in accordance with the Company's normal payroll practices for its senior executive officers from time to time in effect. The base salary shall be increased in such amounts and at such times, not less frequently than annually, within the sole discretion of the Board of Directors or the Compensation Committee of the Board of Directors (the "Compensation Committee"). (The base salary, including such increases, is hereinafter referred to as the "Base Salary.") Once increased, the Base Salary may not be decreased.

2.2 Incentive Compensation. During the Employment Period, Bergman shall be eligible to receive, in addition to his Base Salary, incentive compensation (the "Incentive Compensation") as follows: With respect to each year during the Employment Period, the Board of Directors or the Compensation Committee shall, after consultation with Bergman, establish a maximum annual Incentive Compensation opportunity for Bergman, to be expressed as a percentage of the Base Salary for such year, and performance criteria consistent with such performance-based criteria as are applicable to other Company senior management. All Incentive Compensation shall be payable within five business days of the determination of such Incentive Compensation.

2.3 Additional Compensation. Nothing contained herein shall limit or otherwise restrict the Board of Directors of the Company from granting to Bergman at any time and from time to time such additional compensation as may be recommended from time to time by the Compensation Committee.

2.4 Expenses. The Company shall promptly reimburse Bergman for all expenses reasonably incurred by him in the performance of his duties under this Agreement in accordance with the Company's general policies and practices for senior executive officers in effect from time to time.

3. BENEFITS

3.1 Benefits. During the Employment Period, Bergman shall be entitled to participate in all benefit, welfare and perquisite plans, policies and programs, in accordance with the terms thereof, as are generally provided from time to time by the Company for its senior management employees and for which Bergman is eligible. Unless the Employment Period shall have been terminated for Cause (as defined in Section 4.3 hereof) or Bergman terminates his employment pursuant to Section 4.1(c) (ii), during the period commencing immediately after the Employment Period and continuing (x) as to Bergman, for the life of Bergman, (y) as to Bergman's spouse, for the life of his spouse and (z) as to his children, until the earlier to occur of (A) such child attaining the age of 28 or (B) such child completes his graduate studies (collectively, his "Family") the Company shall continue the participation of Bergman and his Family in all health and medical benefit plans, policies and programs in effect from time to time with respect to the senior executive officers of the Company and their families generally (at the same levels and at the same cost, if any, as provided to the senior executive officers of the Company generally). Notwithstanding the foregoing, if Bergman's or his Family's continued participation thereunder is not possible under the general terms and provisions thereof, the Company shall provide such benefits at such levels to Bergman and/or his Family either by obtaining other insurance or by self-insuring such amounts, net of any reimbursement any of them shall receive with respect to health and medical costs from insurance other than pursuant to this Section 3.1; provided, however, that prior to receiving benefits hereunder from the Company, Bergman and/or his Family shall first endeavor to obtain reimbursement with respect to health and medical costs from other insurance Bergman and/or his Family may own, if any, provided that such reimbursement can be obtained without unreasonable effort or expense on the part of Bergman or his Family.

3.2 Vacation. During each calendar year during the Employment Period, Bergman shall be entitled to four (4) weeks of vacation and such other number of personal days generally afforded to senior executives of the Company.

3.3 Automobile. During the Employment Period and, if Bergman's employment hereunder has been terminated by him pursuant to Section 4.1(c)(iii) hereof, for a period of three years thereafter, or if Bergman's employment hereunder has not been terminated by the Company for Cause (as defined in Section 4.3 hereof) or by Bergman pursuant to Section 4.1(c)(ii) hereof, for a period of two years thereafter, the Company shall provide for Bergman's use a new automobile of similar make and model to the automobile he currently drives or its substantial equivalent, and all ancillary equipment similar to that as he currently uses with his automobile, and shall pay the costs of fuel, maintenance, repairs and insurance. The Company shall provide Bergman (at Bergman's option) with the use of a new automobile every three years and shall continue to provide such ancillary equipment and pay all such costs during the Employment Period and, if applicable, the two-year period referred to above.

3.4 Conversion of Benefits. During the Employment Period, Bergman shall be entitled to the same conversion privileges (including but not limited to cash conversions) with regard to the Company's benefit plans, policies and programs in which Bergman is entitled to participate under Section 3.1 hereof as may be generally offered from time to time by the Company to its senior executive officers.

