

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

FOR ANNUAL AND TRANSITION REPORTS
PURSUANT TO SECTIONS 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934.

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
For the fiscal year ended December 28, 2002

/ 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 (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	135 DURYEA ROAD MELVILLE, NEW YORK (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)
11-3136595 (I.R.S. EMPLOYER IDENTIFICATION NO.)	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: 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. / /

Indicate by check mark whether the registrant is an accelerated filer (as
defined in Exchange Act Rule 12b-2).

YES: NO: / /

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 June 28, 2002 was approximately
\$1,947,918,570.

As of June 28, 2002 there were 43,773,451 shares of registrant's Common
Stock, par value \$.01 per share, 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 28, 2002) are incorporated by reference in Part III hereof.

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PART I

ITEM 1. BUSINESS

GENERAL

Henry Schein is the largest distributor of healthcare products and services to office-based healthcare practitioners in the combined North American and European markets. We serve more than 400,000 customers worldwide, including dental practices and laboratories, physician practices, and veterinary clinics, as well as government and other institutions. We believe that we have a strong brand identity due to our 70 years of experience in distributing healthcare products. We are headquartered in Melville, New York, employ more than 6,900 people, and have operations in the United States, Canada, the United Kingdom, the Netherlands, Belgium, Germany, France, Austria, Spain, Ireland, Portugal, Australia and New Zealand. We conduct our business through two segments: healthcare distribution and technology. These segments offer different products and services to the same customer base. The healthcare distribution segment consists of our dental, medical (including veterinary), and international groups. The international group is comprised of our healthcare distribution business units located primarily in Europe and offers products and services to dental and medical (including veterinary) customers in their respective geographic regions. The technology segment consists primarily of our practice management software business and certain other value-added products and services that are distributed primarily to healthcare professionals in the United States and Canada.

HEALTHCARE DISTRIBUTION SEGMENT

- Our dental group serves over 75% of the estimated 120,000 office-based dental practices in the United States and approximately 33% of the estimated 15,000 Canadian dental practices. Based upon an estimated \$4.2 billion combined U.S. and Canadian dental market, our share of this market was approximately 29% in 2002.
- Our medical group serves over 40% of the estimated 230,000 office-based physician practices in the United States, as well as surgical centers and other alternate care settings. We also serve over 70% of the estimated 24,000 veterinarian clinics in the United States. Based upon an estimated \$6.7 billion combined market, our share of this market was approximately 14% in 2002.
- Our international group serves approximately 170,000 practices in 14 countries outside of North America and is a leading Pan-European healthcare supplier serving office-based dental, medical, and veterinary practices. Based upon an estimated \$3.2 billion Western European dental market and the combined estimated \$2.2 billion Western European medical and veterinary markets, our share of these markets in 2002 was approximately 9% and 4%, respectively.

TECHNOLOGY SEGMENT

- Our technology group provides software, technology, and other value-added services to healthcare providers, primarily in North America. Our value-added practice solutions include practice management software systems for dental practices and for veterinary clinics. More than 48,000 of our software systems have been installed through 2002. The technology group offerings also

include financial services and continuing education services.

For further information on our operating segments and operations by geographic area, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in ITEM 7 and Note 13 to our Consolidated Financial Statements.

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Through our comprehensive catalogs and other direct sales and marketing programs, we offer our customers a broad product selection of branded and private brand products at competitive prices. We support our direct marketing effort with almost 800 telesales representatives who facilitate order processing and generate sales through direct and frequent contact with customers, and more than 1,350 field sales consultants, including equipment sales specialists. In addition, we continue to expand our management information systems using database segmentation techniques to more effectively market our products and services.

We have established strategically located distribution centers to enable us to better serve our customers and increase our operating efficiency. This infrastructure, together with broad product and service offerings at competitive pricing, and a shared commitment of over 6,900 "Team Schein Members" to deliver what we believe is a strong commitment to customer service, enable us to be a single source of supply for our customers' needs, as well as to provide convenient ordering and rapid, accurate and complete order fulfillment.

INDUSTRY OVERVIEW

The office-based healthcare practitioner industry, in the geographic markets in which we operate, is highly fragmented and diverse. Encompassing the dental, medical, and veterinary markets, this industry accounted for revenues of approximately \$16.3 billion in 2002. The industry ranges from sole practitioners working out of relatively small offices to group practices or service organizations comprised of a few to a large number of practitioners who have combined or otherwise associated their practices. Due in part to the inability of office-based practitioners to store and manage large quantities of supplies in their offices, the distribution of healthcare supplies and small equipment to office-based healthcare practitioners has traditionally been characterized by frequent, small quantity orders, and a need for rapid, reliable, and substantially complete order fulfillment. The purchasing decision within an office-based healthcare practice is typically made by the practitioner or by an administrative assistant, and supplies and small equipment are generally purchased from more than one distributor with one generally serving as the primary supplier.

We believe that consolidation within the supply industry serving office-based healthcare practitioners will result in a number of distributors, particularly companies with limited financial and marketing resources, seeking to combine with larger companies that can provide opportunities for growth. This consolidation may also result in distributors seeking to acquire companies that can enhance their current product offerings and expand the services they can offer or provide opportunities to serve a broader customer base.

In recent years, the healthcare industry has increasingly focused on cost containment. This trend has benefited distributors capable of providing a broad array of products and services at low prices. This trend has also accelerated the growth of HMOs, group practices, other managed care accounts and collective buying groups which, in addition to their emphasis on obtaining products at low prices, tend to favor distributors capable of providing specialized management information support. We believe that the trend towards cost containment has the potential to favorably impact demand for practice management systems and software that can enhance the efficiency and facilitate the management of the practice.

SALES AND MARKETING STRATEGIES

CUSTOMERS

Through our healthcare distribution and technology businesses, we serve over 400,000 customers worldwide in the dental and medical markets. No single customer accounted for more than 1.3% of our net sales in 2002. Our dental customers include office-based dental practices, dental laboratories, universities, institutions, government agencies and large group accounts; medical customers include

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office-based physician practices, podiatrists, surgery centers, institutions,

hospitals, government agencies, and office-based veterinarians serving primarily small companion animals.

We believe that our healthcare distribution customers generally order from two or more suppliers for their healthcare product needs, and often use one supplier as their primary resource. We also believe that our customers generally place larger orders and order more frequently from their primary suppliers. We estimate that in 2002 we served as primary supplier to less than 15% of our total customer base and believe we have an opportunity to increase sales by increasing our level of business with those customers for which we serve as a secondary supplier.

Over the past several years, we have expanded our customer base to include larger purchasing organizations, including 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, we have targeted specific groups of practices under common ownership, institutions, and professional groups. For example, we have an exclusive direct marketing agreement with an American Medical Association ("AMA") sponsored service pursuant to which member practitioners have access to the service's lower prices for products. In 2002, the AMA sponsored service accounted for net sales of approximately \$31.5 million. These organizations, government institutions and agencies, hospitals and other large or collective purchasers, require low-cost pricing and detailed product and usage information and reporting. We believe that we are well situated to meet the needs of these customers, given our broad offerings of low-cost products and our management information systems capabilities.

SALES AND MARKETING

Our 70 years of healthcare distribution experience has helped to build the Henry Schein(R) brand among our customers. Our sales and marketing efforts are designed to establish and solidify customer relationships through personal visits by field sales representatives and frequent direct marketing contact, emphasizing our broad product lines, competitive prices and ease of order placement. The key elements of our program are:

FIELD SALES CONSULTANTS

We have over 1,350 field sales consultants, including equipment sales specialists, covering major North American and international markets. These field sales consultants concentrate on attracting new customers and increasing sales to existing customers. This strategy is designed to complement our direct marketing and telesales efforts and to enable us 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 our automated ordering process or telesales representatives for the customer's day-to-day needs. This reduces the ordering requirements for the customer and increases the effectiveness of the field sales consultant. We have career development initiatives for our field sales consultants that are designed to supplement the consultants' skill set to provide value-added practice management services to our customers.

DIRECT MARKETING

During 2002, we distributed over 22 million pieces of direct marketing material, including catalogs, flyers, order stuffers and other promotional materials to over 650,000 office-based healthcare practitioners. Our principal printed U.S. dental consumable catalog, which is issued annually, contains over 500 pages and includes approximately 26,000 SKUs. The number of catalogs and other direct marketing materials received by each customer depends upon their practice specialty, as well as their purchasing history. Our catalogs include detailed descriptions and specifications of both branded and private brand products and are utilized by healthcare practitioners as a reference source. By identifying our customers' purchasing patterns, area of specialty, past

product selections and other criteria, we are able to identify customers who may respond better to specific promotions or products. To facilitate our direct marketing activities, we maintain an in-house advertising department that we believe streamlines the production process, provides greater flexibility and creativity in catalog production, and results in cost savings.

TELESALES

We support our direct marketing effort with almost 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. Our telesales representatives utilize on-line technology to enter customer orders and to access information about products, product availability, pricing, promotions, and customer preferences and history.

We utilize outbound telesales activities to market our services to customer accounts that we identify as either being high volume or high frequency order accounts. Outbound telesales representatives strive to manage long-term relationships with these customers through frequent and/or regularly scheduled phone contact and personalized service.

Our telesales representatives generally participate in training courses designed to familiarize them with our products, services and systems. In addition, telesales representatives attend periodic training sessions and special sales programs and receive incentives, including monthly commissions.

CUSTOMER SERVICE

A principal element of our customer service approach is a customer order entry process that is convenient, easy and flexible. Customers typically place orders through one of our experienced telesales representatives. Customers may place orders 24 hours a day, 7 days a week ("24/7") by mail, fax, telephone, e-mail, and using our computerized order entry systems known as ArubA(R) Windows, ArubA(R) eZ, or ArubA(R) TouchTone (our 24/7 automated phone service) and the Internet at www.henryschein.com or www.sullivanschein.com. The information contained on our websites is not a part of this Form 10-K.

We focus on providing rapid and accurate order fulfillment and high fill rates. We estimate 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. are shipped on the same day the order is received. In addition, because we seek to service a customer's entire order from the distribution center nearest the customer's facility, approximately 99% of all orders are received within two days of placing the order. We frequently monitor our customer service through customer surveys, focus groups and daily statistical reports. We maintain a liberal return policy to help bolster customer satisfaction.

PRODUCTS

The following table sets forth the principal categories of products offered by our healthcare distribution and technology segments and certain top selling types of products in each category with the percentage of consolidated net sales by year:

2002	2001	(1)	2000	(1)	-----	-----	---
----- HEALTHCARE DISTRIBUTION Dental:							
Consumable Dental Products & Small Equipment (2)							
			40.4%	41.4%	44.5%	Large	
Dental Equipment (3)							
							10.2%
	9.8%	9.3%	Dental Laboratory Products (4)				
							2.7%
	3.0%		----- Total				
Dental							
53.3%	54.2%	56.8%	-----				
-- Medical: Medical Products (5)							
	40.3%	39.8%	36.9%	Veterinary Products (6)			
							3.9%
	3.8%	4.1%	----- Total				
Medical							
44.2%	43.6%	41.0%	-----				
-- TOTAL HEALTHCARE DISTRIBUTION							
							97.5%
	97.8%	97.8%	-----				
TECHNOLOGY AND OTHER VALUE-ADDED PRODUCTS AND SERVICES Software and Related Products and Other Value-Added Products (7)...							
			2.5%	2.2%	2.2%	-----	

-
- (1) Reclassified to conform to current period presentation.
 - (2) Includes: x-ray products; infection control; handpieces; preventatives; impression materials; composites; and anesthetics
 - (3) Includes: dental chairs; delivery units and lights; x-rays; equipment repair; and hi-tech equipment
 - (4) Includes: teeth; composites; gypsum; acrylics; articulators; and abrasives
 - (5) Includes: branded and generic pharmaceuticals; surgical products; diagnostic tests; infection control; x-ray products; and vitamins
 - (6) Includes: branded and generic pharmaceuticals; surgical products; and dental products
 - (7) Includes: software and related products and other value-added products, including financial products and continuing education

CONSUMABLE SUPPLIES AND EQUIPMENT

We offer over 90,000 SKUs to our customers in North America, of which approximately 60,000 are offered to our dental customers, approximately 30,000 are offered to our medical customers and approximately 40,000 are offered to our veterinary customers. We offer approximately 70,000 SKUs to our customers in Europe. Approximately 7.5% of our net sales in 2002 were from sales of products offered under the Henry Schein private brand (i.e., products manufactured by various third parties for distribution by us under the Henry Schein(R) brand). We believe that the Henry Schein private brand line of over 7,400 SKUs offered in the United States and Canada is one of the most extensive in the industry. We update our product offerings regularly to meet our customers' changing needs.

We offer a repair service, ProRepair(R), which provides rapid turnaround for handpieces and certain small equipment. We also provide in-office installation and repair services for large equipment in many North American and international markets. We had 110 equipment sales and service centers worldwide at the end of fiscal 2002.

TECHNOLOGY AND OTHER VALUE-ADDED PRODUCTS AND SERVICES

We sell practice management software systems to our dental and veterinary customers. Through fiscal 2002, more than 42,000 of our Dentrax and Easy Dental(R) software systems and over 6,000 of our AVImark(R) veterinary software systems have been installed. Our practice management software products provide practitioners with patient treatment history, billing, accounts receivable analysis and management, an appointment calendar, electronic claims processing and word processing programs. We provide technical support and conversion services from other software. In addition, the Dentrax and Easy Dental(R) software systems allow customers to connect with our order entry management systems. The Dentrax system is one of the most comprehensive clinically based dental practice management software packages in the United States. We believe our software product offerings enhance our ability to provide our customers with a wide array of system solutions to help manage their practices. We have a new initiative called the Digital Dental Office or "DDO". The DDO uses a suite of technologically advanced products to deliver integrated imaging, clinical, and financial applications to the dentist's office.

We offer our customers assistance in operating their practices by providing access to a number of financial services and products at rates that we believe are generally lower than what they would be able to secure independently. Our equipment leasing programs, which are administered by third-party providers, allow us to fulfill a wide variety of practitioner financing needs. We also provide financing and consulting services for all phases of the healthcare practice including start-up, expansion or acquisition, and debt consolidation. In 2002, we also added our Henry Schein(R) brand credit card to our product offerings. Our patient financing program provides our dental and veterinary customers a method of reducing receivables and improving cash flow by providing patients access to financing. We do not assume any financial recourse obligation of our customers or their patients in these programs.

Through an arrangement with one of the nation's largest bank credit card

processors, we offer electronic bankcard processing. We also offer electronic insurance claims submission services for faster processing of patient reimbursements, all through a third-party provider for a transaction fee. We also offer practice management consulting services in selected markets in the United States. None of these services, either individually or in the aggregate, represents a material source of revenue to us.

INFRASTRUCTURE STRATEGY

INFORMATION SYSTEMS

Our information systems generally allow for centralized management of key functions, including accounts receivable, inventory, accounts payable, payroll, purchasing, sales and order fulfillment. A key attribute of our management information systems is the daily operating control reports that allow managers throughout our organization 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. We continually seek to enhance and upgrade our order processing information system. In the United States, we have recently introduced FieldCom, a new dental equipment service and repair technology tool that provides an immediate and paperless communication link between our service and repair technicians and us. Additionally, in the United States, we have installed an integrated information system for our 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.

DISTRIBUTION

We distribute our products in the United States primarily from our strategically located distribution centers in Eastern, Central, South Eastern, South Western and Western United States. Customers in

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Canada are serviced from distribution centers located in Eastern and Western Canada. We maintain appropriate inventory levels 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 our 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. Our automated freight manifesting and laser bar code scanning facilitates the speed of the order fulfillment. We currently ship substantially all of our orders in the United States by United Parcel Service. In certain areas of the United States, we deliver our orders via contract carriers. Our international distribution centers include locations in the United Kingdom, France, the Netherlands, Germany, Spain, Australia, and New Zealand.

PURCHASING

We believe that effective purchasing is a key element to maintaining and enhancing our position as a low-cost provider of healthcare products. We frequently evaluate our purchase requirements and suppliers' offerings and prices in order to obtain products at the best possible cost. We believe that our ability to make high volume purchases has enabled us to obtain favorable pricing and terms from our suppliers. We obtain the products for our North American distribution centers from about 2,300 suppliers of name brand products; in addition, we have established relationships with numerous local vendors to obtain products for our international distribution centers. In 2002, our top 10 healthcare distribution vendors and our single largest vendor accounted for approximately 31.9% and 6.6%, respectively, of our aggregate purchases.

GROWTH STRATEGIES

We pursue growth in the following ways: first, we seek to increase sales to our existing customer base and enhance our position as a prime vendor. We estimate that we are the primary vendor to less than 15% of our customers. For example, in the U.S. dental market, total consumable sales per practitioner are estimated to be approximately \$25,000, of which our average U.S. dental customer's sales are approximately \$8,000 (or 32%) of those sales. In the U.S. medical market total sales per practitioner are estimated to be \$12,000 of which our average U.S. medical customer's sales are approximately \$4,000 (or 33%) of those sales. In the Western European dental market total sales per practitioner are estimated to be approximately \$20,000, of which our average Western European dental customer's sales are approximately \$3,000 (or 15%) of those sales.

