UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE PERIOD ENDED SEPTEMBER 27, 1997

OR

[ ] 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 11747
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

TELEPHONE NUMBER (516) 843-5500
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

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

As of November 7, 1997, there were 27,457,392 shares of the Registrant's Common Stock outstanding.

HENRY SCHEIN, INC.

INDEX

PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

PART 1. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	SEPTEMBER 27, 1997 (UNAUDITED)	DECEMBER 28, 1996 (RESTATED)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,646	$ 45,264
Accounts receivable, less reserves of $11,911 and $8,047, respectively	222,828	172,094
Inventories	151,832	140,350
Deferred income taxes	7,546	6,971
Other	32,198	31,027
Total current assets	431,050	395,706
Property and equipment, net of accumulated depreciation and amortization of $48,200 and $43,184, respectively	50,242	41,329
Goodwill and other intangibles, net of accumulated amortization of $6,921 and $4,814, respectively	93,524	61,674
Investments and other	29,460	29,185
	$ 604,276	$527,894
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 116,876	$105,371
Bank credit lines	8,385	6,716
Accruals:		
Salaries and related expenses	14,363	11,041
Other	39,693	31,376
Current maturities of long-term debt	12,251	8,894
Total current liabilities	191,568	163,398
Long-term debt	83,976	33,284
Other liabilities	4,032	2,895
Total liabilities	279,576	199,577
Minority interest	1,845	5,289
Stockholders' equity:		
Common stock, $.01 par value, authorized 60,000,000; issued 27,507,073 and 26,573,861, respectively	275	265
Additional paid-in capital	273,727	275,273
Retained earnings	52,182	49,217
Treasury stock, at cost 62,479 and 60,529 shares, respectively	(1,156)	(1,091)
Foreign currency translation adjustment	(2,173)	(636)
Total stockholders' equity	322,855	323,028
	$ 604,276	$527,894

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996
		(RESTATED)		(RESTATED)
Net sales	$ 327,616	$ 259,160	$ 911,707	$ 709,983
Cost of sales	237,347	185,864	654,711	506,419
Gross profit	90,269	73,296	256,996	203,564
Operating expenses:				
Selling, general and administrative	79,520	63,559	228,499	181,227
Merger and integration costs	17,718	--	22,071	--
Operating income (loss)	(6,969)	9,737	6,426	22,337
Other income (expense):				
Interest income	1,729	1,345	4,207	3,168
Interest expense	(1,469)	(980)	(3,486)	(3,884)
Other--net	263	101	343	132
Income (loss) before taxes on income, minority interest and equity in earnings of affiliates	(6,446)	10,203	7,490	21,753
Taxes on income	4,066	3,670	10,815	7,686
Minority interest in net loss of subsidiaries	(305)	(1)	(434)	(15)
Equity in earnings of affiliates	558	614	889	1,111
Net income (loss)	$ (9,649)	$ 7,148	$ (2,002)	$ 15,193
Net income (loss) per common share	$ (0.34)		$ (0.07)	
Pro forma:				
Historical net income		$ 7,148		$ 15,193
Pro forma adjustments:				
Provision for income taxes on previously untaxed earnings of an acquisition		(296)		(726)
Pro forma net income		$ 6,852		$ 14,467
Pro forma net income per common share		$ 0.25		$ 0.59
Weighted average common and common equivalent shares outstanding	28,750	27,288	28,301	24,625

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED	
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996
		(RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (2,002)	$ 15,193
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	8,829	6,623
Provision (benefit) for losses on accounts receivable	3,013	(237)
Provision for deferred income taxes	368	11
Stock issued to ESOP Trust	1,111	820
Undistributed earnings of affiliates	(889)	(1,111)
Minority interest in net loss of subsidiaries	(434)	(15)
Other	85	20
Changes in assets and liabilities:		
Increase in accounts receivable	(41,898)	(41,706)
Increase in inventories	(3,438)	(5,470)
Increase in other current assets	(237)	(4,706)
Increase in accounts payable and accruals	15,853	4,351
Net cash used in operating activities	(19,639)	(26,227)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(10,265)	(9,703)
Business acquisitions, net of cash acquired	(38,388)	(31,182)
Other	(5,939)	(5,064)
Net cash used in investing activities	(54,592)	(45,949)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	203	1,476
Principal payments on long-term debt	(10,967)	(4,546)
Proceeds from issuance of stock	--	124,070
Proceeds from borrowings from banks	57,682	4,606
Payments on borrowings from banks	(852)	(13,379)
Purchase of treasury stock	(66)	(208)
Other	(387)	3,670
Net cash provided by financing activities	45,613	115,689
Net increase (decrease) in cash and cash equivalents	(28,618)	43,513
Cash and cash equivalents, beginning of period	45,264	11,699
Cash and cash equivalents, end of period	$ 16,646	$ 55,212

See accompanying notes to consolidated financial statements.

NOTE 1. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Henry Schein, Inc. and its wholly-owned and majority-owned subsidiaries (collectively, the 'Company').

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. These consolidated financial statements are condensed and therefore do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial statements include adjustments to give effect to the acquisitions of Dentrix Dental Systems, Inc. ('Dentrix'), effective February 28, 1997 and Micro Bio-Medics, Inc. ('MBMI'), effective August 1, 1997, which were accounted for under the pooling of interests method. The consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K and 10-K/A for the year ended December 28, 1996 and Form 8-K dated June 24, 1997. The Company follows the same accounting policies in preparation of interim reports. The results of operations for the nine months ended September 27, 1997 are not necessarily indicative of the results to be expected for the fiscal year ending December 27, 1997 or any other period.

NOTE 2. BUSINESS ACQUISITIONS

During the year ended December 28, 1996, the Company acquired seventeen healthcare distribution businesses. The 1996 acquisitions included ten dental and three medical companies, a veterinary supply distributor and three international dental companies, with aggregate net sales in their last fiscal year ends of approximately $104,000, and were all accounted for using the purchase method of accounting. Of these, fifteen were for majority ownership (100% in nine of the transactions). The total amount of cash paid and promissory notes issued for these acquisitions was approximately $33,423. The Company also issued 155,183 shares of common stock in 1996 in connection with two of these acquisitions. Operations of these businesses have been included in the consolidated financial statements from their respective acquisition dates. No single 1996 acquisition was material.

During the nine months ended September 27, 1997, the Company completed sixteen acquisitions, and had one pending acquisition. The 1997 completed acquisitions included four medical supply companies, the most significant of which was MBMI, a distributor of medical supplies to physicians and hospitals in the New York metropolitan area, as well as to healthcare professionals in markets nationwide, with 1996 annual net sales of approximately $150,000 and, combined with the other three medical companies totalled approximately $182,000 in aggregate net sales for 1996. The completed acquisitions also included: (a) three dental supply companies, with aggregate net sales of approximately $17,100; (b) two international dental and three international medical supply companies with aggregate net sales of approximately $5,300 and $18,300, respectively, (c) three technology and value-added product companies with aggregate net sales of approximately $20,300; and (d) 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 $50,000.