3.5 Gross-up. To the extent that Bergman incurs any tax obligations as a result of the provisions of Section 3.3 hereof, the Company shall pay to Bergman or the applicable taxing authority on Bergman's behalf, no later than 30 days prior to the time the tax is due, an amount equal to the sum of such taxes and all taxes payable on account of payments made to Bergman under this Section 3.5.

4. TERMINATION

4.1 Termination of Employment. Bergman's employment (and the Employment Period) shall terminate prior to the Employment Expiration Date upon the occurrence of any of the following events:

(a) upon Bergman's death or Bergman's Disability (pursuant to Section 4.2 hereof); or

(b) (i) by the Company for Cause; or (ii) by action of the Board of Directors without Cause upon ninety (90) days' prior written notice to Bergman; or

(c) by Bergman (i) following a material breach by the Company of this Agreement, which breach is not cured within 30 days after notice from Bergman thereof, (ii) upon 180 days prior written notice to the Company, or (iii) upon 30 days prior written notice to the Company given at any time within one year following a Change in Control, as hereinafter defined. A "Change in Control" shall be deemed to occur upon any of the following: (A) acquisition by any one "person" (as such term is defined in ss.3(a)(9) of the Securities and Exchange Act of 1934, as amended, and used in ss.13(d) and 14(d) thereof, including "group" as defined in ss.13(d) thereof) of 33% or more of the Company's voting shares without the prior express approval of the Company's Board of Directors; (B) acquisition by any one "person" (as referred to in the preceding sentence) of more than 50% of the Company's voting shares; (C) directors elected to the Board over any 24 month period not nominated by the Company's Executive Committee represent 30% or more of the total number of directors constituting the Board at the beginning of the period, (or such nomination results from an actual or threatened proxy contest); (D) any merger, consolidation or other corporate combination upon the completion of which the Company's shares do not represent more than 50% of the combined voting power of the resulting entity; and (E) upon the sale of all or substantially all of the consolidated assets of the Company, other than a distribution to shareholders.

4.2 Disability. If, by reason of physical or mental disability, Bergman is unable to carry out the material duties he has agreed to carry out under this Agreement (i) for more than 180 days in any twelve-month period or (ii) as certified by a physician ("Disability"), the Employment Period shall terminate hereunder. Bergman shall submit to an examination by a physician for purposes of the preceding sentence upon the request of the Board of Directors. During any period of Disability prior to such termination, Bergman shall continue to receive all compensation and other benefits provided herein as if he had not been disabled at the time, in the amounts and in the manner provided herein, provided that the Company shall be entitled to a credit against such amounts with regard to the amount, if any, paid to Bergman for such period under any disability plan of the Company.

4.3 Cause. For purposes of this Agreement, the term "Cause" shall be limited to (i) action by Bergman involving willful malfeasance having a material adverse effect on the Company, (ii) Bergman being convicted of a felony involving theft, fraud or moral turpitude (other than resulting from a traffic violation or like event), or (iii) any other action by Bergman constituting a material breach of this Agreement which is not cured within 30 days after notice from the Company thereof.

5. CONSEQUENCES OF TERMINATION

5.1 Death. If Bergman's employment hereunder is terminated by reason of Bergman's death, the Company shall have no further obligation to Bergman under this Agreement except that Bergman's heirs or estate shall be paid those obligations accrued hereunder to the date of his death, consisting only of (a) Bergman's unpaid Base Salary to the extent unpaid through the date of termination, (b) any deferred compensation earned but not yet paid (together with any accrued earnings thereon), (c) the product of (i) the annual Incentive Compensation paid or payable to Bergman for the last full fiscal year of the Company ending prior to the date of termination multiplied by (ii) a fraction, the numerator of which is the number of days in the current fiscal year during which Bergman was employed by the Company, and the denominator of which is 365, (d) any accrued and unpaid vacation pay, and (e) to the extent permitted under this Agreement, any other amounts or benefits owing to Bergman or his beneficiaries under the then applicable benefit plans, policies and programs of the Company. (All amounts determined pursuant to the provisions of in clauses (a) through (e) above are hereinafter referred to as "Accrued Obligations".) Unless otherwise previously directed by Bergman (or, in the case of any benefit plan qualified under Section 401(a) of the Internal Revenue Code, as amended (the "Code") (any such plan hereinafter referred to as a "Qualified Plan"), as may be required by such Qualified Plan), all Accrued Obligations shall be paid to Bergman's estate or designated beneficiaries, as the case may be, in a lump sum (to the extent such obligations are able to be paid, under the terms of the plan for which such obligation arose, in a lump sum) in cash within 30 days after the date of Bergman's death, and, otherwise, in accordance with the terms of the applicable plan or applicable law. Nothing in this Section 5.1 shall be deemed to limit or expand in any way the right of Bergman's family to receive the applicable benefits referred to in Section 3.1 hereof.