To increase market share, we seek to expand our dental equipment sales and

services. This includes selling digital x-ray and intra-oral imaging to existing customers, as well as to providing innovative value-added services to help our customers run more efficient and profitable practices. These value-added services include practice management software systems, electronic claims and credit card processing (we processed approximately 23 million claims during 2002), practice and patient financing, equipment leasing, and continuing education.

Our second growth strategy is to increase the total number of customers we serve. We estimate that 55-60% of U.S. medical practices and 45% of Western European dental practices are not customers of the Company. We believe that there is substantial opportunity in the Western European medical market as well. This strategy includes increasing the number and productivity of field sales consultants, as well as utilizing our customer database to focus our marketing efforts.

Our third growth strategy is to increase cross-selling efforts of key product lines. In the dental business, we have significant cross-selling opportunities between our dental practice management software users and our over 90,000 dental distribution customers. In the medical business, we have opportunities to expand our vaccine, injectables, and other pharmaceuticals sales to medical distribution customers, as well as cross-selling core products with these key products. Like dental, the veterinary

business provides opportunities for cross-selling between our veterinary practice management software users and our estimated 17,000 veterinary distribution clients.

Finally, we continue to pursue strategic acquisitions. We believe that there has been consolidation among healthcare product distributors serving office-based healthcare practitioners and that this trend will continue to create opportunities for us to expand through acquisitions. In recent years, we have acquired a number of companies engaged in businesses that are complementary to us. Our acquisition strategy includes acquiring targets that will provide additional sales that will be channeled through our existing infrastructure, acquiring access to additional product lines, acquiring regional distributors with networks of field sales consultants and expanding internationally. We have completed 20 acquisitions in the past five years.

As industry consolidation continues, we believe that we are positioned to capitalize on this trend as we believe we have the ability to support increased sales through our existing infrastructure. In the U.S. dental market, we estimate that there are currently over 300 smaller distributors holding approximately 40% of the market. In the U.S. medical market, we estimate that over 500 smaller distributors hold approximately 60% of the market, and in the European dental market, we estimate that over 200 smaller competitors hold approximately 80% market share.

COMPETITION

The distribution and manufacture of healthcare supplies and equipment is highly competitive. Many of the healthcare distribution products we sell are available to our customers from a number of suppliers. In addition, our competitors could obtain exclusive rights from manufacturers to market particular products. Manufacturers could also seek to sell directly to end-users, and thereby eliminate or reduce the role of distributors, like us.

In the United States, we compete 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 products and services. In the sale of our dental products, our principal national competitor is Patterson Dental Company. In addition, we compete against a number of other distributors that operate on a national, regional and local level. Our principal competitors in the sale of medical products are PSS World Medical, Inc., the General Medical division of McKesson Corp., and the Allegiance division of Cardinal Health, Inc., which are national distributors. In the veterinary market, our two principal national competitors include The Butler Company and Burns Veterinary Supply, Inc. We also compete 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 our practice management software, we compete against numerous other firms, including firms such as PracticeWorks, Inc., which primarily targets dental practices, and IDEXX Laboratories, Inc., which serves veterinary practices. We believe that we compete in Canada substantially on the same basis as in the United States.

We also face significant competition internationally, where we compete on the basis of price and customer service against several large competitors, including Demedis Dental Deport GmbH, the GACD Group, the Pluradent AG & Co., and Bilricay, as well as a large number of dental product distributors and manufacturers in the United Kingdom, the Netherlands, Belgium, Germany, France, Austria, Ireland, Portugal and Spain.

Significant price reductions by our competitors could result in a similar reduction in our prices as a consequence of our policy of matching our competitors' lowest advertised prices. Any of these competitive pressures may materially adversely affect operating results.

MARKETS SERVED

Demographic trends indicate that our markets are growing, as an aging U.S. population is increasingly using healthcare services. Between 1995 and 2000, the 45-to-65 age group grew by 50%, and this group is expected to double by 2020. In the dental industry, there is predicted to be an attendant rise in oral healthcare expenditures as this segment of the population increases. Cosmetic dentistry is another growing aspect of dental practices as new technologies allow dentists to offer cosmetic solutions patients seek. At the same time, there is an increase in dental insurance coverage. Just over 56% of the U.S. population now has some form of dental coverage, up from 44% in 1994.

We support dental professionals through the 60,000 SKUs we offer, as well as through important value-added services, including practice management software, electronic claims processing, financial services, and continuing education, all designed to help maximize a practitioner's efficiency and profitability.

We believe our medical group is the fastest growing distributor among the major competitors in the physician and alternate care markets. There continues to be a migration of procedures from acute-care settings to physicians' offices, a trend that may provide additional opportunity for us. There also is the continuing use of vaccines, injectables, and other pharmaceuticals in alternate care settings. We have established a leading position as a vaccine supplier to the office-based medical practitioner.

Our international group is a leading Pan-European healthcare supplier servicing office-based dental and medical practices. We are in the process of attempting to replicate our U.S. infrastructure in Europe. Additionally, we are expanding our dental full-service model throughout Europe, and expanding our medical offerings in countries where opportunities exist. Through "Schein Direct", we can provide door to door air package delivery to practitioners in 125 countries around the world.

GOVERNMENTAL REGULATIONS

Our 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 applicable to us are the Federal Food, Drug, and Cosmetic Act, the Prescription Drug Marketing Act of 1987, and the Controlled Substances Act.

The Federal Food, Drug, and Cosmetic Act generally regulates the introduction, manufacture, advertising, labeling, packaging, storage, handling, marketing and distribution of, and record keeping 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 and be 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, Henry Schein 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. We are required to maintain licenses and permits for the distribution of pharmaceutical products and medical devices under the laws of the states in which we operate. In addition, our dentist and physician customers are subject to significant governmental regulation. There can be no assurance that regulations that impact our business or customers' practices will not have a material adverse impact on our business.

We believe that we are in substantial compliance with all of the foregoing laws and the regulations promulgated thereunder and possess all material permits and licenses required for the conduct of our business.

PROPRIETARY RIGHTS

We hold trademarks relating to the "Henry Schein" name and logo, as well as certain other trademarks. Pursuant to agreements executed in connection with a reorganization of the Company, both Henry Schein, Inc., and Schein Pharmaceutical, Inc. (which was acquired by Watson Pharmaceuticals, Inc. during 2000), 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". We intend to protect our trademarks to the fullest extent practicable.

EMPLOYEES

As of December 28, 2002, we had over 6,900 full-time employees, including approximately 800 telesales representatives, 1,350 field sales consultants, including equipment sales specialists, 1,325 warehouse employees, 250 computer programmers and technicians, 700 management employees and 2,475 office, clerical and administrative employees. Of our 6,900 employees, approximately 20 were subject to collective bargaining agreements. We believe that our relations with our employees are good.

We make available free of charge through our Internet website, www.henryschein.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments on these reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to the SEC.

Our principal executive offices are located at 135 Duryea Road, Melville, New York 11747, and our telephone number is 631-843-5500. Unless the context specifically requires otherwise, the terms, the "Company", "Henry Schein", "we", "us" and "our" mean Henry Schein, Inc., a Delaware corporation, and its subsidiaries on a consolidated basis, and a 50%-owned company and predecessor.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table sets forth certain information regarding our executive officers:

NAME	AGE	POSITION
Stanley M. Bergman	53	Chairman, Chief Executive Officer, President and Director
Gerald A. Benjamin	50	Executive Vice President, Chief Administrative Officer and Director
James P. Breslawski	49	Executive Vice President, President U.S. Dental and Director
Leonard A. David	54	Vice President - Human Resources and Special Counsel and Director
Larry M. Gibson	56	Executive Vice President and Chief Technology Officer
Michael Racioppi	48	

President -
Medical Group
Mark E.
Mlotek
..... 47
Senior Vice
President -
Corporate
Business
Development
Group and
Director
Steven
Paladino
..... 45
Executive
Vice
President,
Chief
Financial
Officer and
Director
Michael Zack
..... 50
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 and 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 and President of U.S. Dental since 1990, with primary responsibility for the U.S. 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.

LARRY M. GIBSON has been Executive Vice President and Chief Technology Officer since October 2000. Prior to holding his current position, Mr. Gibson joined the Company as President of the Practice Management Technologies Group in February 1997, concurrent with the acquisition of Dentrrix Dental Systems, Inc. Before joining the Company, Mr. Gibson was founder, Chairman and Chief Executive Officer of Dentrrix, started in 1980. Prior to his employment with Dentrrix, Mr. Gibson was employed by Weidner Communication Systems.

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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

2007.

- (2) We lease an additional 90,400 square feet on a short-term basis in the Indianapolis, IN vicinity.
- (3) In January 2003, we took occupancy of an additional 68,000 square feet of leased distribution center space in the Sparks, NV vicinity. The lease terminates in January 2007.

All of the properties listed in the table above are primarily used in our healthcare distribution segment.

We also lease distribution, office, showroom and sales space in other locations including the United States, Canada, France, Germany, the Netherlands, Belgium, Spain, Austria, Ireland, Portugal, the United Kingdom, Australia and New Zealand. One 50%-owned company also leases space in the United States.

We believe that our properties are generally in good condition, are well maintained, and are generally suitable and adequate to carry on our business. We have additional operating capacity at the listed facilities.

ITEM 3. LEGAL PROCEEDINGS

Our business involves a risk of product liability claims and other claims in the ordinary course of business, and from time to time we are named as a defendant in cases as a result of our distribution of pharmaceutical and other healthcare products. As of December 28, 2002, we were named a defendant in approximately 57 product liability cases. Of these claims, 47 involve claims made by healthcare workers who claim allergic reaction relating to exposure to latex gloves. In each of these cases, we acted as a distributor of 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, we have impleaded or filed cross claims against those manufacturers, subject to jurisdiction, in each case in which we are a defendant.

On January 27, 1998, in District Court in Travis County, Texas, we and one of our subsidiaries were named as defendants in a matter entitled "Shelly E. Stromboe and Jeanne Taylor, on Behalf of

Themselves and all others Similarly Situated vs. Henry Schein, Inc., Easy Dental Systems, Inc. and Dentisoft, Inc.", Case No. 98-00886. The Petition alleges, among other things, negligence, breach of contract, fraud, and violations of certain Texas commercial statutes involving the sale of certain practice management software products sold prior to 1998 under the Easy Dental(R) name. In October 1999, the trial court, on motion, certified both a Windows(R) 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(R) customers and 10,000 DOS customers were covered by the class action that was certified by the trial court. In November of 1999, we filed an interlocutory appeal of the trial court's determination to the Texas Court of Appeals on the issue of whether this case was properly certified as a class action. On September 14, 2000, the Court of Appeals affirmed the trial court's certification order. On January 5, 2001, we filed a Petition for Review in the Texas Supreme Court asking the Court to find that it had "conflicts jurisdiction" to permit review of the trial court's certification order. The Texas Supreme Court heard oral argument on February 6, 2002. On October 31, 2002, the Texas Supreme Court issued an opinion in the case holding that it had conflicts jurisdiction to review the decision of the Court of Appeals and finding that the trial court's certification of the case as a class action was improper. The Supreme Court further held that the judgment of the court of appeals which affirmed the class certification order must be reversed in its entirety. Upon reversal of the class certification order, the Supreme Court remanded the case to the trial court for further proceedings consistent with its opinion. On January 31, 2003, counsel for the class filed a Motion for Rehearing with the Texas Supreme Court seeking a reversal for the Supreme Court's earlier opinion reversing the class certification order. The Motion for Rehearing has not yet been ruled upon and remains pending before the Texas Supreme Court. Because the Texas Supreme Court has not yet ruled upon the Motion for Rehearing and because this matter has not yet come before the trial court for consideration consistent with the Texas Supreme Court's opinion reversing the trial court's certification order, it is not possible to determine what the trial court will do if the plaintiffs file another motion for class certification. Further, because of the decertification of the class by the Texas Supreme Court, the pending Motion for Rehearing before the Texas Supreme Court and other factors, it is not possible to determine whether the trial court will certify a different class upon motion, if any, or the possible range of damages or other relief sought by the plaintiffs in the trial court.

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

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

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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 2002.

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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 2001 and 2002 and for the first quarter of fiscal 2003 through March 18, 2003.

HIGH	LOW	
Fiscal 2001: 1st Quarter		
\$ 37.44	\$ 27.19	2nd Quarter
\$ 40.57	\$ 29.84	3rd Quarter
\$ 40.00	\$ 31.61	4th Quarter
\$ 41.50	\$ 31.90	Fiscal 2002: 1st Quarter
\$ 46.11	\$ 35.34	2nd Quarter
\$ 50.59	\$ 43.10	3rd Quarter
\$ 54.98	\$ 39.00	4th Quarter
\$ 57.73	\$ 40.30	Fiscal 2003: 1st Quarter (Through March 18, 2003) ...
	\$ 46.60	
	\$ 34.17	

The Company's Common Stock is quoted through the NASDAQ National Market tier of the NASDAQ Stock Market under the symbol "HSIC". On March 18, 2003, there were approximately 662 holders of record of the Common Stock. On March 18, 2003, the last reported sales price was \$43.41.

DIVIDEND POLICY

We currently do not anticipate paying any cash dividends on our Common Stock. We intend to retain earnings to finance the expansion of our business and for general corporate purposes, including our stock repurchase program. Any payment of dividends will be at the discretion of our 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. Our revolving credit agreement, as well as the agreements governing our Senior Notes, limit the distribution of dividends without the prior written consent of the lenders.

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data, with respect to our financial position and results of operations for each of the five years in the period ended December 28, 2002, set forth below, has been derived from our consolidated financial statements. The selected financial data presented below should be read in conjunction with the Financial Statements and Supplementary Data 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 28,	DECEMBER 29,	DECEMBER	
-----	30,	DECEMBER 25,	DECEMBER 26,	2002 2001
-----	2000	1999	1998	-----
-----	-----	-----	-----	-----
(IN THOUSANDS, EXCEPT PER SHARE AND SELECTED OPERATING DATA) STATEMENTS OF OPERATIONS DATA: Net sales				
.....	\$ 2,825,001	\$ 2,558,243	\$ 2,381,721	\$
.....	2,284,544	\$ 1,922,851	Gross profit	
.....

66,726	56,209	53,401	57,740	40,109	---

					\$ 2,825,001
2,558,243	\$ 2,381,721	\$ 2,284,544	\$		
1,922,851	=====	=====			
=====					
BALANCE SHEET DATA: Working capital					
.....					
604,199	\$ 489,909	\$ 423,547	\$ 428,429		
	\$ 403,592	Total assets			
.....					
1,558,052	1,385,428	1,231,068			
1,204,102	962,040	Total debt			
.....					
250,013	261,417	276,693	363,624		
209,451	Minority interest				
.....					
				6,748	
6,786	7,996	7,855	5,904	Stockholders'	
equity	.....			
861,217	680,457	579,060	517,867		
	463,034				

- (1) In 2002, we revised our original estimates of our anticipated merger and integration expenses. This change in estimates is attributable to facts and circumstances that arose subsequent to the original charges. As a result, we reversed certain of our previously recorded expenses. In 1998, the merger and integration costs consisted primarily of investment banking, legal, accounting and advisory fees, compensation, write-off of duplicate management information systems, and other assets and the impairment of goodwill arising from acquired businesses integrated into our medical and dental businesses, as well as certain other integration costs incurred primarily in connection with the 1998 acquisition of H. Meer Dental Supply Co., Inc. and the 1997 acquisitions of Sullivan Dental Products, Inc. and Micro Bio-Medics, Inc., 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 Strategy" in ITEM 7 and the Financial Statements and Supplementary Data in ITEM 8.
- (2) In 2002, we revised our original estimates of our anticipated restructuring expenses. This change in estimates is attributable to facts and circumstances that arose subsequent to the original charges. As a result, we recorded additional expenses. These restructuring costs consist primarily of employee severance costs, including severance pay and benefits for 2002 and 2000 of approximately \$0.1 million and \$7.2 million, respectively, facility closing costs, primarily lease termination and asset write-off costs of approximately \$0.3 million and \$4.4 million, respectively, and professional and consulting fees directly related to the restructuring plan of approximately \$0.0 million and \$2.8 million, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Plan of Restructuring" in ITEM 7 and the Financial Statements and Supplementary Data in ITEM 8.
- (3) Reclassified to conform to current period presentation.
- (4) Dental consists of our dental business in the United States and Canada.
- (5) Medical consists of our medical and veterinary businesses in the United States.
- (6) International consists of our business (primarily dental) outside the United States and Canada, primarily in Europe.
- (7) Technology consists of our practice management software business and certain other value-added products and services, which are distributed primarily to healthcare professionals in the United States and Canada.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Except for historical information contained herein, the statements in this report (including without limitation, statements indicating that we "expect," "estimate," "anticipate," or "believe" and all other statements concerning future financial results, product or service offerings or other events that have not yet occurred) are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995,

Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. Forward-looking statements involve known and unknown factors, risks and uncertainties which may cause our actual results in future periods to differ materially from those expressed in any forward-looking statements. Those factors, risks and uncertainties include, but are not limited to, the factors described under "Risk Factors" below.