Of the sixteen completed acquisitions, five were accounted for under the pooling of interests method, with the remainder being accounted for under the purchase method of accounting (eight for 100% ownership interests and three for majority ownership interests). The financial statements have been restated to give retroactive effect to two of the pooling transactions (Dentrix and MBMI) 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. Operations of the 1997 completed acquisitions, accounted for under the purchase method of accounting, have been included in the consolidated financial statements from their respective acquisition dates.

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 2. BUSINESS ACQUISITIONS (CONTINUED)

The total amount of cash paid and promissory notes issued for the 1997 completed acquisitions accounted for under the purchase method of accounting was approximately $47,000. The excess of the acquisition costs over the fair value of identifiable net assets acquired for these acquisitions will be amortized on a straight-line basis over a period not to exceed 30 years.

The Company also issued 5,148,286 shares of common stock in connection with the five pooling transactions, the most significant of which were MBMI and Dentrix. On February 28, 1997 and on August 1, 1997, respectively, all of the common stock of Dentrix, a leading provider of clinically-based dental practice management systems, with net sales of approximately $10,200, and MBMI were acquired, in exchange for 1,070,000 and 3,231,420 shares, respectively of the Company's common stock.

In connection with the acquisitions accounted for under the pooling of interests method of accounting, during the nine and three months ended September 27, 1997, the Company incurred certain merger and integration costs of approximately $22,071 and $17,718, respectively. Net of taxes, for the nine and three months ended September 27, 1997, merger and integration costs were approximately $0.76 and $0.61 per share, respectively. Merger and integration costs consist primarily of compensation, investment banking, legal, accounting and advisory fees, impairment of goodwill arising from acquired businesses integrated into the Company's medical business, as well as certain other integration costs associated with these mergers.

Additionally, 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. Other than the MBMI acquisition, no single acquisition completed in the nine months ended September 27, 1997 was material.

The summarized unaudited pro forma results of operations set forth below for the nine months ended September 27, 1997 and September 28, 1996 assume the acquisitions, completed in 1996 and the first nine months of 1997, which were accounted for under the purchase method of accounting, occurred as of the beginning of each of these periods.

	NINE MONTHS ENDED	
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996
Net sales	$ 958,129	$ 812,922
Net income (loss)	(2,462)	15,294
Pro forma net income, reflecting the Dentrix tax adjustment in 1996, and adjustment in 1997 to exclude merger and integration costs, net of taxes	18,985	14,568
Pro forma net income per common share	$ 0.57	$ 0.59

Pro forma 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.

Net sales of the Company, Dentrix and MBMI for the three and nine months ended September 28, 1996 were $212,529, $2,538, $44,093 and $592,610, $7,052, $110,321, respectively. Unaudited net income of the Company, Dentrix and MBMI for the three and nine months ended September 28, 1996 were $5,298, $667, $1,183 and $11,968, $1,588, $1,637, respectively. Such sales and net income for MBMI reflect the three and nine months ended August 31, 1996. For the two months ended February 28, 1997, the effective date of the Dentrix

(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 2. BUSINESS ACQUISITIONS (CONTINUED)

acquisition, Dentrix's net sales were $1,842. Separate unaudited results of operations for MBMI for the seven months ended August 1, 1997, the effective date of the MBMI acquisition, and the Company were as follows:

	NET SALES	NET INCOME (LOSS)	ADJUSTED NET INCOME(1)
Henry Schein, Inc.	$ 698,836	$4,536	$ 13,277
Micro-Bio Medics, Inc.	98,379	(1,731)	1,544
Combined	$ 797,215	$2,805	$ 14,821

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

(1) Adjusted to exclude merger and integration costs, net of taxes

Other changes to stockholders' equity for the Company during the pre-combination period and MBMI were not material.

On August 3, 1997, the Company entered into a definitive merger agreement with Sullivan Dental Products, Inc. ('Sullivan') (Nasdaq:SULL) pursuant to which the Company will acquire Sullivan in a stock-for-stock merger. The merger is intended to be accounted for as a pooling of interests and is expected to be tax-free to Sullivan's shareholders. Under the terms of the agreement, which has been approved by the Board of Directors of each company, outstanding shares of Sullivan will be exchanged at a fixed rate of 0.735 of a share of the Company's common stock for each Sullivan share in a transaction valued at approximately $285,000 based on the Company's closing stock price on Monday, November 10, 1997. The merger is expected to close in mid-November, 1997, subject to each company's shareholder approval, to be voted upon at shareholder meetings of each company to be held on November 12, 1997, and other customary closing conditions. The Company anticipates recording a non-recurring charge of approximately $15,000 to $20,000 related to the transaction in the fourth quarter of 1997. Additional non-recurring charges are anticipated to occur in 1998 related to this transaction, which are primarily due to warehouse integrations. These costs are not presently estimatable.

Sullivan distributes consumable dental supplies to dentists using a marketing strategy which combines personal visits by sales representatives with a catalog of approximately 12,000 competitively priced items. Sullivan also sells, installs and services dental equipment through 52 sales and service centers located throughout the U.S. Sullivan had net sales of approximately $242,000 and earnings of approximately $8,700 for its year ended December 31, 1996.

NOTE 3. PUBLIC OFFERING

On June 21, 1996, the Company sold 3,734,375 shares and certain of its stockholders sold 2,812,000 shares of common stock of the Company in a public offering (the 'Offering') at a price to the public of $35.00 per share, netting proceeds to the Company, after underwriting discounts and expenses, of approximately $124,070. Proceeds from the Offering were used to (i) repay $34,600 outstanding under the Company's revolving credit agreement, (ii) finance 1996 acquisitions totaling $32,540 and (iii) repay a $2,400 note payable incurred in connection with a 1995 acquisition; the remaining proceeds have been used for working capital needs and for general corporate purposes.

NOTE 4. SUPPLEMENTAL NET INCOME PER SHARE

Supplemental net income per share for the nine months ended September 28, 1996 was $0.60. For this calculation, the weighted average number of common shares includes the shares assumed to provide the proceeds, at the Offering price (See Note 3), needed to retire average revolving credit borrowings and other debt for the period from the beginning of the year (or the date the debt was incurred) to the respective retirement date. The supplemental net income excludes financing and interest expenses of the debt.