5.2 [Intentionally Omitted]

5.3 Company Termination for Cause or Resignation Other Than for Material Breach. If Bergman's employment hereunder is terminated by the Company for Cause or by Bergman pursuant to Section 4.1(c)(ii) above, the Company shall have no further obligation to Bergman under this Agreement, except that, unless otherwise directed by Bergman (or in the case of any Qualified Plan, as may be required by such plan) Bergman shall be paid all Accrued Obligations to the date of termination (other than the obligation specified in clause (c) of Section 5.1 hereof), in a lump sum (to the extent such obligations are able to be paid, under the terms of the plan for which such obligation arose, in a lump sum) in cash within 30 days after the date of termination, and, otherwise, in accordance with the terms of the applicable plan or applicable law.

5.4 Company Termination Without Cause or Due to Disability; Resignation Following Material Breach; Non-Renewal. If Bergman's employment hereunder is terminated pursuant to Section 4.2 hereof or by the Company without Cause or by Bergman pursuant to Section 4.1(c)(i) above or the Company at any time chooses not to extend or not to continue to extend the Employment Period, the Company shall have no further obligation to Bergman under this Agreement except that:

(a) Unless otherwise directed by Bergman (or, in the case of any Qualified Plan, as may be required by such plan), Bergman shall be paid all Accrued Obligations to the date of termination in a lump sum (to the extent such obligations are able to be paid, under the terms of the plan for which such obligation arose, in a lump sum) in cash within thirty (30) business days after the date of termination, and, otherwise, in accordance with the terms of the applicable plan or applicable law.

(b) Unless otherwise directed by Bergman, Bergman shall be paid, as severance pay, within thirty (30) business days after the date of termination:

(i) in a lump sum in cash an amount equal to 200% of Bergman's then annual Base Salary plus in a lump sum in cash an amount equal to 200% of Bergman's average annual Incentive Compensation paid or payable with respect to the immediately preceding three fiscal years of the Company ending prior to the date of termination; and

(ii) with respect to each pension plan, as such term is defined in ERISA Section 3(2)(A), of the Company (or its subsidiaries) in which Bergman participated or had a benefit under at the date of termination, a cash payment equal to the value (to be determined as indicated below) of the excess of (A) the fully vested value of the benefit to him under such plan, assuming additional credit for service for all purposes under such plan for the period from the date of termination through the Employment Expiration Date (the "Remaining Term"), continuation of Bergman's Base Salary for the Remaining Term, and that there are no earnings on plan funds in defined contribution type plans for any period after the date of termination, over (B) Bergman's vested accrued benefits pursuant to the provisions of each respective plan on the date of termination. (For purposes of this Section 5.4(b)(ii), the value of the excess shall be calculated using a discount rate equal to the applicable Federal Rate (as defined in Code Section 1274) in effect on the date of termination of employment and no other actuarial assumptions).

(c) To the extent permitted or not prohibited by any pension plan, as such term is defined in ERISA Section 3(2)(A), of the Company (or its subsidiaries) in which Bergman is permitted to participate hereunder or by applicable law, after the date of termination, the Company shall make immediately available to Bergman, in a lump sum (to the extent such obligation is able to be paid in a lump sum under the terms of the plan for which such obligation arose), all vested amounts under any such plan.

(d) Nothing in this Section 5.4 shall be deemed to limit or expand in any way Bergman's or his Family's rights to receive the applicable benefits referred to in Section 3.1 hereof.