The following discussion and analysis of our consolidated financial condition and consolidated results of operations should be read in conjunction with our consolidated financial statements and related notes thereto included in ITEM 8 herein.

OVERVIEW

We are the largest distributor of healthcare products and services to office-based healthcare practitioners in the combined North American and European markets with operations in the United States, Canada, the United Kingdom, the Netherlands, Belgium, Germany, France, Austria, Spain, Ireland, Portugal, Australia and New Zealand. We sell products and services to over 400,000 customers, primarily dental practices and dental laboratories, as well as physician practices, veterinary clinics and institutions. Through our comprehensive catalogs and other direct sales and marketing programs, we offer customers a broad product selection of both branded and private brand products.

We conduct our business through two segments: healthcare distribution and technology. These operations offer different products and services to the same customer base. The healthcare distribution segment consists of our dental, medical (including veterinary), and international groups. The international group is comprised of our healthcare distribution business units located primarily in Europe, and offers products and services to dental and medical (including veterinary) customers located in their respective geographic regions. The technology segment consists primarily of our practice management software business and certain other value-added products and services which are distributed primarily to healthcare professionals in the United States and Canada.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Securities Exchange Commission Financial Reporting Release No. 60 requires all companies to include a discussion of critical accounting policies or methods used in the preparation of financial statements.

We believe that the following critical accounting policies affect the significant judgments and estimates used in the preparation of our financial statements:

MANAGEMENT'S ESTIMATES

The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate estimates, including those related to sales allowance provisions, as described below, volume purchase rebates, income taxes, inventory and bad debts reserves, and contingencies. We base our estimates on historical data, when available,

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experience, industry and market trends, and on various other assumptions that are believed to be reasonable under the circumstances, the combined results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

REVENUE RECOGNITION

Sales are recorded when products are shipped or services are rendered to customers, as we generally have no significant post delivery obligations, the product price is fixed and determinable, collection of the resulting receivable is probable and product returns are reasonably estimable. Revenues derived from post contract customer support for practice management software are deferred and recognized ratably over the period in which the support is to be provided, generally one year. Revenues from freight charged to customers are recognized when products are shipped. Provisions for discounts, rebates to customers, customer returns and other adjustments are provided for in the period the related sales are recorded based upon historical data.

ACCOUNTS RECEIVABLE AND CREDIT POLICIES

The carrying amount of accounts receivable is reduced by a valuation

allowance that reflects our best estimate of the amounts that will not be collected. In addition to reviewing delinquent accounts receivable, we consider many factors in estimating our general allowance, including historical data, experience, customer types, credit worthiness, and economic trends. From time to time, we may adjust our assumptions for anticipated changes in any of those or other factors expected to affect collectability.

Allowances for accounts receivable, comprised primarily of the allowance for doubtful accounts and the allowance for sales returns, were \$36.2 million and \$31.9 million at December 28, 2002 and December 29, 2001, respectively.

LONG-LIVED ASSETS

Long-lived assets, other than goodwill, 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 are written down to fair value.

Other intangible assets are amortized over their estimated useful lives. We have reassessed the estimated useful lives of our intangible assets, which primarily consist of non-compete agreements, and no changes were deemed necessary.

GOODWILL

At December 28, 2002, we had recorded approximately \$310.3 million in goodwill and other intangible assets, net of accumulated amortization, primarily related to acquisitions made in 2002 and prior years. In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations", ("FAS 141"), and No. 142, "Goodwill and Other Intangible Assets", ("FAS 142"), effective for fiscal years beginning after December 15, 2001. Under the new standards, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests in accordance with FAS 142. We estimated the fair value of our reporting units in accordance with the new standard and compared these valuations with the respective book values for each of the reporting units to determine whether any goodwill impairment existed. The goodwill is substantially related to our healthcare distribution segment. In determining the fair value, we consider past, present and future expectations of performance. As required by FAS 142, we will complete subsequent goodwill impairment tests at least annually. During the fourth quarter of 2002,

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we completed the annual test using a methodology similar to the transitional test and determined that there was no impairment of goodwill as of the first day of the fourth quarter. Changes in market conditions, among other factors, could have a material impact on these estimates.

STOCK-BASED COMPENSATION

We account for stock option awards to employees under the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No 25, "Accounting for Stock Issued to Employees". Under this method, no compensation expense is recorded so long as the quoted market price of the stock at the date of grant is equal to the exercise price. We make pro forma disclosures of net income and earnings per share as if the fair value-based method of accounting (the alternative method of accounting for stock-based compensation) had been applied as required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", ("FAS 123"). Had we elected to use FAS 123 to account for stock-based compensation under the fair value method, we would have been required to record compensation expense, and as a result, diluted earnings per common share for the fiscal years ended December 2002, 2001, and 2000 would have been lower by \$0.21, \$0.16, and \$0.19, respectively.

PLAN OF RESTRUCTURING

On August 1, 2000, we announced a comprehensive restructuring plan designed to improve customer service and increase profitability by maximizing the efficiency of our infrastructure. In addition to closing or downsizing certain facilities, this worldwide initiative included the elimination of approximately 300 positions, including open positions, or approximately 5% of the total workforce, throughout all levels within the organization. The restructuring plan was substantially completed at December 30, 2000.

For the years ended December 28, 2002 and December 30, 2000, we incurred one-time restructuring costs of approximately \$0.4 million (\$0.4 million after taxes) and \$14.4 million, (\$9.3 million after taxes), or approximately \$0.01 and

..... \$ 743,880
 27.0% \$ 659,092 26.3% \$
 610,082 26.2% Technology

.....
 51,024 76.5% 40,232 71.6%
 37,819 70.8% -----

Total

.....
 \$ 794,904 28.1% \$ 699,324
 27.3% \$ 647,901 27.2%

===== =====
 ===== =====
 ===== =====

ADJUSTED OPERATING PROFIT
 (EXCLUDING MERGER AND
 INTEGRATION, AND
 RESTRUCTURING (CREDITS)
 COSTS) BY SEGMENT DATA:
 Healthcare distribution
 (6) \$ 170,253 6.2%
 \$ 128,337 5.1% \$ 106,944
 4.6% Technology (7)

.....
 26,016 39.0% 19,413 34.5%
 20,669 38.7% -----

Total

.....
 \$ 196,269 6.9% \$ 147,750
 5.8% \$ 127,613 5.4%

===== =====
 ===== =====
 ===== =====

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- (1) Reclassified to conform to current period presentation.
 - (2) Dental consists of our dental business in the United States and Canada.
 - (3) Medical consists of our medical and veterinary businesses in the United States.
 - (4) International consists of our business (primarily dental) outside the United States and Canada, primarily in Europe.
 - (5) Technology consists of our practice management software business and certain other value-added products and services, which are distributed primarily to healthcare professionals in the United States and Canada.
 - (6) Excludes merger and integration, and restructuring (credits) costs of \$(0.7) million, \$0.0 million, and \$14.0 million in 2002, 2001, and 2000, respectively.
 - (7) Excludes merger and integration, and restructuring costs of \$1.0 million in 2000.

2002 COMPARED TO 2001

For the year ended December 28, 2002, our net sales increased \$266.8 million, or 10.4%, to \$2,825.0 million in 2002, from \$2,558.2 million in 2001. Of the \$266.8 million increase, approximately \$256.3 million, or 96.1%, represented a 10.2% increase in our healthcare distribution business. As part of this increase, approximately \$111.4 million represented an 11.3% increase in our medical business, \$105.9 million represented a 9.4% increase in our dental business, and \$39.0 million represented a 9.8% increase in our international business. The increase in medical net sales was primarily attributable to increased sales to core physicians' offices and alternate care markets. In the dental market, the increase in net sales was primarily due to increased dental equipment sales and services and increased penetration to existing customers primarily driven by our Privileges loyalty program. Net sales of dental consumable merchandise increased by 7.3%, while net sales of dental equipment increased by 18.5%. In the international market, the increase in net sales was primarily due to increased account penetration in France, the United Kingdom, and Australia and by favorable exchange rates to the U.S. dollar. Had net sales for the international market been translated at the same exchange rates in 2001, net sales would have increased by 4.7%. The remaining increase in 2002 net sales

was due to the technology business, which increased \$10.5 million, or 18.7%, to \$66.7 million for 2002, from \$56.2 million for 2001. The increase in technology and value-added product net sales was primarily due to increased sales of software products and related services. As part of a new marketing initiative, MarketOne, certain technology and equipment products were sold directly to end-user customers beginning with the third quarter of 2002, rather than through resellers, which resulted in a higher growth rate for the technology business. Without this change, the technology business net sales would have increased 13.9%.

Gross profit increased by \$95.6 million, or 13.7%, to \$794.9 million in 2002, from \$699.3 million in 2001. Gross profit margin increased by 0.8% to 28.1%, from 27.3% in the prior year. Healthcare distribution gross profit increased by \$84.8 million, or 12.9%, to \$743.9 million in 2002, from \$659.1 million in 2001. Healthcare distribution gross profit margin increased by 0.7%, to 27.0%, from 26.3% in the prior year primarily due to changes in sales mix. Technology gross profit increased by \$10.8 million, or 26.8%, to \$51.0 million in 2002, from \$40.2 million in 2001. Technology gross profit margin increased by 4.9%, of which 1.0% was attributable to the MarketOne initiative referred to above, to 76.5%, from 71.6% in the prior year primarily due to changes in sales mix.

Selling, general and administrative expenses increased by \$47.0 million, or 8.5%, to \$598.6 million in 2002, from \$551.6 million in 2001. Selling and shipping expenses increased by \$36.0 million, or 10.8%, to \$370.1 million in 2002, from \$334.1 million in 2001. As a percentage of net sales, selling and shipping expenses remained constant at 13.1% in 2002 compared to 2001. General and administrative expenses increased \$11.0 million, or 5.1%, to \$228.5 million in 2002, from \$217.5 million in 2001. As a percentage of net sales, general and administrative expenses decreased 0.4% to 8.1% in 2002, from 8.5% in 2001. The decrease in general and administrative expenses was primarily due to the elimination of goodwill amortization expense in accordance with FAS 142.

Other income (expense) - net decreased by \$0.8 million, to \$(6.6) million in 2002, from \$(7.4) million for 2001, due primarily to the favorable settlement of a real estate transaction.

Equity in earnings of affiliates increased \$0.3 million to \$0.7 million in 2002, from \$0.4 million in 2001.

For 2002, our effective tax rate was 37.2%. For 2001, our effective tax rate was 37.0%. The difference between our effective tax rates and the Federal statutory rates relates primarily to state income taxes.

2001 COMPARED TO 2000

We report financial results on a 52-53 week basis and, as such, the 2000 fiscal year included an additional week. For the year ended December 29, 2001, net sales increased \$176.5 million, or 7.4%, to \$2,558.2 million in 2001, from \$2,381.7 million in 2000. On a comparable basis (excluding the additional week in 2000), net sales growth was approximately 8.7%. Of the \$176.5 million increase, approximately \$173.7 million, or 98.4%, represented a 7.5% (8.7% on a comparable basis) increase in our healthcare distribution business. As part of this increase, approximately \$131.3 million represented a 15.4% (17.0% on a comparable basis) increase in our medical business, \$34.3 million represented a 3.2% (4.1% on a comparable basis) increase in our dental business, and \$8.1 million represented a 2.1% (3.5% on a comparable basis) increase in our international business. The increase in medical net sales was primarily attributable to increased sales to core physicians' offices and alternate care markets. In the dental market, the increase in net sales was primarily due to increased account penetration. In the international market, the increase in net sales was primarily due to increased account penetration in Germany, France, and the United Kingdom, somewhat offset by unfavorable exchange rates to the U.S. dollar. Had net sales for the international market been translated at the same exchange rates in 2000, net sales would have increased by 5.8%. The remaining increase in 2001 net sales was due to the technology business, which increased \$2.8 million, or 5.3% (6.1% on a comparable basis), to \$56.2 million for 2001, from \$53.4 million for 2000. The increase in technology and value-added product net sales was primarily due to increased sales of technology products and related services.

Gross profit increased by \$51.4 million, or 7.9%, to \$699.3 million in 2001, from \$647.9 million in 2000. Gross profit margin increased by 0.1% to 27.3%, from 27.2% in the prior year. Healthcare distribution gross profit increased by \$49.0 million, or 8.0%, to \$659.1 million in 2001, from \$610.1 million in 2000. Healthcare distribution gross profit margin increased by 0.1%, to 26.3%, from 26.2% in the prior year primarily due to changes in sales mix. Technology gross profit increased by \$2.4 million, or 6.4%, to \$40.2 million in

2001, from \$37.8 million in 2000. Technology gross profit margin increased by 0.8%, to 71.6%, from 70.8% in the prior year primarily due to changes in sales mix.

Selling, general and administrative expenses increased by \$31.3 million, or 6.0%, to \$551.6 million in 2001, from \$520.3 million in 2000. Selling and shipping expenses increased by \$23.5 million, or 7.6%, to \$334.1 million in 2001, from \$310.6 million in 2000. As a percentage of net sales, selling and shipping expenses increased 0.1% to 13.1% in 2001, from 13.0% in 2000. General and administrative expenses increased \$7.8 million, or 3.7%, to \$217.5 million in 2001, from \$209.7 million in 2000. As a percentage of net sales, general and administrative expenses decreased 0.3% to 8.5% in 2001, from 8.8% in 2000. The decrease in general and administrative expenses was primarily due to reductions in expenses associated with our restructuring program.

Other income (expense) - net decreased by \$(8.7) million, to \$(7.4) million in 2001, from \$(16.1) million for 2000, due primarily to higher interest income on long-term loans receivable and short-term investments, higher finance charge income on trade accounts receivable, lower interest expense due to reductions in long-term debt and bank credit line balances and lower interest rates, and in 2000, the non-recurring loss of \$1.6 million after tax on the sale of our software development unit in the United Kingdom.

Equity in earnings (losses) of affiliates increased \$2.3 million to \$0.4 million in 2001, from \$(1.9) million in 2000. The increase is primarily due to a non-recurring net loss of \$1.9 million during the fourth quarter of 2000 from the sale of our interest in HS Pharmaceutical, Inc.

For 2001, our effective tax rate was 37.0%. The difference between our effective tax rate and the Federal statutory rate relates primarily to state income taxes.

For 2000, our effective tax rate was 37.4%. Excluding merger and integration costs, the majority of which are not deductible for income tax purposes, our effective tax rate would have been 37.3%. The

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difference between our effective tax rate and the Federal statutory rate relates primarily to state income taxes.

SEASONALITY

Our 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, timing of purchases and/or sales, special promotional campaigns, seasonal products, fluctuations in exchange rates associated with international operations and adverse weather conditions.

E-COMMERCE

Traditional healthcare supply and distribution relationships are being impacted by electronic on-line commerce solutions. Our distribution business is characterized by rapid technological developments and is highly competitive. The rapid evolution of on-line commerce will require us to provide continuous improvement in performance, features and reliability of Internet content and technology, particularly in response to competitive offerings. Through our proprietary technologically-based suite of products, we offer customers a variety of competitive alternatives. We believe that our tradition of reliable service coupled with our name recognition and large customer base built on solid customer relationships makes us well situated to participate in this growing aspect of the distribution business. We are exploring ways and means of improving and expanding our Internet presence and will continue to do so.

INFLATION

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

EFFECT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", ("FAS 146"). This Statement addresses financial accounting and reporting for costs associated with exit or

disposal activities and nullifies Emerging Issues Task Force, ("EITF"), Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)", ("EITF 94-3"). The principal difference between this Statement and EITF 94-3 relates to the Statement's requirements for recognition of a liability for a cost associated with an exit or disposal activity. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3, a liability was recognized at the date of an entity's commitment to an exit plan. This Statement is effective for exit or disposal activities that are initiated after December 31, 2002. We do not expect the adoption of FAS 146 to have a material impact on our financial position or results of operations.

In September 2002, the EITF reached a consensus on Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables", ("EITF 00-21"). EITF 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. Those arrangements could involve the delivery or performance of multiple products, services, or rights to use assets, and the performance could occur at different points in time or over different periods of time. The Issue addresses when and, if so, how a company should divide an arrangement involving multiple deliverables into separate units of accounting. EITF 00-21 is effective for revenue arrangements entered into in fiscal years beginning after December 15, 2002. We do not expect the adoption of EITF 00-21 to have a material impact on our financial position or results of operations.