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

RECENT DEVELOPMENTS

During the nine months ended September 27, 1997, the Company completed sixteen acquisitions, and had one pending acquisition. The 1997 completed acquisitions included four medical supply companies, the most significant of which was MBMI, a distributor of medical supplies to physicians and hospitals in the New York metropolitan area, as well as to healthcare professionals in markets nationwide, with 1996 annual net sales of approximately $150.0 million and, combined with the other three medical companies totalled approximately $182.0 million in aggregate net sales for 1996. The completed acquisitions also included: (a) three dental supply companies, with aggregate net sales of approximately $17.1 million; (b) two international dental and three international medical supply companies with aggregate net sales of approximately $5.3 million and $18.3 million, respectively; (c) three technology and value-added product companies with aggregate net sales of approximately $20.3 million; and (d) 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. Other than MBMI, no single acquisition completed in the nine months ended September 27, 1997 was material.

On August 3, 1997, the Company and Sullivan, entered into an agreement, pursuant to which Sullivan will merge into a wholly-owned subsidiary of the Company upon the exchange of 0.735 shares of the Company's common stock for each outstanding share of Sullivan stock. This merger is expected to close in mid-November, 1997, subject to each company's shareholder approval, to be voted upon at shareholder meetings of each company to be held on November 12, 1997, and other customary closing conditions, although no assurances can be given in this regard. The Company anticipates recording a non-recurring charge of approximately $15.0 to $20.0 million related to the transaction in the fourth quarter of 1997. Additional non-recurring charges are anticipated to occur in 1998 related to this transaction, which are primarily due to warehouse integrations. These costs are not presently estimatable. For a more complete description of the terms of the Sullivan merger agreement, reference is made to the Registration Statement on Form S-4 dated September 22, 1997, filed with the Securities and Exchange Commission with respect to the securities to be issued in connection with the Sullivan merger.

In connection with the acquisitions accounted for under the pooling of interests method of accounting, during the nine and three months ended September 27, 1997, the Company incurred certain merger and integration costs of approximately $22.1 million and $17.7 million, respectively. Net of taxes, for the nine and three months ended September 27, 1997, merger and integration costs were approximately $0.76 and $0.61 per share, respectively. Merger and integration costs consist primarily of compensation, investment banking, legal, accounting and advisory fees, impairment of goodwill arising from acquired businesses integrated into the Company's medical business, as well as certain other integration costs associated with these mergers.

Excluding the merger and integration costs, net income and net income per common share would have been $19.4 million and $0.69, respectively, for the nine months ended September 27, 1997, and $7.8 million and $0.27, respectively, for the three months then ended.

The Company uses United Parcel Services of America, Inc. ('UPS') for delivery of substantially all domestic orders. The Teamsters Union strike against UPS during the third quarter substantially reduced UPS's ability to fulfill the shipments of its customers' orders. During this period the Company made alternative arrangements in order to maintain customer service levels. The use of such alternatives resulted in approximately $1.3 million, or $0.03 per share in higher transportation and other operating costs, primarily payroll caused by the need to sort customer orders for distribution to various regional couriers. Additionally, after the strike payroll costs continued to run at rates higher than would otherwise be expected in order to handle inbound freight that was backlogged as a result of the strike. None of these incremental costs were passed along to customers. Subsequently, freight and payroll costs returned to normal pre-strike levels.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 27, 1997 COMPARED TO THREE MONTHS ENDED SEPTEMBER 28, 1996

Net sales increased $68.4 million, or 26.4%, to $327.6 million for the three months ended September 27, 1997 from $259.2 million for the three months ended September 28, 1996. The Company estimates that approximately 16.0% of the increase was due to internal growth, while the remaining 10.4% was due to acquisitions. Of the $68.4 million increase, approximately $29.7 million represented a 26.9% increase in the Company's dental business, $26.2 million represented a 26.7% increase in its medical business, $9.7 million represented a 28.2% increase in its international business, $1.2 million represented a 12.5% increase in the Company's veterinary business, and $1.6 million represented a 24.2% increase in its technology and value-added product 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), acquisitions, continued success in the Company's target marketing programs and increased sales in the large dental equipment market. The increase in medical net sales was primarily due to acquisitions, increased net sales to renal dialysis centers and net sales to customers enrolled in the AMA Purchase Link program. In the international market, the increase in net sales was due equally to acquisitions and increased unit volume growth. Unfavorable exchange rate translation adjustments resulted in a net sales decrease of approximately $3.6 million. Had net sales for the international market been translated at the same exchange rates in effect during 1996, net sales would have increased by an additional 10.4%. In the veterinary market, the increase in net sales was primarily due to increased account penetration with corporate accounts. The increase in technology and value-added product sales was primarily due to 1997 acquisitions.

Gross profit increased by $17.0 million, or 23.2%, to $90.3 million for the three months ended September 27, 1997 from $73.3 million for the three months ended September 28, 1996, while gross profit margin decreased to 27.6% from 28.3%. The $17.0 million increase in gross profit was primarily due to increased sales volume and acquisitions. The decrease in gross profit margin was primarily due to sales mix changes.

Selling, general and administrative expenses increased by $15.9 million, or 25.0%, to $79.5 million for the three months ended September 27, 1997 from $63.6 million for the three months ended September 28, 1996. Selling and shipping expenses increased by $10.5 million, or 23.8% to $54.6 million for the three months ended September 27, 1997 from $44.1 million for the three months ended September 28, 1996. As a percentage of net sales, selling and shipping expenses decreased 0.3% to 16.7% for the three months ended September 27, 1997 from 17.0% for the three months ended September 28, 1996. This decrease was primarily due to the leveraging of the Company's distribution infrastructure, partially offset by incremental shipping, payroll and related costs amounting to $1.3 million as a result of the Teamsters strike against UPS and an increase in selling expenses. General and administrative expenses increased $5.4 million, or 27.7%, to $24.9 million for the three months ended September 27, 1997 from $19.5 million for the three months ended September 28, 1996, primarily as a result of acquisitions. As a percentage of net sales, general and administrative expenses increased 0.1% to 7.6% for the three months ended September 27, 1997 from 7.5% for the three months ended September 28, 1996.

Other income (expense)-net remained unchanged at $0.5 million for the three month periods ended September 27, 1997 and September 28, 1996. Increased finance charge income and imputed interest income arising from non-interest bearing extended payment term sales was offset by an increase in average borrowings.

For the three months ended September 27, 1997, the Company's effective tax rate was (63.1%). Excluding merger and integration costs, substantially all of which are not deductible for income tax purposes, the Company's effective tax rate would have been 38.8%. The difference between the effective tax rate (excluding merger and integration costs) and the federal statutory rate relates primarily to state income taxes. For the three months ended September 28, 1996, the Company's effective rate was 36.0%, and on a pro forma basis was 38.9%. The difference between the effective tax rate and the federal statutory rate relates primarily to state income taxes.