(e) With respect to an amount due to the Executive pursuant to Section 5.4(b)(i) hereof, the Company shall be entitled to a credit against such amount with regard to the amount, if any, payable to Bergman for such period under any disability plan of the Company.

5.5 Termination Following a Change in Control. If Bergman's employment is terminated by Bergman pursuant to Section 4.1(c)(iii) above, the Company shall have no further obligation to Bergman under this Agreement except that:

(a) Unless otherwise directed by Bergman (or, in the case of any Qualified Plan, as may be required by such plan), Bergman shall be paid all Accrued Obligations to the date of termination in a lump sum (to the extent such obligations are able to be paid, under the terms of the plan for which such obligation arose, in a lump sum) in cash within thirty (30) business days after the date of termination, and, otherwise, in accordance with the terms of the applicable plan or applicable law.

(b) Unless otherwise directed by Bergman, Bergman shall be paid, as severance pay, within thirty (30) business days after the date of termination:

(i) in a lump sum in cash an amount equal to 300% of Bergman's then annual Base Salary plus, in a lump sum in cash an amount equal to 300% of the maximum Incentive Compensation target for which Bergman was eligible with respect to the year in which such termination occurs; and

(ii) with respect to each pension plan, as such term is defined in ERISA Section 3(2)(A), of the Company (or its subsidiaries) in which Bergman participated or had a benefit under at the date of termination, a cash payment equal to the value (to be determined as indicated below) of the excess of (A) the fully vested value of the benefit to him under such plan, assuming additional credit for service for all purposes under such plan for the period from the date of termination through the Employment Expiration Date (the "Remaining Term"), continuation of Bergman's Base Salary for the Remaining Term, and that there are no earnings on plan funds in defined contribution type plans for any period after the date of termination, over (B) Bergman's vested accrued benefits pursuant to the provisions of each respective plan on the date of termination. (For purposes of this Section 5.5(b)(ii), the value of the excess shall be calculated using a discount rate equal to the applicable Federal Rate (as defined in Code Section 1274) in effect on the date of termination of employment and no other actuarial assumptions).

(c) To the extent permitted or not prohibited by any pension plan, as such term is defined in ERISA Section 3(2)(A), of the Company (or its subsidiaries) in which Bergman is permitted to participate hereunder or by applicable law, after the date of termination, the Company shall make immediately available to Bergman, in a lump sum (to the extent such obligation is able to be paid in a lump sum under the terms of the plan for which such obligation arose), all vested amounts under any such plan.

(d) Nothing in this Section 5.5 shall be deemed to limit or expand in any way Bergman's or his Family's rights to receive the applicable benefits referred to in Section 3.1 hereof.

(e) In the event that Bergman shall become entitled to the payments and/or benefits provided by this Section 5.5 or any other amounts (whether pursuant to the terms of this Agreement, including Section 5.4 hereof, or any other plan, arrangement or agreement with the Company) (collectively the "Company Payments") and such Company Payments will be subject to the tax (the "Excise Tax") imposed by

Section 4999 of the Code (or any similar tax that may hereafter be imposed), the Company shall pay to Bergman at the time specified below, an additional amount (the "Gross-up Payment") such that the net amount retained by Bergman, after deduction of any Excise Tax on the Company Payments and any federal, state and local income tax and Excise Tax upon the Gross-up Payment provided for by this Section 5.5(e), but before deduction for any federal, state or local income tax on the Company Payments, shall be equal to the Company Payments.

(f) For purposes of determining whether any of the Company Payments and Gross-up Payments (collectively the "Total Payments") will be subject to the Excise Tax and the amount of such Excise Tax, (i) the Total Payments shall be treated as "parachute payments" within the meaning of section 280G(b)(2) of the Code, and all "parachute payments" in excess of the "base amount" (as defined under Code Section 280G(b)(3) of the Code) shall be treated as subject to the Excise Tax, unless and except to the extent that, in the opinion of the Company's independent certified public accountants appointed prior to any change in ownership (as defined under Code Section 280G(b)(2)) or tax counsel selected by such accountants (the "Accountants") such Total Payments (in whole or in part) either do not constitute "parachute payments," represent reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code in excess of the "base amount" or are otherwise not subject to the Excise Tax, and (ii) the value of any non-cash benefits or any deferred payment or benefit shall be determined by the Accountants in accordance with the principles of Section 280(G) of the Code.