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On December 31, 2002, the FASB amended the transition and disclosure requirements of FASB Statement No. 123, "Accounting for Stock-Based Compensation", ("FAS 123"), through the issuance of FASB Statement No. 148, "Accounting for Stock-Based Compensation--Transition and Disclosure", ("FAS 148"). FAS 148 amends the existing disclosures that a company should make in its annual financial statements and requires, for the first time, disclosures in interim financial reports. Those disclosures are required regardless of the method being used to account for stock-based employee compensation. The amended and new disclosure requirements are effective for our fiscal year ending December 27, 2003. The adoption of the disclosure requirements of FAS 148 will not have a material effect on our financial statements. As permitted under FAS 123, we apply Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", ("APB 25") and related interpretations in accounting for our employee stock options. Under APB 25, because the exercise price of our employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

In November 2002, the FASB issued FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", ("FIN 45"). FIN 45 addresses the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. The disclosure requirements in this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. We do not expect this Interpretation to have an effect on the consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, "Consolidation of Variable Interest Entities", ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is applicable immediately for variable interest entities created after January 31, 2003. For variable interest entities created prior to January 31, 2003, the provisions of FIN 46 are applicable no later than July 1, 2003. We do not expect this Interpretation to have an effect on our consolidated financial statements.

RISK MANAGEMENT

We have operations in the United States, Canada, the United Kingdom, the Netherlands, Belgium, Germany, France, Austria, Spain, Ireland, Portugal, Australia and New Zealand. We endeavor to protect substantially all of our operations' financial results by using foreign currency forward contracts to hedge intercompany debt and the foreign currency payments to foreign vendors. The total U.S. dollar equivalent of all foreign currency forward contracts hedging intercompany debt and the purchase of merchandise from foreign vendors was \$73.6 million and \$4.4 million, respectively, as of the end of fiscal 2002. As of December 28, 2002, the fair value of these contracts, which expire through January 2004, is determined by quoted market prices and was not material. For the year ended December 28, 2002, we recognized an immaterial loss relating to our foreign currency forward contracts.

We consider our investment in foreign operations to be both long-term and strategic. As a result, we do not hedge the long-term translation exposure to our balance sheet. We have experienced positive and negative translation adjustments of approximately \$19.0 million and \$(5.7) million in 2002 and 2001, respectively, which were reflected in the balance sheet as a component of stockholders' equity. The cumulative translation adjustment at the end of 2002 showed a net negative translation adjustment of \$(4.8) million.

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LIQUIDITY AND CAPITAL RESOURCES

Our principal capital requirements have been to fund (a) capital expenditures, (b) acquisitions, and (c) working capital needs resulting from increased sales and special inventory forward buy-in opportunities. Since sales tend to be strongest during the fourth quarter and special inventory forward buy-in opportunities are most prevalent just before the end of the year, our 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. We have financed our business primarily through our operations, our revolving credit facilities, private placement loans and stock issuances.

Net cash provided by operating activities for the year ended December 28, 2002 of \$134.7 million resulted primarily from net income of \$118.0 million and non-cash charges of approximately \$36.2 million, offset by a net increase in operating items of working capital of approximately \$19.5 million. The increase in working capital items was primarily due to an increase in inventories of \$23.1 million, a \$18.4 million increase in other current assets, and a \$2.0 million increase in accounts receivable, offset by a \$24.0 million increase in accounts payable and accruals. Our accounts receivable days sales outstanding ratio improved to 48.2 days for the period ending December 28, 2002, from 53.5 days for the period ending December 29, 2001, primarily due to greater focus in this area. Our inventory turns were 6.6 inventory turns for the period ending December 28, 2002 compared to 6.9 inventory turns for the period ending December 29, 2001, primarily due to an increase in forward buy-ins and inventory stocking for warehouses opened in 2002. We anticipate future increases in working capital requirements as a result of our continued sales growth, extended payment terms and special inventory forward buy-in opportunities.

Net cash used in investing activities for the year ended December 28, 2002 of \$142.8 million resulted primarily from cash used for the purchases of United States government and government agency bonds, municipal bonds, and corporate bonds rated AAA by Moody's (or an equivalent rating) and commercial paper rated P-1 by Moody's (or an equivalent rating) with maturities of more than three months, for which fair values are determined by quoted market prices, of \$55.2 million, capital expenditures of \$47.5 million, of which approximately \$11.6 million was for the purchase of a building used for our corporate headquarters, and business acquisitions of \$36.2 million, of which \$27.4 million represented contingent earnout payments associated with acquisitions made in prior years. During the past three years, we have invested \$123.4 million in the development of new computer systems, and for new and existing operating facilities. In the coming year, we expect to invest in excess of \$35.0 million in capital projects to modernize and expand our facilities and infrastructure computer systems, and integrate operations.

Net cash provided by financing activities for the year ended December 28, 2002 of \$18.7 million resulted primarily from proceeds from the issuance of stock upon exercise of stock options of \$34.1 million, offset primarily by net payments on long-term debt of \$14.9 million.

Certain holders of minority interests in entities we have acquired have the right at certain times to require us to acquire their interest at a price that approximates fair value pursuant to a formula price based on earnings of the entity.

Our cash and cash equivalents as of December 28, 2002 of \$200.7 million consist of bank balances and investments in money market funds. 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.

On May 2, 2002, we renewed and increased our revolving credit facility to \$200.0 million from \$150.0 million. The new facility is a four year committed line scheduled to terminate on May 2, 2006. There were no borrowings under the credit facility at December 28, 2002. We also have one uncommitted bank line of \$15.0 million, of which no amounts have been borrowed against at December 28, 2002.

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related to intercompany debt and \$4.4 million related to the purchase of merchandise from foreign vendors. The contracts hedge against currency fluctuations of British Pounds (\$38.1 million), Euros (\$34.9 million), Australian Dollars (\$3.9 million), Swiss Francs (\$0.8 million), Japanese Yen (\$0.2 million), and New Zealand Dollars (\$0.1 million). As of December 28, 2002, the fair value of these contracts, which are determined by quoted market prices and expire through January 2004, was not material. For the year ended December 28, 2002, we recognized an immaterial loss relating to our foreign currency forward contracts.

These hedging activities provide only limited protection against currency exchange risks. Factors that could impact the effectiveness of our programs include volatility of the currency markets and availability of hedging instruments. All currency contracts that we enter into 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 we maintain 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 we sell products and services, or a weakening exchange rate against currencies in which we incur costs, our revenues or costs are adversely affected.

INTEREST RATES

We are exposed to risk from changes in interest rates from borrowings under certain variable bank credit lines and loan agreements. We have fixed rate debt of \$130.0 million at 6.94% and \$100.0 million at 6.66%. If the remaining outstanding debt at December 28, 2002 of \$20.0 million was the average balance for the following twelve month period and we experienced a 1% increase in average interest rates, the interest expense for that period would have increased by \$0.2 million. Based upon current economic conditions, we do not believe interest rates will increase substantially in the near future. As a result, we do not believe that it is currently necessary to hedge our exposure against potential future interest rate increases.

RISK FACTORS

Stockholders and investors should carefully consider the risks described below and other information in this annual report. Our business, financial condition and operating results, and the trading price of our common stock could be adversely affected if any of these risks materialize.

- The healthcare products distribution industry is highly competitive, and we compete with numerous companies, including major manufacturers and distributors that have greater financial and other resources than us. Competitors could obtain exclusive rights to market particular products or manufacturers could increase their efforts to sell directly to end-users, thereby bypassing distributors like us. Consolidation among healthcare products distributors could result in existing competitors increasing their market position. In addition, unavailability of products, whether due to our inability to gain access to products or interruptions in supply of products from manufacturers, could adversely affect our operating results.
- In recent years, the healthcare industry has undergone significant change driven by various efforts to reduce costs, including the reduction of spending budgets by government and private insurance programs, such as Medicare, Medicaid and corporate health insurance plans; trends toward managed care; consolidation of healthcare distribution companies; electronic commerce; and collective purchasing arrangements among office-based healthcare practitioners. If we are unable to react effectively to these and other changes in the healthcare industry, our operating results could be adversely affected.
- Our technology segment, which primarily sells practice management software and other value-added products, depends upon continued product development, technical support and marketing. Failures in these and related areas could adversely affect our results of operations.

- Our 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, including the Federal Food, Drug, and Cosmetic Act, the

Prescription Drug Marketing Act of 1987 and the Controlled Substances Act. There is no assurance that current or future government regulations will not adversely affect our business.

- Our business involves a risk of product liability and other claims in the ordinary course of business, and from time to time we are named as a defendant in cases as a result of our distribution of pharmaceutical and other healthcare products. We have insurance policies, including product liability insurance, and in many cases we have indemnification rights from manufacturers with respect to the products we distribute. There is no assurance that insurance coverage or manufacturers' indemnity will be available in all of the pending or any future cases brought against us, or that an unfavorable result in any such case will not adversely affect our financial condition or results of operations.
- Our business is dependent upon our ability to hire and retain qualified sales representatives, service specialists and other sales agents. Due to the relationships developed between our field sales representatives and their customers, upon the departure of a sales representative we face the risk of losing the representative's customers, especially if the representative becomes an employee of one of our competitors.
- Our business has been subject to seasonal and other quarterly fluctuations. Net sales and operating profits generally have been higher in the fourth quarter due to purchasing patterns of office-based healthcare practitioners and year end promotions. Net sales and operating profits generally have been lower in the first quarter, primarily due to increased purchases in the prior quarter.
- Our international operations are subject to inherent risks, which could adversely affect our operating results. These risks include difficulties in opening and managing foreign offices and distribution centers; difficulties in establishing channels of distribution; fluctuations in the value of foreign currencies; longer payment cycles of foreign customers and difficulty of collecting receivables in foreign jurisdictions; import/export duties and quotas; and unexpected regulatory, economic and political changes in foreign markets.
- Our expansion through acquisitions and/or joint ventures could result in a loss of customers, diversion of management attention and increased demands on our operations, information systems and financial resources.
- We rely on third parties to ship products to our customers. Increases in shipping rates or interruptions of service could adversely affect our operating results.
- Changes in e-commerce could affect our business relationships and could require significant resources. The evolution of on-line commerce, including business-to-business exchanges, will require us to continuously improve the performance, security, features and reliability of Internet content and technology.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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HENRY SCHEIN, INC. AND SUBSIDIARIES

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28, 2002, December 29, 2001, and December
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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

Board of Directors and Stockholders
Henry Schein, Inc.
Melville, New York

We have audited the accompanying consolidated balance sheets of Henry Schein, Inc. and Subsidiaries as of December 28, 2002 and December 29, 2001, and the related consolidated statements of income and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 28, 2002. 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 28, 2002 and December 29, 2001, and the results of their operations and their cash flows for each of the three years in the period ended December 28, 2002 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 5, the Company changed its policy of accounting for goodwill in 2002 as required by Financial Accounting Standards Board Statement No. 142, "Goodwill and Other Intangible Assets".

/s/ BDO SEIDMAN, LLP
New York, New York
February 27, 2003

HENRY SCHEIN, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS	
(IN THOUSANDS, EXCEPT SHARE DATA) December 28, December 29, 2002	
2001 -----	ASSETS Current assets: Cash and
cash equivalents	cash equivalents
\$ 200,651	\$ 193,367
.....	Marketable securities
.....	31,209 -
Accounts receivable, less reserves of \$36,200 and \$31,929,	Accounts receivable, less reserves of \$36,200 and \$31,929,
respectively... 368,263	respectively... 363,700
.....	Inventories
323,080	291,231
.....	Deferred income taxes
.....	29,919
.....	25,751
.....	Prepaid expenses and other
.....	74,407
.....	52,922
.....	----- Total current assets
.....	1,027,529
.....	926,971
.....	Property and equipment, net
.....	142,532
.....	117,980

currency translation gain					
.....	--	--	--	--	18,989
Net unrealized investment gain					
.....	--	--	--	--	139
Shares issued upon exercise of stock options by employees, including tax benefit of \$8,058					
.....	1,271,528	13	42,167	--	--

Balance, December 28, 2002					
.....	44,041,591				\$
440 \$ 436,554 \$ 430,389 \$ (1,156) \$ (4,794)					
=====	=====	=====	=====	=====	=====
=====					
Total Deferred Stockholders' Compensation Equity					
----- Balance, December 25, 1999					
.....	\$	(591)			\$
517,867 Retained earnings of one company acquired under the pooling of interests method, not deemed material				--	471
Net income					
.....	--	56,749	Shares issued for acquisitions		
.....	--	428	Shares issued to ESOP trust		
.....	--	2,193	Amortization of restricted stock		
.....	125	125	Foreign currency translation loss		
.....	--	(7,820)	Shares issued upon exercise of stock options by employees, including tax benefit of \$2,758		
.....	--	9,047			
Balance, December 30, 2000					
.....	(466)	579,060	Net income		
.....	--	87,373	Shares issued to ESOP trust		
.....	--	2,225	Amortization of restricted stock		
.....	125	125	Foreign currency translation loss		
.....	--	(5,743)	Shares issued upon exercise of stock options by employees, including tax benefit of \$3,262		
.....	--	17,417			
Balance, December 29, 2001					
.....	(341)	680,457	Net income		
.....	--	117,987	Shares issued to ESOP trust		
.....	--	1,340	Amortization of restricted stock		
.....	125	125	Accumulated comprehensive income: Foreign currency translation gain		
.....	--	18,989	Net unrealized investment gain		
.....	--	139	Shares issued upon exercise of stock options by employees, including tax benefit of \$8,058		
.....	--	42,180			
Balance, December 28, 2002					
.....	\$	(216)	\$		
861,217	=====	=====	=====	=====	=====

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (IN THOUSANDS) YEARS ENDED			
-----	DECEMBER 28,	DECEMBER 29,	DECEMBER 30, 2002 2001 2000

Cash flows from operating activities: Net income			
.....			\$
117,987	\$ 87,373	\$ 56,749	Adjustments to reconcile net income to net cash provided by operating activities: Depreciation and amortization
.....	28,272	35,642	33,762
.....	4,271	7,988	7,165
.....			Stock issued to ESOP trust
.....	1,340	2,225	2,193
.....			Provision (benefit) for deferred income taxes
.....	226	292	(1,335)
.....			Undistributed (earnings)

losses of affiliates	(659)	(414)	1,878
Minority interest in net income of subsidiaries			
.....	2,591	1,462	1,757
Write-off of equipment, intangibles and other	145	7,067	701
Changes in operating assets and liabilities (net of purchase acquisitions): (Increase) decrease in accounts receivable	(2,023)	3,194	5,186
(Increase) decrease in inventories	(23,075)		
(17,850) 4,630 (Increase) decrease in other current assets	(18,445)	8,808	(4,628)
Increase in accounts payable and accruals	24,039		
55,124 44,936 ----- Net cash provided by operating activities	134,669		
190,911 152,994 ----- Cash flows from investing activities: Capital expenditures	(47,543)		
(46,127) (29,743) Business acquisitions, net of cash acquired of \$0, \$228, and \$0	(36,224)	(8,588)	(6,838)
Purchase of marketable securities with maturities of more than three months... ..	(55,211)	-	-
Other			
(3,780) (355) (9,645) ----- Net cash used in investing activities			
(142,758) (55,070) (46,226) ----- Cash flows from financing activities: Proceeds from issuance of long-term debt	-	10,166	-
Principal payments on long-term debt			
(14,941) (13,042) (5,147) Proceeds from issuance of stock upon exercise of stock options by employees... ..	34,122	14,155	6,283
Proceeds from borrowing from banks	3,061		
1,988 9,714 Payments on borrowings from banks	(2,667)	(12,740)	(89,047)
Other			
(892) (156) 346 ----- Net cash provided by (used in) financing activities			
18,683 371 (77,851) ----- Net increase in cash and cash equivalents			
10,594 136,212 28,917 Effect of exchange rate changes on cash and cash equivalents	(3,310)	(1,207)	3,426
Cash and cash equivalents, beginning of year	193,367	58,362	26,019
----- Cash and cash equivalents, end of year			
\$ 200,651 \$ 193,367 \$ 58,362 =====			

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
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 (collectively the "Company"). Investments in unconsolidated affiliates, which are greater than or equal to 20% and less than or equal to 50% owned, are accounted for under the equity method. All 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 and cash flows on a 52-53 week basis ending on the last Saturday of December. The fiscal years ended December 28, 2002 and December 29, 2001 consisted of 52 weeks. The fiscal year ended December 30, 2000 consisted of 53 weeks.

REVENUE RECOGNITION

Sales are recorded when products are shipped or services are rendered to customers, as the Company generally has no significant post delivery obligations, the product price is fixed and determinable, collection of the resulting receivable is probable and product returns are reasonably estimable. Revenues derived from post contract customer support for practice management software are deferred and recognized ratably over the period in which the support is to be provided, generally one year. Revenues from freight charged to customers are recognized when products are shipped. Provisions for discounts, rebates to customers, customer returns and other adjustments are provided for in the period the related sales are recorded based on historical data.