NINE MONTHS ENDED SEPTEMBER 27, 1997 COMPARED TO NINE MONTHS ENDED SEPTEMBER 28, 1996

Net sales increased $201.7 million, or 28.4%, to $911.7 million for the nine months ended September 27, 1997 from $710.0 million for the nine months ended September 28, 1996. The Company estimates that overall approximately 16.8% of the increase was due to internal growth, while the remaining 11.6% was due to acquisitions. Of the $201.7 million increase, approximately $87.4 million represented a 28.1% increase in the Company's dental business, $80.5 million represented a 32.7% increase in its medical business, $23.3 million represented a 22.4% increase in its international business, $3.7 million represented a 13.8% increase in the Company's veterinary business and $6.8 million represented a 30.6% increase in its technology and value-added product 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), acquisitions, continued success in the Company's target marketing programs and increased sales in the large dental equipment market. The increase in medical net sales was primarily due to acquisitions, increased net sales to renal dialysis centers and net sales to customers enrolled in the AMA Purchase Link program. In the international market, the increase in net sales was due equally to acquisitions and increased unit volume growth. Unfavorable exchange rate translation adjustments resulted in a net sales decrease of approximately $6.5 million dollars. Had net sales for the international market been translated at the same exchange rates in effect during 1996, net sales would have increased by an additional 6.2 %. In the veterinary market, the increase in net sales was primarily due to increased account penetration with corporate accounts. The increase in technology and value-added product sales was primarily due to 1997 acquisitions.

Gross profit increased by $53.4 million, or 26.2%, to $257.0 million for the nine months ended September 27, 1997 from $203.6 million for the nine months ended September 28, 1996, while gross profit margin decreased to 28.2% from 28.7%. The $53.4 million increase in gross profit was primarily due to increased sales volume and acquisitions. The decrease in gross profit margin was primarily due to sales mix changes.

Selling, general and administrative expenses increased by $47.3 million, or 26.1%, to $228.5 million for the nine months ended September 27, 1997 compared to $181.2 million for the nine months ended September 29, 1996. Selling and shipping expenses increased by $29.8 million, or 24.2%, to $152.9 million for the nine months ended September 27, 1997 from $123.1 million for the nine months ended September 28, 1996. As a percentage of net sales, selling and shipping expenses decreased 0.5% to 16.8% for the nine months ended September 27, 1997 from 17.3% for the nine months ended September 28, 1996. This decrease was primarily due to leveraging of the Company's distribution infrastructure, partially offset by incremental shipping, payroll and related costs amounting to $1.3 million as a result of the Teamsters strike against UPS in the third quarter and an increase in selling expenses. General and administrative expenses increased $17.5 million, or 30.1%, to $75.6 million for the nine months ended September 27, 1997 from $58.1 million for the nine months ended September 28, 1996, primarily as a result of acquisitions. As a percentage of net sales, general and administrative expenses increased 0.1% to 8.3% for the nine months ended September 27, 1997 from 8.2% for the nine months ended September 28, 1996.

Other income (expense)-net increased by $1.7 million, or 283.3%, to $1.1 million for the nine months ended September 27, 1997 from ($.6) million for the nine months ended September 28, 1996. This increase was primarily due to a decrease in average borrowings, which were partially paid off with proceeds from the Company's follow-on offering in June 1996, combined with an increase in finance charge income and imputed interest income arising from non-interest bearing extended payment term sales.

For the nine months ended September 27, 1997, the Company's effective tax rate was 144.4%. Excluding merger and integration costs, substantially all of which are not deductible for income tax purposes, the Company's effective tax rate would have been 38.7%. The difference between the effective tax rate (excluding merger and integration costs) and the federal statutory rate relates primarily to state income taxes. For the nine months ended September 28, 1996, the Company's effective rate was 35.3%, and on a pro forma basis was 38.7%, which was higher than the federal statutory rate, is primarily due to state income taxes.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal capital requirements have been to fund (a) working capital needs resulting from increased sales, extended payment terms on various products and special inventory forward buy-in opportunities, (b) acquisitions and (c) capital expenditures. Since sales have traditionally been strongest during the fourth quarter and special inventory forward buy-in opportunities have traditionally been most prevalent just before the end of the year, the Company's working capital requirements are 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 revolving credit facilities and stock issuances.

Net cash used in operating activities for the nine months ended September 27, 1997 of $19.6 million resulted primarily from a net increase in working capital of $29.6 million offset, in part, by net income adjusted for non-cash charges relating primarily to depreciation and amortization of $8.8 million. The increase in working capital was primarily due to (i) a $41.9 million increase in

accounts receivable resulting from increased sales and extended payment terms, (ii) a $3.4 million increase in inventory, and (iii) a $0.2 million increase in other current assets, offset by an increase in accounts payable and other accrued expenses of $15.9 million resulting primarily from payments to vendors for inventory purchased as part of the Company's year-end inventory forward buy-in program. The Company anticipates future increases in working capital as a result of its continued sales growth.

Net cash used in investing activities for the nine months ended September 27, 1997 of $54.6 million resulted primarily from cash outlays for acquisitions of $38.4 million and capital expenditures of $10.3 million. Capital expenditures are comparable with the prior year period as the Company continues developing new computer systems as well as incurring expenditures for leasehold improvements associated with the additional operating facilities. The Company expects that it will continue to invest in excess of $10.0 million per year in capital projects to modernize and expand its facilities and infrastructure systems.

Net cash provided by financing activities for the nine months ended September 27, 1997 of $45.6 million resulted primarily from net borrowings on long-term debt and bank credit lines partially offset by net payments . A balloon payment of approximately $3.5 million is due on October 31, 1997 under a term loan associated with a foreign acquisition.

In addition, with respect to certain acquisitions and joint ventures, holders of minority interest in the 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.

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 sold to the Company was approximately $11.8 million, of which approximately $3.2 million was paid for in cash, with the remainder payable over two years in equal annual installments.

The Company's cash and cash equivalents as of September 27, 1997 of $16.6 million are invested primarily in short-term bank deposits. These investments have staggered maturity dates, none greater than 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 18, 1997 that increased its main credit facility from $100.0 million to $150.0 million, extended the facility termination to August 14, 2002. Borrowings under the credit facility were $73.2 million at September 27, 1997. Certain of the Company's subsidiaries have revolving credit facilities that total approximately $11.0 million under which $8.4 million have been borrowed at September 27, 1997.