(g) For purposes of determining the amount of the Gross-up Payment, Bergman shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation in the calendar year in which the Gross-up Payment is to be made and state and local income taxes at the highest marginal rate of taxation in the state and locality of Bergman's residence for the calendar year in which the Company Payment is to be made, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes if paid in such year, after taking into account the limitation on the deductibility of itemized deductions, including such state and local taxes, under Section 68 of the Code. In the event that the Excise Tax is subsequently determined by the Accountants to be less than the amount taken into account thereunder at the time the Gross-up Payment is made, Bergman shall repay to the Company, at the time that the amount of such reduction in Excise Tax is finally determined, the portion of the prior Gross-up Payment attributable to such reduction (plus the portion of the Gross-up Payment attributable to the Excise Tax and federal and state and local income tax imposed on the portion of the Gross-up Payment being repaid by the Executive if such repayment results in a reduction in Excise Tax or a federal and state and local income tax deduction), plus interest on the amount of such repayment at the rate provided in Section 1274 (b)(2)(B) of the Code. Notwithstanding the foregoing, in the event any portion of the Gross-up Payment to be refunded to the Company has been paid to any federal, state or local tax authority, repayment thereof (and related amounts) shall not be required until actual refund or credit of such portion has been made to Bergman and, interest payable to the Company shall not exceed the interest received or credited to Bergman by such tax authority for the period it held such portion. Bergman and the Company shall mutually agree upon the course of action to be pursued (and the method of allocating the expenses thereof) if Bergman's good faith claim for refund or credit is denied.

In the event that the Excise Tax is later determined by the Accountants or the Internal Revenue Service to exceed the amount taken into account hereunder at the time the Gross-up Payment is made (including by reason of any payment the existence or amount of which cannot be determined at the time of the Gross-up Payment), the Company shall make an additional Gross-up Payment in respect of such excess (plus any interest or penalties payable with respect to such excess) at the time that the amount of such excess is finally determined.

(h) The Gross-up Payment or portion thereof provided for in Section 5.5(f) hereof shall be paid not later than the thirtieth day following an event occurring which subjects the Executive to the Excise Tax; provided, however, that if the amount of such Gross-up Payment or portion thereof cannot be finally determined on or before such day, the Company shall pay to Bergman on such day an estimate, as determined in good faith by the Accountants, of the minimum amount of such payments and shall pay the remainder of such payments (together with interest at the rate provided in Code Section 1274(b)(2)(B) of the Code), subject to further payments pursuant to Section 5.5(f) hereof, as soon as the amount thereof can reasonably be determined, but in no event later than the ninetieth day after the occurrence of the event subjecting the Executive to the Excise Tax. In the event that the amount of the estimated payments exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to Bergman, payable on the fifth day after demand by the Company (together with interest at the rate provided in Section 1274(b)(2)(B) of the Code).

5.6 Office Support. For two years following termination of Bergman's employment by the Company without Cause or by Bergman pursuant to Section 4.1(c)((i) above, or due to the Company choosing not to extend the Employment Period, and for three years following termination of Bergman's employment by Bergman pursuant to Section 4.1(c)(iii) above, the Company shall, at its cost, provide Bergman an office comparable to that used by him prior to termination and related office support, including making available the services of his executive assistant.

5.7 Vesting of Options, Etc. Notwithstanding anything to the contrary in any other agreement between the Company and Bergman, upon the occurrence of a Change in Control any and all options held by Bergman (or his assignees) to purchase Company capital stock, to the extent not theretofore vested, shall be fully vested and, with respect to any and all shares of stock theretofore issued to Bergman bearing restrictions on transfer imposed by the Company, such restrictions shall thereupon lapse.