MARKETABLE SECURITIES

Marketable securities held by the Company are classified as available-for-sale and are recorded at fair value. The fair value of substantially all securities is determined by quoted market prices. Unrealized gains and losses, net of related taxes, are included as a separate component of stockholders' equity.

ACCOUNTS RECEIVABLE AND CREDIT POLICIES

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. In addition to reviewing delinquent accounts receivable, management considers many factors in estimating its general allowance, including historical data, experience, customer types, credit worthiness, and economic trends. From time to time, management may adjust its assumptions for anticipated changes in any of those or other factors expected to affect collectability.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 1-SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

Allowances for accounts receivable, comprised primarily of the allowance for doubtful accounts and the allowance for sales returns, were \$36,200 and \$31,929 at December 28, 2002 and December 29, 2001, respectively.

DIRECT SHIPPING AND HANDLING COSTS

Freight and other direct shipping costs are included in "Cost of sales". Direct handling costs, which represent primarily direct compensation costs of employees who pick, pack and otherwise prepare, if necessary, merchandise for shipment to the Company's customers are reflected in "Selling, general and administrative" expenses. These costs were approximately \$23,200, \$21,200, and \$17,700 for the years ended 2002, 2001, and 2000, respectively.

ADVERTISING

The Company generally expenses advertising and promotional costs as incurred. Total advertising and promotional expenses were approximately \$13,900, \$14,300, and \$13,900 for fiscal years ended 2002, 2001, and 2000, respectively.

INVENTORIES

Inventories consist substantially of finished goods and are valued at the lower of cost or market. Cost is determined primarily 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:

Table with 2 columns: Asset Category, Useful Life (Years). Rows include Buildings and improvements (40), Machinery and warehouse equipment (5-10), Furniture, fixtures and other (3-).

10 Computer
equipment and
software
..... 3-8

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.

Capitalized software costs consist of costs to purchase and develop software. Costs incurred during the application development stage for software bought and further customized by outside vendors for the Company's use and software developed by a vendor for the Company's proprietary use have been capitalized. Costs incurred for the Company's own personnel who are directly associated with software development are also capitalized.

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

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 1-SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

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 United States Federal income tax return with its 80% or greater owned United States 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.

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.

DERIVATIVE FINANCIAL INSTRUMENTS

On December 31, 2000, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", ("FAS 133"), as amended and interpreted, which requires that all derivative instruments be recorded on the balance sheet at their fair value. The impact of adopting FAS 133 on the Company's Statement of Income and Balance Sheet was not material.

The Company uses derivatives to reduce its exposure to fluctuations in foreign currencies. Derivative products, specifically foreign currency forward contracts, are used to hedge the foreign currency exposures underlying certain intercompany investments, debt and interest, and certain forecasted transactions with foreign vendors. The Company does not enter such contracts for speculative purposes.

Most derivative instruments are designated as hedging instruments based on exposure being hedged. Increases or decreases in the value of hedges (primarily related to intercompany debt of a long-term investment nature) are included in accumulated comprehensive income or loss. Derivatives that are not hedges are adjusted to fair value through earnings.

The fair value of derivative contracts at December 28, 2002 and December 29, 2001 was immaterial. The amount of net gains and losses during 2002 and 2001

was immaterial.

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. Certain acquisitions provide

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HENRY SCHEIN, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED) (IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 1-SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

for contingent consideration, primarily cash, to be paid in the event certain financial performance targets are satisfied over future periods. The Company's policy is to record a liability and adjust goodwill for such amounts when the targets are met.

GOODWILL

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations", ("FAS 141"), and No. 142, "Goodwill and Other Intangible Assets", ("FAS 142"), effective for fiscal years beginning after December 15, 2001. Under the new standards, goodwill and intangible assets deemed to have indefinite lives are no longer amortized but are subject to annual impairment tests in accordance with FAS 142. The Company estimates fair value of its reporting units in accordance with the new standard and compares these valuations with the respective book values for each of the reporting units to determine whether any goodwill impairment exists. The goodwill is substantially related to the Company's healthcare distribution segment. In determining fair value, the Company considers past, present and future expectations of performance. As required by FAS 142, the Company will complete subsequent goodwill impairment tests at least annually. During the fourth quarter of 2002, the Company completed the annual test using a methodology similar to the transitional test and determined that there was no impairment of goodwill as of the first day of the fourth quarter.

LONG-LIVED ASSETS

Long-lived assets, other than goodwill, 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 are written down to fair value.

Other intangible assets continue to be amortized over their estimated useful lives. The Company has reassessed the estimated useful lives of its intangible assets, which primarily consist of non-compete agreements, and no changes have been deemed necessary.

STOCK-BASED COMPENSATION

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 has been determined as if the Company and its acquired subsidiaries had accounted for its employee stock options under the fair value method of Financial Accounting Standards Board Statement No. 123 "Accounting for Stock-Based Compensation", ("FAS 123"). The weighted average fair value of options granted during 2002, 2001, and 2000 was \$25.13, \$17.05, and \$8.85, 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 2002, 2001, and 2000: risk-free interest rates of 4.8% for 2002, 5.0% for 2001, and 6.3% for 2000; volatility factor of the expected market price of the Company's Common Stock of 49.6% for 2002, 48.0% for 2001, and 45.1% for 2000, assumed dividend yield of 0% for all years and a weighted-average expected life of the option of 10 years.

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NOTE 1-SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

Under the accounting provisions of FAS 123, the Company's net income and net income per common share would have been adjusted to the pro forma amounts indicated below:

YEARS ENDED -----			
----- DECEMBER 28,			
DECEMBER 29, DECEMBER 30, 2002 2001			
2000 -----			
----- Net income as reported			
..... \$ 117,987			
\$ 87,373 \$ 56,749 Deduct: Total			
stock-based employee compensation			
expense determined under fair value			
method			
(9,340) (6,645) (8,119) -----			
----- Pro forma			
net income			
..... \$			
108,647 \$ 80,728 \$ 48,630			
=====			
===== Net income per common			
share - as reported: Basic			
.....			
\$ 2.71 \$ 2.06 \$ 1.38 =====			
===== Diluted			
.....			
\$ 2.63 \$ 2.01 \$ 1.35 =====			
===== Net income			
per common share - pro forma: Basic			
.....			
\$ 2.50 \$ 1.91 \$ 1.18 =====			
===== Diluted			
.....			
\$ 2.42 \$ 1.85 \$ 1.16 =====			
=====			

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 common 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 includes certain 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 net income, unrealized gains (losses) on marketable securities and foreign currency translation adjustments.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash, accounts receivable, and accounts payable 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.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2002, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", ("FAS 146"). This Statement addresses financial accounting and reporting for costs associated with exit

NOTE 1-SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)", ("EITF 94-3"). The principal difference between this Statement and EITF 94-3 relates to the Statement's requirements for recognition of a liability for a cost associated with an exit or disposal activity. This Statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF 94-3, a liability was recognized at the date of an entity's commitment to an exit plan. This Statement is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of FAS 146 to have a material impact on its financial position or results of operations.

In September 2002, the EITF reached a consensus on Issue 00-21, "Accounting for Revenue Arrangements with Multiple Deliverables", ("EITF 00-21"). EITF 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue generating activities. Those arrangements could involve the delivery or performance of multiple products, services, or rights to use assets, and the performance could occur at different points in time or over different periods of time. The Issue addresses when and, if so, how a company should divide an arrangement involving multiple deliverables into separate units of accounting. EITF 00-21 is effective for revenue arrangements entered into in fiscal years beginning after December 15, 2002. The Company does not expect the adoption of EITF 00-21 to have a material impact on its financial position or results of operations.

On December 31, 2002, the FASB amended the transition and disclosure requirements of FASB Statement No. 123, "Accounting for Stock-Based Compensation", ("FAS 123"), through the issuance of FASB Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure", ("FAS 148"). FAS 148 amends the existing disclosures that a company should make in its annual financial statements and requires, for the first time, disclosures in interim financial reports. Those disclosures are required regardless of the method being used to account for stock-based employee compensation. The amended and new disclosure requirements are effective for the Company for the fiscal year ending December 27, 2003. The adoption of the disclosure requirements of FAS 148 will not have a material affect on the Company's financial statements. As permitted under FAS 123, management 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.

In November 2002, the FASB issued FASB Interpretation No. 45, ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others". FIN 45 addresses the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. The disclosure requirements in this Interpretation are effective for financial statements of interim or annual periods ending after December 15, 2002. The Company does not expect this Interpretation to have an effect on the consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation No. 46, ("FIN 46"), "Consolidation of Variable Interest Entities". FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is applicable immediately for variable interest entities created after January 31, 2003. For variable interest

NOTE 1-SIGNIFICANT ACCOUNTING POLICIES-(CONTINUED)

entities created prior to January 31, 2003, the provisions of FIN 46 are applicable no later than July 1, 2003. The Company does not expect this Interpretation to have an effect on the consolidated financial statements.

NOTE 2-EARNINGS PER SHARE

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

YEARS ENDED -----	-----	-----
-----	DECEMBER	-----
28, DECEMBER 29, DECEMBER 30,		
2002 2001 2000 -----		
	Basic	
.....		
43,489,229	42,366,048	
41,243,600	Effect of assumed	
	conversion of employee stock	
options	1,382,965	
1,179,061	763,409	-----
	Diluted	
.....		
44,872,194	43,545,109	
42,007,009	=====	
=====	=====	

Options to purchase approximately 30,000, 1,114,000, and 3,011,000, shares of common stock at prices ranging from \$46.80 to \$54.00, \$35.50 to \$46.00, and \$19.73 to \$46.00 per share that were outstanding during 2002, 2001, and 2000, respectively, were excluded from the computation of diluted earnings per common share for each of the respective years because the options' exercise prices exceeded the fair market value of the Company's common stock.

NOTE 3-INVESTMENTS IN MARKETABLE SECURITIES

Investments in available-for-sale securities at December 28, 2002 were as follows:

GROSS FAIR AMORTIZED UNREALIZED MARKET COST GAIN VALUE -----		

DEBT SECURITIES RECORDED AT MARKET, MATURING WITHIN ONE YEAR U.S. government and agency securities \$ 7,517 \$ 68 \$		
7,585 Municipal securities		
14,512 4 14,516 Corporate notes and bonds 9,106		
2 9,108 -----		
----- Total short-term		
.....		
31,135 74 31,209 -----		

--- DEBT SECURITIES RECORDED AT MARKET, MATURING BETWEEN ONE AND TWO YEARS (1) U.S. government and agency securities 15,911		
64 15,975 Municipal securities		
1,000 - 1,000 Corporate notes and bonds 7,000		
1 7,001 -----		
----- Total long-term		
.....		
23,911 65 23,976 -----		

--- Total investments in marketable securities \$ 55,046		
\$ 139 \$ 55,185 =====		
=====		

- (1) Investments maturing between one and two years are recorded in investments and other.

HENRY SCHEIN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
 (IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 3-INVESTMENTS IN MARKETABLE SECURITIES-(CONTINUED)

The Company determines cost on the specific identification basis. Proceeds from sales of available-for-sale securities were immaterial in 2002 and 2001. There were no material gains or losses on the sales of securities in 2002. The securities held on December 28, 2002 had contractual maturities of up to two years. Expected maturities of debt securities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

NOTE 4-PROPERTY AND EQUIPMENT, NET

Major classes of property and equipment consist of the following:

DECEMBER 28, 2002	DECEMBER 29, 2001	
		----- Land
\$ 7,061	\$ 3,540	Buildings and leasehold improvements
	62,724	52,257 Machinery and warehouse equipment
	24,016	Furniture, fixtures and other
	25,737	27,096 Computer equipment and software
121,364	101,894	----- 244,051
208,803		Less accumulated depreciation and amortization
	101,519	90,823 -----
		----- Net property and equipment
	\$ 142,532	\$ 117,980
	=====	=====

The net book value of equipment held under capital leases amounted to approximately \$930 and \$1,081 as of December 28, 2002 and December 29, 2001, respectively (See Note 15(b)).

NOTE 5-GOODWILL AND OTHER INTANGIBLES, NET

The Company completed the transitional goodwill impairment test required by FASB Statement No. 142, "Goodwill and Other Intangible Assets", ("FAS 142"), in the second quarter of 2002. The Company estimated fair value of its reporting units in accordance with the new standard and compared these valuations with the respective book values for each of the reporting units to determine whether any goodwill impairment existed. In determining fair value, the Company considered past, present and future expectations of performance and determined that there was no goodwill impairment in any of the Company's reporting units as of the adoption date, December 30, 2001.

As required by FAS 142, the Company will complete subsequent goodwill impairment tests at least annually. During the fourth quarter of 2002, the Company completed the annual test using a methodology similar to the transitional test and determined that there was no impairment of goodwill as of the first day of the fourth quarter.

The changes in the carrying amount of goodwill for the year ended December 28, 2002 are as follows:

HEALTHCARE DISTRIBUTION TECHNOLOGY TOTAL --	
----- Balance	
as of December 29, 2001	
..... \$ 279,666	\$ 315
279,981	Adjustments to goodwill:
Acquisition costs incurred during the year	
ended December 28, 2002	
..... 10,486	20 10,506
Foreign currency translation	
..... 12,442	- 12,442
Other	
.....	
(242) - (242)	-----

----- Balance as of December 28, 2002
 \$ 302,352 \$ 335 \$
 302,687 =====
 =====

HENRY SCHEIN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
 (IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 5-GOODWILL AND OTHER INTANGIBLES, NET-(CONTINUED)

The acquisition costs incurred during the year ended December 28, 2002 related to contingent earnout payments relating to acquisitions made in prior years, increased ownership interest in consolidated subsidiaries, and the acquisition of a dental consumable supply business. The acquisition of the dental consumable supply business was not material.

With the adoption of FAS 142, the Company ceased amortization of goodwill as of December 30, 2001. The following table presents the results of the Company for all periods presented on a comparable basis:

YEARS ENDED -----	-----	DECEMBER 28,	DECEMBER 29,	
DECEMBER 30,	2002	2001	2000	-----
-----	-----	-----	-----	-----
				Net income
.....	\$ 117,987	\$ 87,373	\$ 56,749	Add back goodwill amortization, net of income tax provision
-	7,296	6,993		-----
				Adjusted net income
.....	\$ 117,987	\$ 94,669	\$ 63,742	=====
				Diluted net income per common share: Net income
.....	\$ 2.63	\$ 2.01	\$ 1.35	Add back goodwill amortization, net of income tax provision
				- 0.17 0.17
				Adjusted diluted net income per common share
		\$ 2.63	\$ 2.18	\$ 1.52
				=====

Other intangible assets as of December 28, 2002 and December 29, 2001 are as follows:

DECEMBER 28, 2002	DECEMBER 29,	
2001	-----	-----
-----	-----	-----
		ACCUMULATED COST
		AMORTIZATION COST AMORTIZATION ---

		Other intangible assets: Non-compete agreements
		..... \$ 10,826 \$
		(3,549) \$ 10,426 \$ (2,850) Other
	
		986 (602) 945 (498) -----

		Total
.....	\$ 11,812	\$ (4,151) \$ 11,371 \$
	(3,348)	=====
		=====

Amortization of other intangible assets for the years ended December 28, 2002 and December 29, 2001 was approximately \$1,085 and \$1,300, respectively. The annual amortization expense expected for the years 2003 through 2007 is \$763, \$626, \$485, \$285, and \$268, respectively.

NOTE 6-INVESTMENTS AND OTHER

Investments and other consist of the following:

DECEMBER 28, 2002	DECEMBER 29, 2001	2002	2001

----- Long-term notes receivables (1)			
		\$ 39,566	\$ 41,214
Investments in long-term marketable securities			
23,976	- Investment in unconsolidated affiliates (2)		
	4,728	4,201	Other

9,373	7,058	----- \$ 77,643	
	52,473	=====	

-
- (1) Long-term notes receivable carry interest rates ranging from 2.8% to 12.0% and are due in varying installments through 2020. Long-term notes receivables include various notes due arising from the sale of certain businesses of approximately \$22,532 in 2002 and \$22,251 in 2001.
 - (2) The Company's investment as of December 28, 2002 and December 29, 2001, is a 50% interest in an unconsolidated affiliate, which is involved in the healthcare distribution business.

NOTE 7-BUSINESS ACQUISITIONS

During the year ended December 28, 2002, the Company completed the acquisition of one healthcare distribution business and purchased additional interest in three consolidated subsidiaries in Europe. These purchases were not considered material either individually or in the aggregate.

During the year ended December 29, 2001, the Company completed the acquisition of two healthcare distribution businesses, which included the purchase of the remaining 50% interest of an affiliate. Neither of these purchases was considered material either individually or in the aggregate. The two transactions were accounted for under the purchase method of accounting and have been included in the consolidated financial statements from their respective acquisition dates.