The Company believes that its cash and cash equivalents, its anticipated cash flow from operations, its ability to access public debt and equity markets, and the availability of funds under its existing credit agreements will provide it with liquidity sufficient to meet its currently foreseeable capital needs.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a 'safe harbor' for forward-looking statements. This report contains forward-looking statements based on current expectations that 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, 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, the impact of current or pending legislation and regulation, as well as the risks described from time to time in the Company's reports to the Securities and Exchange Commission, which include the Company's Annual Report on Form 10-K and 10-K/A for the year ended December 28, 1996 and Form 8-K dated June 24, 1997. Subsequent written or oral statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this Form 10-Q and those in the Company's reports previously filed with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

10.95 -- Irrevocable Proxy and Termination Rights Agreement, dated as of August 3, 1997, as revised, by and among Henry Schein, Inc. and the persons listed on Schedule A thereto, each a shareholder of Sullivan Dental Products, Inc. (filed as Exhibit 10.95 to Henry Schein, Inc.'s Quarterly Report on Form 10-Q for the fiscal quarter ended June 28, 1997)

10.96 -- Employment Agreement, dated as of August 3, 1997, by and between Robert J. Sullivan and the registrant (filed as Exhibit 10.96 to Henry Schein, Inc.'s Registration Statement on Form S-4 (Registration No. 333-36081) ("Registration Statement No. 333-36081")**

10.97 -- Employment Agreement, dated as of August 3, 1997, by and between Robert E. Doering and the registrant (filed as Exhibit 10.97 to Registration Statement No. 333-36081)**

10.98 -- Employment Agreement, dated as of August 3, 1997, by and between Timothy J. Sullivan and the registrant (filed as Exhibit 10.98 to Registration Statement No. 333-36081)**

10.99 -- Employment Agreement, dated as of August 3, 1997, by and between Kevin J. Ackeret and the registrant (filed as Exhibit 10.99 to Registration Statement No. 333-36081)**

10.100 -- Employment Agreement, dated as of August 3, 1997, by and between Geoffrey A. Reichardt and the registrant (filed as Exhibit 10.100 to Registration Statement No. 333-36081)**

10.101 -- Employment Agreement, dated as of August 3, 1997, by and between David A. Steck and the registrant (filed as Exhibit 10.101 to Registration Statement No. 333-36081)**

10.102 -- Employment Agreement, dated as of August 3, 1997, by and between Kenneth A. Schwing and the registrant (filed as Exhibit 10.102 to Registration Statement No. 333-36081)**

10.103 -- Amendment dated as of June 30, 1997 to Credit Agreement (filed as Exhibit 10.103 to Registration Statement No. 333-36081)

10.104 -- Amendment No. 2 and Supplement dated as of August 15, 1997 to Credit Agreement (filed as Exhibit 10.104 to Registration Statement No. 333-36081)

10.105 -- Second Amended and Restated Term Loan Agreement dated October 27, 1997 between Henry Schein Europe, Inc. And Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A.

11.1 -- Computation of Earnings per Share

27.1 -- Financial Data Schedule

** Indicates management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K.

During the quarter ended September 27, 1997, the Company filed a Current Report on Form 8-K, dated August 1, 1997, to announce that pursuant to the Agreement and Plan of Merger dated March 7, 1997, as amended, among Henry Schein, Inc., a Delaware corporation ('Schein'), Micro Bio-Medics, Inc., a New York corporation ('MBMI'), and HSI Acquisition Corporation, a New York corporation and wholly-owned subsidiary of Schein ('Sub') (the 'Merger Agreement'), the merger of Sub with and into MBMI (the 'Merger') was consummated on August 1, 1997. The Form 8-K incorporates by reference the historical consolidated financial statements of Micro Bio-Medics, Inc. and the pro forma combined condensed financial statements under Item 7.

SIGNATURE

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

HENRY SCHEIN, INC.
(Registrant)

By: /s/ STEVEN PALADINO

Steven Paladino
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Dated: November 12, 1997

SECOND AMENDED AND RESTATED TERM LOAN AGREEMENT

Dated as of October 27, 1997

HENRY SCHEIN EUROPE, INC. (the "Borrowee'), and COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A., "Rabobank Nederland", New York Branch (the "Bank") agree as follows:

ARTICLE I
AMOUNTS AND TERMS OF THE ADVANCES

SECTION 1.01. The Advances. Pursuant to that certain Amended and Restated Revolving Credit and Term Loan Agreement, dated as of November 15, 1993 (the "Existing Agreemenf The Bank has made an advance (the "Existing Advance") to the Borrower in the principal amount of the U.S. Dollar equivalent of Ten Million Netherlands Guilders. The Borrower has requested and the Bank has agreed to re@ce the Existing Advance with a new advance (the "Advance") in the principal amount of Six Million Five Hundred Thousand Netherlands Guilders (NLG6,500,000) on the terms and conditions hereinafter set forth for the period from the date hereof to and including January 31, 2002 (the "Termination Date").

SECTION 1.02. Making the Advance. (a) The Advance shall be deemed to have been made on the date hereof upon fulfilhnent of the applicable conditions set forth in Article II (the "Effective Date").

(b) The Bank will apply the proceeds of the Advance to the repayment of the Existing Advance and all other amounts owing to the Bank under the Existing Agreement (collectively, the Existing Obligations). The amount of the Advance, if any, in excess of the Existing Obligations shall be made available to the Borrower.

(c) For the purposes hereof, the amount of the Existing Obligations shall be expressed in an equivalent amount of Netherlands Guilders based on the exchange rate in effect as of 10:00 a.m., New York City time on the Effective Date.

SECTION 1.03. No part of the proceeds of the Advance will be used by the Borrower or others to purchase or carry any margin stock in violation of Regulations G, U, T or X of the Board of Governors of the Federal Reserve System.

SECTION 1.04 Repayment and Interest. (a) The Borrower shall repay the aggregate unpaid principal amount of the Advance in consecutive semi-annual installments on January 31 and July 31 of each calendar year, each in the amount of Three Hundred Thousand Netherlands Guilders

(NLG300,000) with a payment on the Termination Date equal to the principal balance then remaining due and unpaid, and otherwise in accordance with the terms of a promissory note of the Borrower, in substantially the form of Exhibit A hereto (the "Note"), evidencing the indebtedness resulting from the Advance and delivered to the Bank pursuant to Article II.

(b) The Borrower shall pay interest on the unpaid principal amount of the Advance from the date of such Advance until such principal is paid in full at the applicable rate set forth below.

(c) The Borrower shall pay interest on the unpaid principal amount of the Advance from the Effective Date of the Advance until such principal amount is due, payable on each Payment Date (as defined below) at an interest rate per annum equal at all times to the applicable Margin per armum above the Guilder COF Rate.

The term "Guilder COF Rate" means that rate of interest per annum quoted by the Bank on the date the Advance is made as the Guilder COF Rate.