6. CONFIDENTIAL INFORMATION, NON-COMPETITION, ETC.

(a) (i) Both during and after the Employment Period, Bergman shall hold in a fiduciary capacity for the benefit of the Company and shall not, without the prior written consent of the Company, communicate or divulge (other than in the regular course of the Company's business), to anyone other than the Company, its subsidiaries and those designated by it, any confidential or proprietary information, knowledge or data relating to the Company or any of its subsidiaries, or to any of their respective businesses, obtained by Bergman before or during the Employment Period except to the extent (A) disclosure is made during the Employment Period by Bergman in the course of his duties hereunder and Bergman reasonably determines in good faith that it is in the best interest of the Company to do so, (B) Bergman is compelled pursuant to an order of a court or other body having jurisdiction over such matter to do so (in which case the Company shall be given prompt written notice of such intention to divulge not less than five days prior to such disclosure or such shorter period as the circumstances may reasonably require) or (C) such information, knowledge or data is or becomes public knowledge or is or becomes generally known within the Company's industry other than through improper disclosure by Bergman.

(ii) Bergman acknowledges and agrees that the whole interest in any invention, improvement, confidential information, copyright, design, plan, drawing or data, including all worldwide rights to copyrights or any other intellectual property rights (collectively, the "Rights") arising out of or resulting from Bergman's performance of his duties during the Employment Period shall be the sole and exclusive property of the Company. Bergman undertakes (at the expense of the Company) to execute any document or do any reasonably necessary act to enable the Company to obtain or to assist the Company in obtaining any Rights. Bergman hereby irrevocably appoints the Company to be his attorney-in-fact to execute in his name and on his behalf any instrument required and take any actions reasonably necessary for the purpose of giving to the Company the full benefit of the provisions of this subsection; provided, however, that the Company shall notify Bergman prior to executing any such instruments or taking any such actions.

(b) Bergman will not (other than on behalf of the Company) directly or indirectly during the Employment Period and for one (1) year thereafter if Bergman's termination is due to a termination by the Company without Cause, by Bergman pursuant to Section 4.1(c)(i) or (iii) or because of Bergman's Disability (which term may be extended for an additional year at the Company's option; provided, however, that upon making such election which shall be made no less than 180 days prior to the expiration of such term, the Company shall pay Bergman 100% of his Base Salary at the rate being paid on the date of such termination), or until the later of (A) the second anniversary of the expiration of the Employment Period and (B) the Employment Expiration Date if such termination is due to a termination by the Company for Cause or by Bergman pursuant to Section 4.1(c)(ii), as an individual proprietor, partner, stockholder, officer, employee, director, joint venturer, investor, lender, or in any other capacity whatsoever (other than as the holder of not more than one (1) percent of the total outstanding stock of a publicly held company other than Schein Pharmaceutical, Inc., (x) engage in any activity competitive with a material segment of the business of the Company, or (y) recruit, solicit or induce any employee or employees of the Company (other than his personal administrative assistant) to terminate their employment with, or otherwise cease their relationship with, the Company.

(c) If any restriction set forth in Section 6(b) hereof is found by any court of competent jurisdiction or arbitrator to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic area as to which it may be enforceable.

(d) The restrictions contained in Sections 6(a) and (b) hereof are necessary for the protection of the business and goodwill of the Company and are considered by Bergman to be reasonable to such purpose. Bergman acknowledges and agrees that money damages would not adequately compensate the Company for any breach of Sections 6(a) or 6(b) hereof and will cause the Company substantial and irreparable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, the Company shall have the right to seek specific performance and injunctive relief.

7. NO MITIGATION; NO SET-OFF

The Company agrees that if Bergman's employment with the Company is terminated prior to the Employment Expiration Date for any reason whatsoever, Bergman is not required to seek other employment or to attempt in any way to reduce any amounts payable to Bergman by the Company pursuant to this Agreement. Further, the amount of any payment provided for in this Agreement shall not be reduced by any compensation earned by Bergman as the result of employment by another employer or otherwise; and the amount of any benefit (other than the health and medical benefits provided for in Section 3.1 hereof) provided for in this Agreement shall not be reduced by any benefit provided to Bergman as the result of employment by another employer or otherwise. The Company's obligations to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, or other similar right which the Company may have against Bergman.