In 2000, the Company completed the acquisition of two healthcare distribution businesses and one technology business, none of which were considered material either individually or in the aggregate. Of the three completed acquisitions, two were accounted for under the purchase method of accounting and the remaining acquisition was accounted for under the pooling of interests method of accounting. The Company issued 465,480 shares of its Common Stock, with an aggregate value of approximately \$7,900 in connection with the pooling transaction. The transactions completed under the purchase method of accounting have been included in the consolidated financial statements from their respective acquisition dates. The pooling transaction was not material and accordingly, prior period financial statements have not been restated. Results of the acquired company have been included in the consolidated financial statements from the beginning of the second quarter of 2000.

Summarized unaudited pro forma results of operations for the acquisitions completed during fiscal 2002, 2001 and 2000, which were accounted for under the purchase method of accounting, are not presented as the impact of reflecting the Company's results of operations, which assumed the acquisitions occurred as of the beginning of the fiscal period, is not material.

During the fourth quarter of 2002, the Company revised some of its estimates of the merger and integration expenses from prior years. These changes in estimates were attributable to facts and circumstances that arose subsequent to the original charges.

NOTE 7-BUSINESS ACQUISITIONS-(CONTINUED)

Merger and integration (credits) and costs were as follows:

YEARS ENDED -----

```

----- DECEMBER 28, DECEMBER
29, DECEMBER 30, 2002 2001 2000 -----
----- Direct
transaction / merger (credits) costs
(1) ..... $ (1,469) $
- $ 585 -----
----- Integration costs (credits):
Severance and other direct costs
..... 65 -
- Costs associated with the closure of
distribution centers (2) .... 257 - -
Long-lived asset write-off and
impairment ..... (16)
-----
--- Total integration costs
.....
306 - - -----
----- Total merger and integration
(credits) costs ..... $
(1,163) $ - $ 585 =====
=====

```

- (1) Primarily investment banking and professional fees (primarily legal fees resulting from the acquisition).
- (2) Primarily rent and consulting fees.

The following table shows the activity in the merger and integration accruals:

```

BALANCE AT
ADJUSTMENTS TO
BEGINNING OF
REFLECT ACTUAL
BALANCE AT YEAR
PROVISION
PAYMENTS COST
END OF YEAR ---
-----
-----
----- YEAR
ENDED DECEMBER
30, 2000:
Severance and
other direct
costs .... $
1,694 $ - $
(947) $ - $ 747
Direct
transaction and
other
integration
costs
.....
8,399 585
(4,844) - 4,140
-----
-----
- ----- $
10,093 $ 585 $
(5,791) $ - $
4,887
=====
=====
=====
=====
YEAR ENDED
DECEMBER 29,
2001: Severance
and other
direct costs
.... $ 747 $ -
$ (382) $ - $
365 Direct
transaction and
other
integration

```

costs
.....
4,140 - (1,957)
- 2,183 -----

----- \$ 4,887 \$
- \$ (2,339) \$ -
\$ 2,548
=====
=====
=====
=====
YEAR ENDED
DECEMBER 28,
2002: Severance
and other
direct costs
.... \$ 365 \$ -
\$ (164) \$ 65 \$
266 Direct
transaction and
other
integration
costs
.....
2,183 - (667)
(1,228) 288 ---

----- \$
2,548 \$ - \$
(831) \$ (1,163)
\$ 554
=====
=====
=====
=====
=====

As a result of the acquisitions and integration of certain businesses into the Company's infrastructure, 870 employees were terminated through December 25, 1999. Of the terminated employees, 206 received severance during 1999, 37 received severance during 2000, 11 received severance during 2001, one received severance during 2002, and one was owed severance at December 28, 2002.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 8-PLAN OF RESTRUCTURING

On August 1, 2000, the Company announced a comprehensive restructuring plan designed to improve customer service and increase profitability by maximizing the efficiency of the Company's infrastructure. In addition to closing or downsizing certain facilities, this worldwide initiative included the elimination of approximately 300 positions, including open positions, or about 5% of the total workforce, throughout all levels within the organization.

For the year ended December 30, 2000, the Company incurred one-time restructuring costs of approximately \$14,439 (\$9,270 after taxes), consisting of employee severance pay and benefits, facility closing costs, representing primarily lease termination and asset write-off costs, and outside professional and consulting fees directly related to the restructuring plan.

During the fourth quarter of 2002, the Company revised some of the original estimates of its anticipated restructuring expenses. These changes in estimates are attributable to facts and circumstances that arose subsequent to the original charges. As a result, the Company recorded additional expenses.

The following table shows amounts expensed and paid in 2002 for restructuring costs that were initially incurred and accrued in 2000:

BALANCE AT ADJUSTMENTS

TO BALANCE AT DECEMBER			
29, REFLECT ACTUAL			
DECEMBER 28, 2001			
PAYMENTS COST 2002 -----			

Severance costs (1)			
.....			
\$ 633 \$ (446) \$ 105 \$			
292 Facility closing			
costs (2)			
..... 2,645			
(812) 317 2,150 Other			
professional and			
consulting costs			
41 - 7 48 -----			

----- \$ 3,319 \$			
(1,258) \$ 429 \$ 2,490			
=====			
=====			
=====			

- (1) Represents salaries and related benefits for employees separated from the Company.
- (2) Represents costs associated with the closing of certain equipment branches (primarily lease termination costs) and property and equipment write-offs.

For the year ended December 30, 2000, 284 employees separated from the Company and received severance payments in 2000. These employees were from nearly all functional areas of the Company's operations.

The Company paid severance to 104 of these employees during 2001, and to six of these employees during 2002. At December 28, 2002, one employee was owed severance pay and benefits related to the restructuring plan.

NOTE 9-BANK CREDIT LINES

At December 28, 2002, certain subsidiaries of the Company had available various short-term bank credit lines totaling approximately \$28,209, expiring through January 2004. Borrowings of \$4,790 under these credit lines, bear interest rates ranging from 3.65% to 6.50%, and were collateralized by accounts receivable, inventory and property and equipment with an aggregate net book value of \$88,504 at December 28, 2002.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 10-LONG-TERM DEBT

Long-term debt consists of:

YEARS ENDED -----	DECEMBER 28,	
DECEMBER 29, 2002	2001 -----	Private
Placement Loans (a)		
\$ 230,000 \$ 230,000	Borrowings under Revolving Credit	
Agreement (b)	- - Notes payable to	
banks, interest at 4.15% to 6.94%, payable in quarterly	installments ranging from \$43 to \$74 through 2019, semi-	
annual installments of \$452 paid through 2002 and a lump sum	payment of \$5,423 which was repaid on January 1, 2002	
.....	11,667	21,091
Various loans payable with interest, in varying installments	through 2004, uncollateralized	1,509
2,517 Note payable, interest payable quarterly at 5.28% plus	a margin; repaid on January 1, 2002	- 1,644
Capital lease obligations in various installments through	fiscal 2010; interest at 6.4% to 11.2% or varies with prime	
rate (see Note 15 (b))		
2,047	2,140 -----	Total
.....		
245,223	257,392	Less current maturities
.....	2,662	15,223 ---

51,638	37,485	-----	-----
-	-----	Deferred tax expense	
		(benefit): U.S. Federal	
		
(1,196)	(162)	(1,046)	State and local
		.....	(151)
		234	90 Foreign
1,573	220	(379)	-----
	---	-----	Total deferred
		.....	226 292
(1,335)	-----	-----	-----
	-----	Total provision	
		.....	\$ 70,510
\$ 51,930	\$ 36,150	=====	=====
		=====	=====

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

YEARS ENDED	-----		
DECEMBER 28,	DECEMBER 29,	2002	2001
-----	-----	-----	-----
		Current deferred tax	
		assets: Inventory, premium coupon	
		redemptions and accounts receivable	
		valuation allowances	
		\$
18,991	\$ 14,433	Uniform capitalization	
		adjustments to inventories	
3,473	3,578	Other accrued liabilities	
		
7,455	7,740	-----	Total
		current deferred tax asset	
		.....	29,919 25,751
		-----	Non-current
		deferred tax asset (liability): Property	
		and equipment	
		
(14,590)	(12,402)	Provision for other long-	
		term liabilities	
(17,723)	(5,198)	Net operating loss	
		carryforward	
		.....	1,318 150
		Net operating losses of foreign	
		subsidiaries	
2,697	-----	-----	11,221
	-----	Total non-	
		current deferred tax liability	
		.....	(19,774) (14,753)
		Valuation allowance for non-current	
		deferred tax assets (1)	
		.....	(1,842) (1,850)
		-----	Net non-current
		deferred tax liability	
		.....	(21,616)
(16,603)	-----	Net	
		deferred tax asset	
		
\$ 8,303	\$ 9,148	=====	=====

(1) Primarily relates to operating losses of foreign subsidiaries.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 11-TAXES ON INCOME-(CONTINUED)

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 tax liability is included in "Other liabilities" on the Consolidated Balance Sheets.

At December 28, 2002, the Company has domestic unconsolidated net operating loss carryforwards of \$3,340, which are available to offset future Federal taxable income through 2022. Foreign net operating losses totaled \$32,915 at December 28, 2002. Such losses can be utilized against future foreign income. Of these foreign netoperating losses, \$545 expire in 2006, whereas the remaining

have an indefinite life.

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

YEARS ENDED -----	2002	2001
--- DECEMBER 28, DECEMBER 29, DECEMBER 30, 2002 2001		
2000 ----- Provision		
at Federal statutory rate	\$ 66,652	\$ 49,122
State income taxes, net of	\$ 33,785	\$ 26,626
Federal income tax effect	5,897	2,626
Other		1,874
.....		
(2,039) 182 491 -----		
- Income tax provision		
.....	\$ 70,510	\$
51,930 \$ 36,150 =====		
=====		

Provision has not been made for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries, which 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 28, 2002, the cumulative amount of reinvested earnings was approximately \$9,510.

NOTE 12-FINANCIAL INSTRUMENTS AND CREDIT RISK CONCENTRATIONS

(a) FINANCIAL INSTRUMENTS

To reduce its exposure to fluctuations in foreign currencies, the Company is party to foreign currency forward contracts with major financial institutions, which are used to hedge the foreign currency market exposures underlying certain intercompany debt and certain forecasted transactions with foreign vendors.

As of December 28, 2002, the Company had outstanding foreign currency forward contracts aggregating \$78,012, of which, \$73,633 related to intercompany debt and \$4,379 related to the purchase and sale of merchandise from foreign vendors. The contracts hedge against currency fluctuations of British Pounds (\$38,132), Euros (\$34,916), Australian Dollars (\$3,854), Swiss Francs (\$794), Japanese Yen (\$234), and New Zealand Dollars (\$82). As of December 28, 2002, the fair value of these contracts, which are determined by quoted market prices and expire through January 2004, was not material. For the year ended December 28, 2002, the Company recognized an immaterial loss relating to its foreign currency forward contracts.

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

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 12-FINANCIAL INSTRUMENTS AND CREDIT RISK CONCENTRATIONS-(CONTINUED)

(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 doubtful accounts based on the expected collectability of all accounts receivable.

NOTE 13-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, and international business groups, distributes healthcare products (primarily consumable) and services to office-based healthcare practitioners and professionals in the combined United States, Canada, and international markets. Products, which are similar for each business group, are maintained and distributed from strategically located distribution centers. The technology segment consists primarily of the Company's practice management software business and certain other value-added products and services that are distributed primarily to healthcare professionals in the United States and Canada.

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 primarily on operating income.

The Company's reportable operations are strategic business units that offer different products and services 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:

YEARS ENDED -----	DECEMBER 28,	DECEMBER 29,	DECEMBER 30,	2002	2001	(1)	2000	(1)	----
-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
	NET								
	SALES: Healthcare distribution (2):								
	Dental								
.....	\$ 1,227,273	\$ 1,121,394	\$ 1,087,073						
	Medical								
.....	1,093,956	982,569	851,301	International					
	(3)								
437,046	398,071	389,946	-----	-----	-----	-----	-----	-----	-----
	----- Total healthcare								
	distribution	2,758,275						
	2,502,034	2,328,320	Technology (4)						
.....	66,726	56,209	53,401	-----	-----	-----	-----	-----	-----
	----- Total								
.....	\$ 2,825,001	\$ 2,558,243	\$ 2,381,721						
=====	=====	=====	=====						

- (1) Reclassified to conform to current period presentation.
- (2) Consists of consumable products, small equipment, laboratory products, large dental equipment, branded and generic pharmaceuticals, surgical products, diagnostic tests, infection control and vitamins.
- (3) Consists of products sold in Dental, Medical and Veterinary markets, primarily in Europe.
- (4) Consists of practice management software and other value-added products and services, which are distributed primarily to healthcare professionals in the United States and Canada.

HENRY SCHEIN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
 (IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 13-SEGMENT AND GEOGRAPHIC DATA-(CONTINUED)

YEARS ENDED -----	DECEMBER 29,	DECEMBER 30,	2002	2001	(1)	2000	(1)
-----	-----	-----	-----	-----	-----	-----	-----
	OPERATING INCOME:						
	Healthcare distribution (includes merger and integration and						
	restructuring (credits) costs of \$(734), \$0, and \$14,666,						
	respectively)						
.....	\$						
170,987	\$ 128,337	\$ 92,278	Technology (includes merger and				
	integration and restructuring costs of \$0, \$0, and \$358,		respectively)	26,016	19,413	20,311
	----- Total						
.....							

\$ 197,003	\$ 147,750	\$ 112,589	=====	=====
===== INTEREST INCOME: Healthcare distribution				
.....	\$ 10,354	\$ 9,565		
	\$ 5,345	Technology		
.....				
4,022	2,494	4,199	-----	-----
Total				
.....				
\$ 14,376	\$ 12,059	\$ 9,544	=====	=====
===== INTEREST EXPENSE: Healthcare distribution				
.....	\$ 18,012	\$		
	18,814	\$ 22,939	Technology	
.....				
3,878	491	735	-----	Total
.....				
\$ 21,890	\$ 19,305	\$ 23,674	=====	=====
===== DEPRECIATION AND AMORTIZATION: Healthcare				
distribution	.....	\$	
	25,978	\$ 34,412	\$ 32,756	Technology
.....				
2,294	1,230	1,006	-----	-----
Total				
.....				
\$ 28,272	\$ 35,642	\$ 33,762	=====	=====
===== CAPITAL EXPENDITURES: Healthcare distribution				
.....	\$ 46,641	\$		
	45,428	\$ 28,358	Technology	
.....				
699	1,385		-----	Total
.....				
\$ 47,543	\$ 46,127	\$ 29,743	=====	=====
=====				

(1) Reclassified to conform to current period presentation.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 13-SEGMENT AND GEOGRAPHIC DATA-(CONTINUED)

The following table reconciles segment totals to consolidated totals as of, and for the years ended December 28, 2002, December 29, 2001, and December 30, 2000:

2002	2001	(1)	2000	(1)	-----
----- TOTAL ASSETS:					
Total assets for reportable segments					
..... \$					
1,639,848	\$ 1,444,271	\$ 1,285,156			
Receivables due from healthcare					
distribution segment					
(80,855)	(57,685)	(46,494)	Receivables		
due from technology segment					
..... (941)					
(1,158)	(7,594)		-----		
----- Consolidated total					
assets					
.....					
\$ 1,558,052	\$ 1,385,428	\$ 1,231,068			
=====					
INTEREST INCOME: Total interest income					
for reportable segments					
..... \$ 14,376 \$					
12,059	\$ 9,544	Interest on receivables			

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.