The term "Margiif' means the percentage specified below based upon the Leverage amount specified below:

Leverage	Margin
Equal to or greater dm 3.00: 1.00	1.00%
Equal to or greater than 2.50: 1.00 but less than 3.00: 1.00	0.75%
Equal to or greater dm 2.00: 1.00 but less dm 2.50: 1.00	0.625%
Equal to or greater fl= 1. 50: 1.00 but less than 2.00: 1.00	0.50%
Less fl= 1.50: 1.00	0.375%

"Leverage" means the ratio of Consolidated Funded Debt (as defmed in the Credit Agreement referred to below) to Consolidated EBITDA (as defmed in the Credit Agreement). The above Margins will be set or reset with respect to the then outstanding principal amount of the Advance on each day which is ten Business Days following the receipt by the Bank of the financial statements referenced in Section 7.8(a) and Section 7.8(b) of that certain Credit Agreement dated as of January 31, 1997 among Henry Schein, Inc., The Chase Manhattan Bank, N.A., Fleet Bank, NA, European American Bank and the Bank (as it may be amended or modified from time to time, the "Credit Agreement"); provided, however, that if any financial statement is not received by the Bank within the time period relating to such financial statement as provided in said Section 7.8(a) or Section 7.8(b) of the Credit Agreement, as the case may be, the above Margins will be reset, until the day which is ten Banking Days following the receipt by the Bank of any such fmancial statements, based on a Leverage ratio of equal to or greater than 3.00: 1.00; and further provided, that the Bank shall not in any way be deemed to have waived any Event of Default or any of its remedies hereunder in connection with the provisions of the foregoing proviso.

The term "Payment Date" shall mean each January 3 1, April 3 0, July 31 and October 3 1, beginning with January 31, 1998.

(e) On any overdue principal amount of the Advance the Borrower shall pay interest on demand at the Default Rate (as defined below) from the date such amount becomes due to the date such amount is paid in full. The "Default Rate" is a fluctuating mte equal to the sum of (i) the Guilder COF Rate plus (ii) the applicable Margin plus (iii) 2% per annum.

SECTION 1.05. Prepayments. The Boffower may, upon at least three Business Day's (as hereinafter defined) notice to the Bank, prepay the outstanding amount of the Advance in whole or in part with accrued interest to the date of such prepayment on the amount prepaid, provided, however, that any prepayment of the Advance shall be accompanied with any amount due under Section 6.05(b); and provided, further, that each partial prepayment shall be in a principal amount of at least NLG400,000 and shall be applied to the principal installments of the Note in the inverse order of their maturities.

SECTION 1.06. Increased Costs. (a) If either (i) the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve requirements) in or in the interpretation of any law or regulation or (ii) the compliance by the Bank with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), in each case after the date hereof, shall result in any increase in the cost to the Bank of making, fimding or maintaining the Advance, then the Borrower shall from time to time, upon demand by the Bank, pay to the Bank additional amounts sufficient to indemnify the Bank against such increased cost. A certificate as to the amount of such increased cost, submitted to the Borrower by the Bank, shall, in the absence of manifest error, be conclusive and binding for all purposes.

(b) If either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) compliance by the Bank with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), in each case after the date hereof, affects or would affect the amount of capital required or expected to be maintained by the Bank and the Bank determines that the amount of such capital

is increased by or based upon the existence of the Bar&s commitment to lend hereunder and other commitments of this type, then, upon demand by the Bank, the Borrower shall immediately pay to the Bank, from time to time as specified by the Bank, additional amounts sufficient to compensate the Bank in the light of such circumstances, to the extent that the Bank reasonably determines such increase in capital to be allocable to the existence of the Bank's commitment to lend hereunder. A certificate as to such amounts, submitted to the Borrower by the Bank, shall, in the absence of manifest error, be conclusive and binding for all purposes.

(b) Notwithstanding anything in this Agreement to the contrary, Borrower shall only be required to compensate the Bank in respect of any such additional costs, or other amounts with respect to those additional costs or amounts received or receivable hereunder as to which the Bank has given Borrower written notice within ninety (90) days after the Bank has received actual notice of the occurrence of the relevant circwnstance. The determination by the Bank of the amount of such costs or amounts received or receivable hereunder shall be, in the absence of demonstrable error, conclusive and, at Boffower's request, the Bank shall demonstrate the basis for such determination. Notwithstanding anything herein to the contrary, to the extent that the Bank does not charge all of its customers who are similarly situated to the Borrower in respect of any additional costs or reductions in amounts received or receivable hereunder as described in this Section 1.06, the Bank shall not charge Borrower for any such additional costs or reductions in amounts received or receivable hereunder.

SECTION 1.07. Payments and Computations. The Borrower shall make each payment hereunder and under the Note not later than 1:00 p.m. (New York City time) on the day when due in lawful money of The Netherlands to the Bank at its address referred to in Section 6.02 in same day funds. The Borrower hereby authorizes the Bank, if and to the extent payment of any amount is not made when due under any Loan Document, to charge from time to time against any account of the Borrower with the Bank any amount so due. All computations of interest hereunder and under the Note hereunder shall be made by the Bank on the basis of a year of 360 days, for the actual number of days (including the first day but excluding the last day) elapsed.

SECTION 1.08. Payment on Non-Business Days. Whenever any payment to be made hereunder or under the Note shall be stated to be due, on a Saturday, Sunday or a public or bank holiday in New York City (any other day being a "Business Day"), such payment may be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee, as the case may be.

ARTICLE II
CONDITIONS PRECEDENT

SECTION 2.01. Condition Precedent to the Advance. The obligation of the Bank to make the Advance is subject to the condition precedent that the Bank shall have received at least two Business Days before the day of such Advance the following, each dated the day of such Advance, in form and substance satisfactory to the Bank:

(a) The Note.

(b) A confirmation of the guaranty made in favor of the Bank (the "Guaranty" and, together with the Note and any other document or agreement executed or delivered in connection therewith, the "Loan Documents") duly executed by Henry Schein, Inc. ("HSI") and each Guarantor (as defined in the Credit Agreement) (the "European Guarantors"; together with

HSI, the "Guarantors"; together with the Borrower, collectively the "Loan Parties" and individually a "Loan Party"), in the form of Exhibit B hereto.

(c) Certified copies of the resolutions of the Board of Directors of each Loan Party approving each Loan Document to which it is a party, and of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to such Loan Document.

(d) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of the officers of such Loan Party authorized to sign each Loan Document to which it is a party and the other documents to be delivered by it hereunder.

(e) A certificate of a duly authorized officer of the Borrower, dated the day of the Advance, stating that the representations and warranties in Article III are true and correct on such date as though made on and as of such date and that no event has occurred and is continuing which constitutes an Event of Default;

(f) An opinion of counsel for the Loan Parties, in form and substance satisfactory to the Bank request;

(g) The Loan Parties shall have obtained all consents, permits and approvals required in connection with the execution, delivery and performance by the Loan Parties of their obligations hereunder and such consents, permits and approvals shall continue in full force and effect;

(h) The Bank shall have received an arrangement fee in the amount of $13,000; and

(i) All legal matters in connection with this fmancing shall be reasonably satisfactory to the Bank and its counsel.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

SECTION 3.01. Representations and Warranties of the Boffower; Affirmative Covenants. The representations and warranties set forth in Article 6 of the Credit Agreement and the covenants set forth in Article 7 of the Credit Agreement are hereby incorporated herein by reference, mutatis mutandis, as if ftdly set forth herein and the Borrower hereby confn-ms and makes such representations and warranties; provided, that for purposes of inclusion herein, the following terms set forth in said Articles 6 and 7 shall have the following meanings: "Borrower" shall mean the Borrower as defmed herein; "Guarantors" shall mean the Europe Guarantors; and "Facility Documents" shall mean the Loan Documents. Capitalized terms (other than those referred to above) and schedule references defined and set forth in Articles 6 and 7 shall have the meanings and content set forth in the Credit Agreement.