8. LEGAL FEES

If Bergman seeks to collect or negotiates and reaches a settlement for any part or all of the payments provided for hereunder (or otherwise successfully enforces the terms of this Agreement) by or through a lawyer, the Company shall advance all reasonable costs of such collection or enforcement, including reasonable legal fees and disbursements and other fees and expenses which Bergman may incur, promptly after submission of documentation reasonably acceptable to the Company in respect of such costs and expenses. All amounts paid by the Company shall promptly be refunded to the Company if and when a court of competent jurisdiction finds that the Company is entitled to have such sums refunded or if a settlement is reached which is insubstantial compared to the damages that were requested. The Company shall pay or reimburse Bergman for all reasonable legal fees (not in excess of $7,500) incurred by him in connection with the negotiation and execution of this Agreement.

9. SUCCESSORS; BINDING AGREEMENT

(a) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company to expressly assume and agree in writing to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such transaction had taken place, provided that Bergman need only be one of the senior executive officers with the authority, powers and responsibilities set forth in Section 1.1 hereof with respect to the subsidiary or subdivision which operates the business of the Company as it exists on the date of such business combination. Failure of the Company to obtain such express assumption and agreement at or prior to the effectiveness of any such transaction shall be a breach of this Agreement and shall entitle Bergman to compensation and benefits from the Company in the same amount and on the same terms to which Bergman would be entitled hereunder if the Company terminated his employment without Cause, except that for purposes of implementing the foregoing, the date on which any such transaction becomes effective shall be deemed the date of termination. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

(b) The Company may not assign this Agreement except in connection with, and to the acquiror of, all or substantially all of the business or assets of the Company, provided such acquiror expressly assumes and agrees in writing to perform this Agreement as provided in Section 9(a) hereof.

(c) This Agreement shall inure to the benefit of and be enforceable by Bergman and his personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees; provided, however, that this Agreement may not be assigned by Bergman.

(d) The parties agree that Bergman's family members are the intended third party beneficiaries of the provisions of Section 3.1 and Article 5 (only to the extent that the events described therein would cause Bergman's family members to be entitled to the benefit of rights granted to them under Section 3.1) to the extent that benefits are expressly granted to them in such sections, with the right to enforce such provisions as fully as if they were parties to this Agreement.

10. MISCELLANEOUS

(a) Any notices or other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly made, given or received when hand-delivered, one (1) business day after being transmitted by telecopier (confirmed by mail) or sent by overnight courier against receipt, or five (5) days after being mailed by registered or certified mail, postage prepaid, return receipt requested, to the party to whom such communication is given at the address set forth below, which address may be changed by notice given in accordance with this Section:

If to the Company:

Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747
Attention: Corporate Secretary

If to Bergman:

Stanley M. Bergman
104A Middleville Road
Northport, New York 11768

(b) If any provision of this Agreement shall be held by court of competent jurisdiction to be illegal, invalid or any unenforceable, such provision shall be construed and enforced as if it had been more narrowly drawn so as not to be illegal, invalid or unenforceable and such illegality, invalidity or unenforceability shall have no effect upon and shall not impair the enforceability of any other provision of this Agreement.

(c) No provision of this Agreement may be modified, waived or discharged except by a waiver, modification or discharge in writing signed by Bergman and such officer as may be designated by the Board of Directors. No waiver by either party hereto at any time of any breach by the other party hereto of, or in compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the time or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

(d) This Agreement represents the entire agreement of the parties and shall supersede any and all previous contracts, arrangements or understandings between the Company and Bergman with respect to the subject matter hereof.

(e) This Agreement shall be construed, interpreted, and governed in accordance with the laws of the State of New York, without reference to rules relating to conflicts of law.

(f) The section headings herein are for the purpose of convenience only and are not intended to define or limit the contents of any section.

(g) The parties may sign this Agreement in counterparts, all of which shall be considered one and the same instrument.

[END OF TEXT-- SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have set their hands as of the day and year first above written.

HENRY SCHEIN, INC.

By:

Authorized Officer

/S/ STANLEY M. BERGMAN

STANLEY M. BERGMAN

The schedule contains summary financial information extracted from the
consolidated financial statments and is qualified in its entirety by reference
to such financial statements.

1,000

12-MOS
DEC-25-1999
DEC-27-1998
DEC-25-1999
26019
0
408454
(20391)
285590
778809
147329
(60702)
1204102
350380
322097
0
0
407
517460
1204102
2285700
2285700
1587344
1587344
592591
0
23593
89783
35589
50312
0
0
0
50312
1.24
1.21