HENRY SCHEIN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
 (IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 14-STOCKHOLDERS' EQUITY-(CONTINUED)

On May 8, 1996, the Company's stockholders approved the 1996 Non-Employee Director Stock Option Plan. As amended in June 2002, pursuant to this plan the Company may grant options to each director who is not also an officer or employee of the Company, for up to 100,000 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 2002, 2001, and 2000, 40,000, 12,000, and 0, 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 Dental Products, Inc. and Micro Bio-Medics, Inc., the Company assumed their respective stock option plans (the "Assumed Plans"). Options granted under the Assumed Plans of 1,218,000 and 1,117,000, respectively, 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 is presented below:

YEARS ENDED -----				

DECEMBER 28, DECEMBER 29,				
DECEMBER 30, 2002 2001 2000				

----- WEIGHTED				
WEIGHTED WEIGHTED AVERAGE				
AVERAGE AVERAGE EXERCISE				
EXERCISE EXERCISE SHARES				
PRICE SHARES PRICE SHARES				
PRICE -----				

- ----- Outstanding at				
beginning of year				
.....				
4,646,271 \$ 26.04 4,650,722				
\$ 24.59 5,439,340 \$ 23.53				
Granted				
.....				
1,017,850 41.37 883,600				
28.73 93,500 14.77				
Exercised				
.....				
(1,271,528) 26.69 (736,923)				
19.21 (591,245) 11.00				
Forfeited				
.....				
(111,168) 37.56 (151,128)				
30.26 (290,873) 29.39 -----				

Outstanding at end of year				
.....				
4,281,425 \$ 29.20 4,646,271				
\$ 26.04 4,650,722 \$ 24.59				
=====				
===== Options				
exercisable at year end				
.....				
3,183,593 \$ 26.44 3,722,164				

\$ 26.53 3,708,213 \$ 25.98
 =====
 =====

The following table summarizes information about stock options outstanding at December 28, 2002:

OPTIONS
 OUTSTANDING
 OPTIONS
 EXERCISABLE

WEIGHTED
 AVERAGE
 WEIGHTED
 WEIGHTED
 NUMBER
 REMAINING
 AVERAGE
 EXERCISE
 NUMBER
 AVERAGE
 EXERCISE

OUTSTANDING
 CONTRACTUAL
 LIFE PRICE
 EXERCISABLE
 PRICE ----

RANGE OF
 EXERCISE
 PRICES \$

4.21 to \$
 20.16
 1,048,688
 5.9 \$
 13.14
 1,033,731
 \$ 13.11 \$
 21.50 to \$
 28.63
 1,306,176
 7.2 \$
 26.68
 974,294 \$
 26.01 \$
 29.00 to \$
 40.63
 921,209
 5.4 \$
 37.73
 910,563 \$
 37.76 \$
 40.82 to \$
 54.00
 1,005,352
 9.2 \$
 41.40
 265,005 \$
 41.16 ----

 4,281,425
 7.0 \$
 29.20
 3,183,593
 \$ 26.44

=====
=====

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 14-STOCKHOLDERS' EQUITY-(CONTINUED)

(c) EMPLOYEE BENEFIT PLANS

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 supplements the Company's Profit Sharing Plan, whereby a percentage, as defined, of the profit sharing allocation granted to eligible employees is provided in shares of the Company's Common Stock. Charges to operations related to this plan were \$2,656, \$2,378, and \$2,537 for 2002, 2001, and 2000, respectively, based on the prevailing market price of the Company's Common Stock on the date of issuance. Under this plan, the Company issued 24,859, 61,997, and 121,253 shares of the Company's Common Stock to the trust in 2002, 2001, and 2000, to satisfy the 2001, 2000, and 1999 contribution, respectively. The Company expects to fund the 2002 accrued contribution in 2003 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.

PROFIT SHARING PLAN

Prior to April 1, 1998, the Company had qualified contributory and non-contributory 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 2002, 2001, and 2000 amounted to \$5,341, \$4,099, and \$7,305, respectively.

The Company provides a matching 401(k) contribution of up to 100% of the participants' contributions for up to the first 7% of the employees' base compensation. Forfeitures attributable to participants who leave the Company before becoming fully vested are used by the Company to reduce the matching contribution.

SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

In 1994, the Company instituted an unfunded non-qualified supplemental executive retirement plan for eligible employees. The increases in plan value that were charged to operations, were \$707, \$426, and \$360 for 2002, 2001, and 2000, respectively.

NOTE 15-COMMITMENTS AND CONTINGENCIES

(a) OPERATING LEASES

The Company leases facilities and equipment under non-cancelable operating leases expiring through 2016. Management expects that in the normal course of business, leases will be renewed or replaced by other leases.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 15-COMMITMENTS AND CONTINGENCIES-(CONTINUED)

Future minimum annual rental payments under the non-cancelable leases at December 28, 2002 are as follows:

2003	\$ 23,065
2004	19,995
2005	16,237
2006	12,415
2007	10,654

Thereafter	29,671

Total minimum lease payments	\$ 112,037
	=====

Total rental expense for 2002, 2001, and 2000 was \$25,837, \$26,085, and \$29,730, respectively.

(b) CAPITAL LEASES

The Company leases certain equipment under capital leases. The following is a schedule of approximate future minimum annual lease payments under the capitalized leases together with the present value of the net minimum lease payments at December 28, 2002:

2003	\$ 639
2004	563
2005	260
2006	202
2007	179
Thereafter	510

Total minimum lease payments	2,353
Less: Amount representing interest at 6.4% to 11.2% ..	(306)

	\$ 2,047
	=====

(c) LITIGATION

The Company's business involves a risk of product liability claims and other claims in the ordinary course of business, and from time to time the Company is named as a defendant in cases as a result of its distribution of pharmaceutical and other healthcare products. As of December 28, 2002, the Company was named a defendant in approximately 57 product liability cases. Of these claims, 47 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(R) 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.

On January 27, 1998, in District Court in Travis County, Texas, the Company and one of its subsidiaries were named as defendants in a matter entitled "Shelly E. Stromboe and Jeanne Taylor, on Behalf of Themselves and all others Similarly Situated vs. Henry Schein, Inc., Easy Dental Systems, Inc. and Dentisoft, Inc.", Case No. 98-00886. The Petition alleges, among other things, negligence, breach of contract, fraud, and violations of certain Texas commercial statutes involving the sale of certain practice management software products sold prior to 1998 under the Easy Dental(R) name. In October 1999, the trial court, on motion, certified both a Windows(R) sub-class and a DOS sub-class to proceed as a class

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 15-COMMITMENTS AND CONTINGENCIES-(CONTINUED)

action pursuant to Tex. R. Civ. P. 42. It is estimated that 5,000 Windows(R) customers and 10,000 DOS customers were covered by the class action that was certified by the trial court. In November of 1999, the Company filed an interlocutory appeal of the trial court's determination to the Texas Court of Appeals on the issue of whether this case was properly certified as a class action. On September 14, 2000, the Court of Appeals affirmed the trial court's certification order. On January 5, 2001, the Company filed a Petition for Review in the Texas Supreme Court asking the Court to find that it had "conflicts jurisdiction" to permit review of the trial court's certification order. The Texas Supreme Court heard oral argument on February 6, 2002. On October 31, 2002, the Texas Supreme Court issued an opinion in the case holding that it had conflicts jurisdiction to review the decision of the Court of Appeals and

finding that the trial court's certification of the case as a class action was improper. The Supreme Court further held that the judgment of the court of appeals which affirmed the class certification order must be reversed in its entirety. Upon reversal of the class certification order, the Supreme Court remanded the case to the trial court for further proceedings consistent with its opinion. On January 31, 2003, counsel for the class filed a Motion for Rehearing with the Texas Supreme Court seeking a reversal for the Supreme Court's earlier opinion reversing the class certification order. The Motion for Rehearing has not yet been ruled upon and remains pending before the Texas Supreme Court. Because the Texas Supreme Court has not yet ruled upon the Motion for Rehearing and because this matter has not yet come before the trial court for consideration consistent with the Texas Supreme Court's opinion reversing the trial court's certification order, it is not possible to determine what the trial court will do if the plaintiffs file another motion for class certification. Further, because of the decertification of the class by the Texas Supreme Court, the pending Motion for Rehearing before the Texas Supreme Court and other factors, it is not possible to determine whether the trial court will certify a different class upon motion, if any, and other factors, it is not possible to determine the possible range of damages or other relief sought by the plaintiffs in the trial court.

In February 2002, the Company was served with a summons and complaint in an action commenced in the Superior Court of New Jersey, Law Division, Morris County, entitled "West Morris Pediatrics, P.A. vs. Henry Schein, Inc., doing business as Caligor", Case No. MRSL-421-02. The complaint by West Morris Pediatrics purports to be on behalf of a nationwide class, but there has been no court determination that the case may proceed as a class action. Plaintiff seeks to represent a class of all physicians, hospitals and other healthcare providers throughout New Jersey and across the United States. This complaint, as amended in August 2002, alleges, among other things, breach of oral contract, breach of implied covenant of good faith and fair dealing, violation of the New Jersey Consumer Fraud Act, unjust enrichment, conversion, and promissory estoppel relating to sales of a vaccine product in the year 2001. The Company filed an answer in October 2002. Because damages have not been specified by the plaintiffs, it is not possible to determine the range of damages or other relief sought by the plaintiffs. 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 in which the Company has been sued in connection with products manufactured by others, the Company is provided indemnification by the manufacturer. There can be no assurance that the coverage maintained by the Company is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide adequate protection for the Company. In the opinion of the Company, all pending matters are covered by insurance or will not otherwise seriously harm the Company's financial condition.

HENRY SCHEIN, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
 (IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 15-COMMITMENTS AND CONTINGENCIES-(CONTINUED)

(d) EMPLOYMENT, CONSULTING AND NON-COMPETE AGREEMENTS

The Company has employment, consulting and non-compete agreements expiring through 2007 (except for a lifetime consulting agreement with a principal stockholder, which provides for current compensation of \$308 per year, increasing \$25 every fifth year with the next increase in 2007). The agreements provide for varying base aggregate annual payments of approximately \$3,988 per year, which decrease periodically to approximately \$1,441 per year. In addition, some agreements have provisions for incentive and additional compensation.

NOTE 16-SUPPLEMENTAL CASH FLOW INFORMATION

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

YEARS ENDED -----

DECEMBER 28,
DECEMBER 29,
DECEMBER 30, 2002
2001 2000 -----

----- Interest
expense

.....	\$		
17,217	\$	17,541	\$
19,810		Income taxes	
.....			
\$ 63,196	\$	\$ 37,222	\$
		28,219	

The fair value of assets acquired through business acquisitions is indicated in the following table:

YEARS ENDED	-----		

DECEMBER 28,			
DECEMBER 29,			
DECEMBER 30, 2002			
2001 2000	-----		

Fair value			
of assets acquired,			
excluding cash			
.....	\$ 36,224	\$	
10,074	\$ 6,838	Less:	
Liabilities assumed		and created upon	
and created upon		acquisition ...	-
(1,486)	-	-----	

Net cash			
paid			
.....			
\$ 36,224	\$ 8,588	\$	
6,838	=====		
	=====		
	=====		

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)
(IN THOUSANDS, EXCEPT SHARE DATA)

NOTE 17-QUARTERLY INFORMATION (UNAUDITED)

The following presents certain unaudited quarterly financial data:

QUARTERS ENDED	-----			

MARCH				
30, JUNE 29,				
SEPTEMBER 28,				
DECEMBER 28, 2002				
2002 2002 2002	-----			

Net Sales				
.....				
\$ 647,093	\$ 671,432			
\$ 759,073	\$ 747,403			
Gross profit				
.....				
178,390	192,396			
216,472	207,646			
Operating income				
.....	35,198			
46,989	64,285	50,531		
Net income				
.....				
19,730	28,066	39,228		
30,963	Net income			
per common share:				
Basic				
.....				
\$ 0.46	\$ 0.65	\$ 0.90		
\$ 0.70	Diluted			
.....				

The information required by this item is hereby incorporated by reference from the Company's definitive 2002 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 2002 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 2002 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 14. CONTROLS AND PROCEDURES

(a) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Company's Chief Executive Officer and its Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c), as of a date within 90 days of the filing date of this annual report on Form 10-K (the "Evaluation Date")), have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries is recorded, processed, summarized and reported by management of the Company on a timely basis in order to comply with the Company's disclosure obligations under the Securities Exchange Act of 1934 and the SEC rules thereunder.

(b) CHANGES IN INTERNAL CONTROLS. There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions.

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PART IV

ITEM 15. 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 31.

2. Financial Statement Schedules

Schedule II

No other schedules are required.

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.

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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, 2003.

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 M.
BERGMAN
Chairman,
Chief
Executive
Officer,
President
3/24/2003

----- and
Director
(principal
executive
officer)
Stanley M.
Bergman

/s/ STEVEN
PALADINO
Executive
Vice
President,
Chief
Financial
Officer
and
3/24/2003

Director
(principal
financial
and
accounting
officer)

Steven
Paladino
/s/ JAMES
P.

BRESLAWSKI
Director
3/24/2003

James P.
Breslawski
/s/ GERALD
A.

BENJAMIN
Director
3/24/2003

Gerald A.
Bejamin
/s/

LEONARD A.
DAVID
Director
3/24/2003

Leonard A.
David /s/
MARK E.
MLOTEK
Director
3/24/2003

Mark E.
Mlotek /s/
BARRY
ALPERIN
Director
3/24/2003

Barry
Alperin
/s/ PAMELA
JOSEPH
Director
3/24/2003

Pamela
Joseph /s/
DONALD J.
KABAT
Director
3/24/2003

Donald J.
Kabat /s/
PHILIP
LASKAWY
Director
3/24/2003

Philip
Laskawy
/s/ NORMAN
S.
MATTHEWS
Director
3/24/2003

Norman S.
Matthews
/s/ MARVIN
H. SCHEIN
Director
3/24/2003

Marvin H.
Schein /s/
IRVING
SHAFRAN
Director
3/24/2003

Irving
Shafran

CERTIFICATIONS

I, Stanley M. Bergman, certify that:

1. I have reviewed this annual report on Form 10-K of Henry Schein, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors:
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: March 24, 2003

/s/ Stanley M. Bergman

Stanley M. Bergman
Chairman, Chief Executive Officer and
President

CERTIFICATIONS

I, Steven Paladino, certify that:

1. I have reviewed this annual report on Form 10-K of Henry Schein, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the

registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
- c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors:

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officer and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: March 24, 2003

/s/ Steven Paladino

Steven Paladino
Executive Vice President and
Chief Financial Officer

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Henry Schein, Inc.
Melville, New York

The audits referred to in our report dated February 27, 2003 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.

/s/ BDO SEIDMAN, LLP

February 27, 2003
New York, New York

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SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

COLUMN A

receivable
 allowances
 (1) ..
 9,525 1,152
 (1,150)
 9,527 -----

 - \$ 27,556
 \$ 10,002 \$
 (5,629) \$
 31,929

=====
 =====
 =====
 =====

Year ended
 December
 28, 2002:
 Allowance
 for
 doubtful
 accounts

.....
 \$ 22,402 \$
 8,960 \$
 (6,083) \$
 25,279

Other
 accounts
 receivable
 allowances

(1) ..
 9,527 2,084
 (690)
 10,921 ----

--- \$
 31,929 \$
 11,044 \$
 (6,773) \$
 36,200

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 =====
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(1) Primarily allowance for sales returns.

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 Amendments dated November 12, 1997 to Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 1997).
- 3.3 Amendment dated June 16, 1998 to Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-3, Reg. No. 333-59793).
- 3.4 Form of By-laws.
- 3.5 Amendments to Amended and Restated By-laws adopted July 15, 1997. (Incorporated by reference to Exhibit 3.3 to the Company's Registration Statement on Form S-4, Reg. No. 33-36081).
- 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.
- 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

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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 June 6, 2001 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001).**
- 10.9 Henry Schein, Inc. Amendment and Restatement of the Supplemental Executive Retirement Plan.**
- 10.10 Consulting Agreement dated September 30, 1994 between the Company and Marvin H. Schein.**
- 10.11 Amended and Restated Stock Issuance Agreement dated as of December 24, 1992 between the Company and Stanley M. Bergman.**

- 10.12 Stock Issuance Agreements dated December 27, 1994 between the Company and various executive officers.**
- 10.13 Form of Henry Schein, Inc. 1996 Non-Employee Director Stock Option Plan as amended and restated effective as of June 5, 2002.**+
- 10.14 Henry Schein, Inc. 2001 Non-Employee Director Stock Option Plan.**+
- 10.15 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)).
- 10.16 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)).

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- 10.17 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 Annual Report on Form 10-K for the fiscal year ended December 26, 1998).
- 10.18 Credit Agreement, dated as of May 2, 2002, among the Company, the several guarantors from time to time parties thereto, JPMorgan Chase Bank, as administrative agent, issuing lender, sole lead arranger and sole book runner, Fleet National Bank, as syndication agent, and the several lenders from time to time parties thereto. (Incorporated by reference to Exhibit 10.35 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 30, 2002).
- 10.19 Henry Schein Inc., Senior Executive Group 2002 Performance Incentive Plan Summary (Incorporated by reference to Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended December 29, 2001).**
- 10.20 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).
- 10.21 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).
- 10.22 Rights Agreement dated as of November 30, 1998, between the Company, and Continental Stock Transfer and Trust Co. (Incorporated by reference to Exhibit to the Company's Current Report on Form 8-K, dated November 30, 1998).
- 10.23 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 Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 26, 1999).
- 10.24 Form of Amended and Restated Change in Control Agreements dated January 1, 2003 between the Company and Gerald Benjamin, James Breslawski, Leonard David, Larry Gibson, Mark Mlotek, Steven Paladino, Michael Racioppi and Michael Zack, respectively.**+
- 10.25 Employment Agreement dated as of January 1, 2003 between the Company and Stanley M. Bergman.**+
- 10.26 Form of Note Purchase Agreements between the Company and the Purchasers listed on Schedule A thereto relating to an aggregate of \$100,000,000 in principal amount of the Company's 6.66% Senior Notes due July 15, 2010 (Incorporated by reference to Exhibit 10.111 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 26, 1998).
- 21.1 List of Subsidiaries of the Company.
- 23.1 Consent of BDO Seidman, LLP.+

99.1 Certificate of the Company's Chief Executive Officer and Chief
Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act
of 2002.+

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+ Filed herewith

** Indicates management contract or compensatory plan or agreement

AMENDED AND RESTATED

HENRY SCHEIN, INC.