ARTICLE IV
COVENANTS OF THE BORROWER

SECTION 4.01. Negative Covenants. So long as any amount payable hereunder or under the Note shall remain unpaid or the Bank shall have any Commitment hereunder, the Borrower will not, without the written consent of the Bank:

(a) Liens, Etc. Create or suffer to exist, any lien, security interest or other charge or encumbrance, or any other type of preferential arrangement, upon or with respect to any of its properties, whether now owned or hereafter acquired, or assign any right to receive income, in each case to secure any Debt (as defmed in the Credit Agreement), other than Permitted Liens (as defined in the Credit Agreement, without giving effect to any amendment, supplement, waiver or other modification thereof which was not consented to by the Bank).

ARTICLE V
EVENTS OF DEFAULT

SECTION 5.01. Events of Default. If any of the following events ("Events of Defaulf') shall occur and be continuing:

(a) The Borrower shall fail to pay any amount of principal under the Note when due or fail to pay interest on the Note within five Banking Days of the date such interest is due and payable or any other amount owing hereunder or under any other Loan Documents as and when due and payable;

(b) Any representation or warranty made or deemed made by any Loan Party in this Agreement or in any other Loan Document or which is contained in any certificate, document, opinion or financial or other statement fumished at any time under or in connection with any Loan Document shall prove to have been incorrect, if made or deemed made on or as of the date hereof, in any respect or, if made or deemed made on or as of any date subsequent to the date hereof, in any material respect;

(c) Any Loan Party shall: (i) fail to perform or observe any other term, covenant or agreement contained herein and such failure shall continue for IO consecutive days or (ii) fail to perform or observe any term, covenant or agreement contained in the Credit Agreement and incorporated by reference herein pursuant to Article 3 hereof and such failure shall continue beyond the applicable grace period, if any, set forth in the Credit Agreement;

(d) The Borrower, any Europe Guarantor or any Acquired Entity (as defmed in the Credit Agreement) shall: (i) fail to pay any Debt or Debts for borrowed money (other than the payment obligations described in 5.01 (a) above) in the aggregate amount of $1,200,000 or more, as the case may be, or any interest or premium thereof, when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) after giving effect to any applicable grace periods; or (ii) fail to perform or observe any term, covenant or condition on its part to be performed or observed, including the obligation to make payment, under any agreement or instrument relating to any other Debt or Debts (other than the payment obligations described in 5.0 1 (a) above or the Debt or Debts described in 5.01 (d)(i) above) in the aggregate amount of $1,200,000, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate or permit the acceleration of the maturity of such Debt, after giving effect to any applicable grace period;

(e) The Borrower, any Europe Guarantor or any Acquired Entity shall fail to pay any Debt due to the Bank under any agreement or otherwise (other than payment obligations described in Section 5.01 (a) above) in aggregate amount (respecting all such persons and all such Debt) of $ 1 00,000 or more,

after giving effect to applicable grace periods;

(f) The Borrower, any Europe Guarantor or any Acquired Entity (i) shall generally not or be unable to, or shall admit in writing its or their inability to, pay its or their debts as such debts become due; or (ii) shall make an assignment for the benefit of creditors, petition or apply to any tribunal for the appointment of a custodian, receiver or trustee for it or a substantial part of its assets; or (iii) shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (iv) shall have had any such petition or application filed or any such proceeding shall have been commenced, against it or them, in which an adjudication or appointment is made or order for relief is entered which petition, application or proceeding remains unstayed and in effect for a period of 30 days or more; or (v) by any act or omission shall indicate its consent to, approval of or acquiescence in any such petition, application or proceeding or order for relief or the appointment of a custodian, receiver or trustee for all or any substantial part of its property; or (vi) shall suffer any such custodianship, receivership or trusteeship (as referenced in (v) above, exclusive of any of the matters referenced in any of (i) -(iv) hereof) to continue undischarged for a period of 45 days or more; or (vii) the Borrower or any Europe Guarantor shall cease to be Solvent (as defmed in the Credit Agreement);

(g) The Guaranty shall at any time after their execution and delivery and for any reason cease: (a) after the Lien Date (as defmed in the Europe Security Agreements) and the filing of the Financing Statements in accordance with the Guaranty and the Europe Security Agreements, to create a valid first priority security interest in and to the property purported to be subject to such Europe Security Agreements; or (b) to be in full force and effect or shall be declared null and void, or the validity of enforceability thereof shall be contested by any Loan Party (or any assignee of transferee of any Loan Party), or any assignee or transferee of any Loan Party shall deny that it has any further liability or obligation under any Europe Security Agreement to which it is a party, or any Loan Party (or any assignee or transferee of any such Loan Party) shall fail to perform any of its obligations under the Europe Security Agreement to which it is a party.

then, and in any such event, the Bank may, by notice to the Borrower, declare the Note, all interest thereon and all other amounts payable under this Agreement and any other Loan Document to be forthwith due and payable, whereupon the Note, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower; provided, however, that in the case of an Event of Default referred to in clause (f) of this Section 5. 0 1, the Note, all such interest and all such amounts shall automatically become due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

ARTICLE VI
NESCELLANEOUS

SECTION 6.01. Amendments, Etc. No amendment or waiver of any provision of any Loan Document, nor consent to any departure by the Borrower therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 6.02. Notices, Etc. All notices and other communications provided for under any Loan Document shall be in writing (including telegraphic, telex or cable communication) and mailed, telegraphed, telecopied, telexed, cabled or delivered, if to the Borrower, at its address at c/o Henry Schein, Inc., 13 5 Duryea Road, Melville, New York II 747, Attention: Chief Financial Officer, with a copy to the General Counsel; and if to the Bank, at its address at 245 Park Avenue, New York, New York 10167, Attention: Corporate Services Department; or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications shall, when mailed, telegraphed, telecopied, telexed or cabled, be effective when deposited in the mails, delivered to the telegraph company, confirmed by telecopy or telex answerback or delivered to the cable company, respectively, except that notices to the Bank pursuant to the provisions of Article I shall not be effective until received by the Bank. Notwithstanding the other provisions of this Section 6.02, the Bank may accept oral borrowing notice pursuant to Section 1.02 hereof, provided that the Bank shall incur no liability to the Borrower in acting on any such communication that the Bank believes in good faith to have been given by a person authorized to give such notice on behalf of the Borrower. Any conf=ation sent by the Bank to the Borrower of any borrowing under this Agreement shall, in the absence of manifest error, be conclusive and binding for all purposes.

SECTION 6.03. No Waiver; Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right under any Loan Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right under any Loan Document preclude any other or further exercise thereof or the exercise of any other right. The remedies provided in the Loan Documents are cumulative and not exclusive of any remedies provided by law.

SECTION 6.04. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistently applied, except as otherwise stated herein.

SECTION 6.05. Costs, Expenses and Taxes. (a) The Borrower agrees to pay on demand all costs and expenses in connection with the preparation, execution, delivery, filing, recording and administration of the Loan Documents and the other documents to be delivered under the Loan Documents, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Bank (who may be in-house counsel for the Bank), and local counsel who may be retained by said counsel, with respect thereto and with respect to advising the Bank as to its rights and responsibilities under the Loan Documents, and all costs and expenses (including reasonable counsel fees and expenses) in connection with the enforcement of the Loan Documents and the other documents to be delivered under the Loan Documents. In addition, the Borrower shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of the Loan Documents and the other documents to be delivered under the Loan Documents, and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. The Borrower shall indemnify the Bank, its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all losses, liabilities, claims, damages or expenses incurred by any of them arising out of or by reason of any investigation, litigation or other proceeding related to the Borrowees entering into and performance of this Agreement, the Note or any other Loan Document, or otherwise arising under or in connection with this Agreement, the Note or any other Loan Document and the transactions contemplated hereby or thereby, including without limitation, the reasonable fees and out of pocket expenses of counsel (who may be in-house counsel for the Bank) incurred in connection with any such investigation, litigation or other proceeding. All obligations of the Borrower under this Section 6.05(a) shall survive any termination of this Agreement.

(b) If (i) due to payments made by the Boffower pursuant to Section 1.05 or due to acceleration of the maturity of the Advance pursuant to Section 5.01 or due to any other reason, the Bank receives payments of principal of the Advance other dm on the Termination Date, (ii) the Borrower fails to borrow the Advance after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement or (iii) the Borrower fails to make any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement, the Borrower shall pay to the Bank on demand any amounts required to compensate the Bank for any additional losses, costs or expenses actually incurred by the Bank as a result of such payment, including, without limitation, (i) any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other fimds acquired by the Bank to ftmd or maintain such Advance and (ii) amounts equal to the breakage costs associated with any interest rate contracts entered into by the Bank or any of its affiliates in connection with fixing the Guilder COF Rate for the term of the Advance (or any shorter period) actually incurred by the Bank. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

SECTION 6.06. Right of Set-off. Upon the occurrence and during the continuance of any Event of Default the Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or fmal) at any time held and other indebtedness at any time owing by the Bank to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under any Loan Document, irrespective of whether or not the Bank shall have made any demand under such Loan Document and although such deposits, indebtedness or obligations may be umnatured or contingent. The Bank agrees promptly to notify the Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of the Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Bank may have.

SECTION 6.07. Severability of Provisions. Any provision of this Agreement or of any other Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or thereof or affecting the validity or enforceability of such provision in any other jurisdiction.

SECTION 6.08. Consent to Jurisdiction. (a) The Borrower hereby irrevocably submits to the jurisdiction of any New York State or Federal court sitting in New York City in any action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents to which the Borrower is a party, and the Borrower hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York State court or in such Federal court. The Borrower hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Borrower irrevocably consents to the service of copies of the summons and complaint and any other process which may be served in any such action or proceeding by the mailing of copies of such process to the Borrower at its address specified in Section 6.02. The Borrower agrees that a fmal judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(b) Nothing in this Section 6.08 shall affect the right of the Bank to serve legal process in any other manner permitted by law or affect the right of the Bank to bring any action or proceeding against the Borrower or its property in the courts of other jurisdictions.

SECTION 6.09. Binding Effect; Governing Law. This Agreement shall be binding upon and inure to the benefit of the Borrower and the Bank and their respective successors and assigns, except that the Borrower shall not have the right. @o assign its rights hereunder or any interest herein without the prior written consent of the Bank. This Agreement and the Note shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 6. 1 0. Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute but one and the same agreement.

SECTION 6.1 1. WAIVER OF JURY TRIAL. EACH OF THE BORROWER AND THE BANK HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO ANY LOAN DOCUMENT TO WHICH IT IS A PARTY OR ANY INSTRUMENT OR DOCUMENT DELIVERED THEREUNDER.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers hereunto duly authorized, as of the date first above written.

HENRY SCHEIN EUROPE, INC.

By_____________________
Title:

COOPERATIEVE CENTRALE
RAIFFEISEN-BOERENLEENBANK
B.A., "Rabobank Nederland",
New York Branch

By_____________________
Authorized Officer

By_____________________
Authorized Officer

EXHIBIT 11.1

HENRY SCHEIN, INC. AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER SHARE
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996	SEPTEMBER 27, 1997	SEPTEMBER 28, 1996
Net income (loss) (pro forma for 1996) per consolidated statements of operations (in thousands)	$ (9,649)	$ 6,852	$ (2,002)	$ 14,467
Weighted average common shares outstanding:				
Shares outstanding at December 28, 1996 (1)	28,284,631	28,103,003	28,284,631	25,744,625
1997 issuances:				
Shares issued in connection with the acquisitions	846,866	--	564,577	--
Issuance of Stock Options	636,476	--	433,269	--
1997 Non-Employee Director Stock Option Plan	2,000	--	1,451	--
Shares issued to ESOP trust	44,122	--	30,708	--
Shares issued in connection with employment contract	16,429	--	5,476	--
Less: 1997 Treasury Share purchases	(1,950)	--	(1,768)	--
Less assumed repurchase of shares under treasury stock method:	(1,078,263)(2)	(814,999)(4)	(1,017,549)(3)	(1,119,875)(5)
Weighted average common shares outstanding	28,750,311	27,288,004	28,300,795	24,624,750
Net income (loss) per common share	$ (0.34)	$ 0.25	$ (0.07)	$ 0.59

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

(1) Includes options totalling 1,755,837.

(2) Computed using the average closing value per share for the three months ended September 27, 1997 of $36.18.

(3) Computed using the average closing value per share for the nine months ended

September 27, 1997 of $33.05.

(4) Computed using the average closing value per share for the three months ended September 28, 1996 of $35.78.

(5) Computed using the average closing value per share for the nine months ended September 28, 1996 of $32.99.

5

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

1,000

9-MOS
DEC-27-1997
DEC-28-1996
SEP-27-1997
16,646
0
222,828
(6,244)
151,832
431,050
98,442
48,200
604,276
191,588
96,227
0
0
275
322,580
604,276
911,707
911,707
654,711
654,711
250,570
2,328
3,486
7,490
10,815
(2,002)
0
0
0
(2,002)
(0.07)
(0.07)

Varies from B/S (B/S has all allowances)

Includes current maturities