1996 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

1. PURPOSE OF THE PLAN

The purposes of this Henry Schein, Inc. 1996 Non- Employee Director Stock Option Plan are to enable Henry Schein, Inc. (the "Company") to attract, retain and motivate directors of the Company who are not employees of the Company or its subsidiaries ("Non-Employee Directors") and who are important to the success of the Company and to create a mutuality of interest between the Non-Employee Directors and the stockholders of the Company by granting such directors options to purchase Common Stock (as defined herein) of the Company.

2. DEFINITIONS

(a) "Acquisition Event" means a merger or consolidation in which the Company is not the surviving entity, or any transaction that results in the acquisition of all or substantially all of the Company's outstanding Common Stock by a single person or entity or by a group of persons and/or entities in concert, or the sale or transfer of all or substantially all of the Company's assets.

(b) "Act" means the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder.

(c) "Board" means the board of directors of the Company.

(d) "Cause" has the meaning set forth in Section 7(b).

(e) "Change of Control" has the meaning set for in Section 6(e).

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Committee" means such committee, if any, appointed by the Board to administer the Plan consisting of two or more directors as may be appointed from time to time by the Board, each of whom shall qualify as a "disinterested person" within the meaning of Rule 16b-3 promulgated under the Act. If the Board does not appoint a committee for this purpose, "Committee" means the Board.

(h) "Common Stock" means the voting common stock of the Company, par value \$.01, any common stock into which the common stock may be converted and any common stock resulting from any reclassification of the common stock.

(i) "Company" means Henry Schein, Inc., a Delaware corporation.

(j) "Corporate Transaction" has the meaning set forth in Section 6(e)(i)

(k) "Disability" means a permanent and total disability, as determined by the Committee in its sole discretion, provided that in no event shall any disability that is not permanent

and total disability within the meaning of Section 22(e)(3) of the Code be treated as a Disability. A Disability shall be deemed to occur at the time of the determination by the Committee of the Disability.

(l) "Effective Date" has the meaning set forth in Section 3.

(m) "Fair Market Value" means the value of a Share (as defined herein) on a particular date, determined as follows:

(i) If the Common Stock is listed or admitted to trading on such date on a national securities exchange or quoted through the National Association of Securities Dealers' Automated Quotation ("NASDAQ") National Market System, the closing sales price of a Share as reported on the relevant composite transaction tape, if applicable, or on such principal exchange (determined by trading value in the Common Stock) or through the National Market System, as the case may be, on such date, or in the absence of reported sales on such day, the mean between the reported bid and asked prices reported on such composite transaction tape or exchange or through the National Market System, as the case may be, on such date; or

(ii) If the Common Stock is not listed or quoted as described in the preceding clause, but bid and asked prices are quoted through NASDAQ, the mean between the bid and asked prices as quoted by the National Association of Securities Dealers through NASDAQ on such date; or

(iii) If the Common Stock is not listed or quoted on a national securities exchange or through NASDAQ or, if pursuant to (i) and (ii) above the Fair Market Value is to be determined based upon the mean of the bid and asked prices and the Committee determines that such mean does not properly reflect the Fair Market Value, by such other method as the Committee determines to be reasonable and consistent with applicable law; or

(iv) If the Common Stock is not publicly traded, such amount as is set by the Committee in good faith.

(n) "HSI Agreement" means the Amended and Restated HSI Agreement dated as of February 16, 1994 among the Company and certain other parties.

(o) "Incumbent Board" has the meaning set forth in Section 6(e)(ii).

(p) "Non-Employee Directors" means directors of the Company who are not employees of the Company or its subsidiaries.

(q) "Option" means the right to purchase one Share at a prescribed purchase price on the terms specified in the Plan.

(r) "Outstanding HSI Voting Securities" has the meaning set forth in Section 6(e)(i).

(s) "Participant" means a Non-Employee Director who is granted Options under the Plan.

(t) "Person" means an individual, entity or group within the meaning of Section 13d-3 or 14d-1 of the Act.

(u) "Plan" means the Henry Schein, Inc. 1996 Non-Employee Director Stock Option Plan.

(v) "Purchase Price" means purchase price per Share.

(w) "Securities Act" means the Securities Act of 1933, as amended.

(x) "Share" means a share of Common Stock.

(y) "Substantial Stockholder" means any Participant who at the time of grant owns directly or is deemed to own by reason of the attribution rules set forth in Section 424(d) of the Code, Shares possessing more than 10% of the total combined voting power of all classes of stock of the Company.

(z) "Termination of Services" means termination of the relationship with the Company so that an individual is no longer a director of the Company.

3. EFFECTIVE DATE/EXPIRATION OF PLAN

This Plan shall become effective as of March 22, 1996 (the "Effective Date"), and was amended on March 4, 2002, subject to its approval not later than the date of the Company's 2002 Annual Meeting of Stockholders by the holders of a majority of the outstanding shares of Common Stock entitled to vote thereon. Grants of Options under the Plan may be made on and after the Effective Date, provided that, if this Plan is not approved in accordance with the preceding sentence on or before such annual meeting, all Options granted pursuant to the Plan shall be null and void. Options may not be exercised prior to such approval.

4. ADMINISTRATION

(a) DUTIES OF THE COMMITTEE. The Plan shall be administered by the Committee. The Committee shall have full authority to interpret the Plan and to decide any questions and settle all controversies and disputes that may arise in connection with the Plan; to establish, amend, and rescind rules for carrying out the Plan, to administer the Plan, subject to its provisions; to select Participants in, and grant Options under, the Plan; to determine the terms, exercise price and form of exercise payment for each Option granted under the Plan; to prescribe the form or forms of instruments evidencing Options and any other instruments required under the Plan (which need not be uniform) and to change such forms from time to time; and to make all other determinations and to take all such steps in connection with the Plan and the Options as the Committee, in its sole discretion, deems necessary or desirable; provided, that all such determinations shall be in accordance with the express provisions, if any, contained in the HSI Agreement or the Plan. The Committee shall not be bound to any standards of uniformity or similarity of action, interpretation or conduct in the discharge of its duties hereunder, regardless of the apparent similarity of the matters coming before it. The determination, action or conclusion of the Committee in connection with the foregoing shall be final, binding and conclusive.

(b) ADVISORS. The Committee may designate the Secretary of the Company, other employees of the Company or competent professional advisors to assist the Committee in the administration of the Plan, and may grant authority to such persons to execute option agreements or other documents on behalf of the Committee. The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan, and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee in the engagement of such counsel, consultant or agent shall be paid by the Company.

(c) INDEMNIFICATION. To the maximum extent permitted by law, no officer, member or former officer or member of the Committee or the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted under it. To the maximum extent permitted by applicable law or the Certificate of Incorporation or By-Laws of the Company and to the extent not covered by insurance, each officer, member or former officer or member of the Committee or of the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Company) or liability (including any sum paid in settlement of a claim with the approval of the Company), and advanced amounts necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the Plan, except to the extent arising out of such officer's, member's or former officer's or member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the officers, members or former officers or members may have as directors under applicable law or under the Certificate of Incorporation or By-Laws of the Company or otherwise.

(d) MEETINGS OF THE COMMITTEE. The Committee shall select one of its members as a Chairman and shall adopt such rules and regulations as it shall deem appropriate concerning the holding of its meetings and the transaction of its business. Any member of the Committee may be removed at any time either with or without cause by resolution adopted by the Board, and any vacancy on the Committee may at any time be filled by resolution adopted by the Board. All determinations by the Committee shall be made by the affirmative vote of a majority of its members. Any such determination may be made at a meeting duly called and held at which a majority of the members of the Committee were in attendance in person or through telephonic communication. Any determination set forth in writing and signed by all of the members of the Committee shall be as fully effective as if it had been made by a vote of such members at a meeting duly called and held.

5. SHARES; ADJUSTMENT UPON CERTAIN EVENTS

(a) SHARES TO BE DELIVERED; FRACTIONAL SHARES. Shares to be issued under the Plan shall be made available at the discretion of the Board, either from authorized but unissued Shares or from issued Shares reacquired by the Company and held in treasury. No fractional Shares will be issued or transferred upon the exercise of any Option. In lieu thereof, the Company shall pay a cash adjustment equal to the same fraction of the Fair Market Value of one Share on the date of exercise.

(b) NUMBER OF SHARES. Subject to adjustment as provided in this Section 5,

the maximum aggregate number of Shares that may be issued under the Plan shall be 100,000 shares of Common Stock. If Options are for any reason canceled, or expire or terminate unexercised, the Shares covered by such Options shall again be available for the grant of Options, subject to the foregoing limit.

(c) Adjustments; Recapitalization, etc. The existence of the Plan and the Options granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting Common Stock, the dissolution or liquidation of the Company or any sale or transfer of all or part of its assets or business or any other corporate act or proceeding. If and whenever the Company takes any such action, however, the following provisions, to the extent applicable, shall govern:

(i) If and whenever the Company shall effect a stock split, stock dividend, subdivision, recapitalization or combination of Shares or other changes in the Company's Common Stock, (x) the Purchase Price (as defined herein) per Share and the number and class of Shares and/or other securities with respect to which outstanding Options thereafter may be exercised, and (y) the total number and class of Shares and/or other securities that may be issued under this Plan, shall be proportionately adjusted by the Committee. The Committee may also make such other adjustments as it deems necessary to take into consideration any other event (including, without limitation, accounting changes) if the Committee determines that such adjustment is appropriate to avoid distortion in the operation of the Plan.

(ii) Subject to Section 5 (c)(iii), if the Company merges or consolidates with one or more corporations, then from and after the effective date of such merger or consolidation, upon exercise of Options theretofore granted, the Participant shall be entitled to purchase under such Options, in lieu of the number of Shares as to which such Options shall then be exercisable but on the same terms and conditions of exercise set forth in such Options, the number and class of Shares and/or other securities or property (including cash) to which the Participant would have been entitled pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, the Participant had been the holder of record of the total number of Shares receivable upon exercise of such Options (whether or not then exercisable).

(iii) In the event of an Acquisition Event, the Committee may, in its discretion, and without any liability to any Participant, terminate all outstanding Options as of the consummation of the Acquisition Event by delivering notice of termination to each Participant at least 20 days prior to the date of consummation of the Acquisition Event; provided that, during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each Participant shall have the right to exercise in full all of the Options that are then outstanding (without regard to limitations on exercise otherwise contained in the Options). If an Acquisition Event occurs and the Committee does not terminate the outstanding Options pursuant to the preceding sentence, then the provisions of Section 5(c)(ii) shall apply.

(iv) If, as a result of any adjustment made pursuant to the preceding paragraphs of this Section 5, any Participant shall become entitled upon exercise of an Option to

receive any securities other than Common Stock, then the number and class of securities so receivable thereafter shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock set forth in this Section 5, as determined by the Committee in its discretion.

(v) Except as hereinbefore expressly provided, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to the number and class of Shares and/or other securities or property subject to Options theretofore granted of the Purchase Price per Share.

6. AWARDS AND TERMS OF OPTIONS;

(a) GRANT. The Committee may grant Options to Non-Employee Directors.

(b) EXERCISE PRICE. The Purchase Price deliverable upon the exercise of an Option shall be determined by the Committee, in its sole discretion, but shall not be less than the par value of a Share.

(c) NUMBER OF SHARES. The option agreement shall specify the number of Options granted to the Participant, as determined by the Committee in its sole discretion.

(d) EXERCISABILITY. At the time of grant, the Committee shall specify when and on what terms the Options granted shall be exercisable. In the case of Options not immediately exercisable in full, the Committee may at any time accelerate the time at which all or any part of the Options may be exercised and may waive any other conditions to exercise, subject to the terms of the option agreement and the Plan. No Option shall be exercisable after the expiration of ten (10) year from the date of grant. Each Option shall be subject to earlier termination as provided in Section 7 below.

(e) ACCELERATION OF EXERCISABILITY ON CHANGE OF CONTROL. All Options granted and not previously exercisable shall become exercisable immediately upon the later of a Change of Control (as defined herein) or approval of this Plan in accordance with Section 3. For this purpose, a "Change of Control" shall be deemed to have occurred upon:

(i) an acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 20% or more of either (A) the then outstanding Shares or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding HSI Voting Securities"); excluding, however, the following: (w) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (x) any acquisition by the Company, (y) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or (z) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or similar corporate transaction (in each case, a "Corporate Transaction"), if, pursuant to

such Corporate Transaction, the conditions described in clauses (A), (B) and (C) of paragraph (iii) of this Section 6 are satisfied; or

(ii) a change in the composition of the Board such that the individuals who, as of the Effective Date hereof, constitute the Board (the Board as of the date hereof shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided that for purposes of this Subsection any individual who becomes a member of the Board subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who are also members of the Incumbent Board (or deemed to be pursuant to this proviso) shall be considered as though such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

(iii) the approval by the stockholders of the Company of a Corporate Transaction or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation), excluding, however, such Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the outstanding Shares and Outstanding HSI Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction and the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors, in substantially the same proportions as their ownership immediately prior to such Corporate Transaction, of the outstanding Shares and Outstanding HSI Voting Securities, as the case may be, (B) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or the corporation resulting from such Corporate Transaction and any Person beneficially owning, immediately prior to such Corporate Transaction, directly or indirectly, 20% or more of the outstanding Shares or Outstanding HSI Voting Securities, as the case may be) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding securities of such corporation entitled to vote generally in the election of directors and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction, notwithstanding the foregoing, no Change of Control will occur if the Incumbent Board approves the Corporate Transaction; or

(iv) the approval of the stockholders of the Company of (A) a complete liquidation or dissolution of the Company or (B) the sale or other disposition of all or substantially all of the assets of the Company; excluding, however, such sale or other

disposition to a corporation with respect to which, following such sale or other disposition, (x) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors will be then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding Shares and Outstanding HSI Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the outstanding Shares and Outstanding HSI Voting Securities, as the case may be, (y) no Person (other than the Company and any employee benefit plan (or related trust) of the Company or such corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 20% or more of the outstanding Shares or Outstanding HSI Voting Securities, as the case may be) will beneficially own, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (z) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of such corporation.

(f) EXERCISE OF OPTIONS.

(i) A Participant may elect to exercise one or more Options by giving written notice to the Committee of such election and of the number of Options such Participant has elected to exercise, accompanied by payment in full of the aggregate Purchase Price for the number of shares for which the Options are being exercised.

(ii) Shares purchased pursuant to the exercise of Options shall be paid for at the time of exercise as follows:

(A) in cash or by check, bank draft or money order payable to the order of the Company;

(B) if so permitted by the Committee: (x) through the delivery of unencumbered Shares (including Shares being acquired pursuant to the Options then being exercised), provided such Shares (or such Options) have been owned by the Participant for such period as may be required by applicable accounting standards to avoid a charge to earnings, (y) through a combination of Shares and cash as provided above, (z) by delivery of a promissory note of the Participant to the Company, such promissory note to be payable on such terms as are specified in the option agreement (except that, in lieu of a stated rate of interest, the option agreement may provide that the rate of interest on the promissory note will be such rate as is sufficient, at the time the note is given, to avoid the imputation of interest under the applicable provisions of the Code), or by a combination of cash (or cash and Shares) and the Participant's promissory note; provided, that, if the Shares delivered upon exercise of the Option is an original issue of authorized Shares, at least so much of the exercise price as represents the par value of such

Shares shall be paid in cash or by a combination of cash and Shares; or

(C) on such other terms and conditions as may be acceptable to the Committee and in accordance with applicable law. Upon receipt of payment, the Company shall deliver to the Participant as soon as practicable a certificate or certificates for the Shares then purchased.

7. EFFECT OF TERMINATION OF SERVICES

(a) Death, Disability, Retirement, etc. Except as otherwise provided in the Participant's option agreement or in this Plan, upon Termination of Services, all outstanding Options then exercisable and not exercised by the Participant prior to such Termination of Services (and any Options not previously exercisable but made exercisable by the Committee at or after the Termination of Services) shall remain exercisable by the Participant to the extent not theretofore exercised for the following time periods (subject to Section 6(d)):

(i) In the event of the Participant's death, such Options shall remain exercisable (by the Participant's estate or by the person given authority to exercise such Options by the Participant's will or by operation of law) for a period of one (1) year from the date of the Participant's death, provided that the Committee, in its discretion, may at any time extend such time period to up to three (3) years from the date of the Participant's death.

(ii) In the event the Participant retires at or after age 65 (or, with the consent of the Committee, before age 65), or if the Participant's services terminate due to Disability, such Options shall remain exercisable for one (1) year from the date of the Participant's Termination of Services, provided that the Committee, in its discretion, may at any time extend such time period to up to three (3) years from the date of the Participant's Termination of Services.

(b) CAUSE OR VOLUNTARY TERMINATION. Upon the Termination of Services of a Participant for cause (as defined herein) or if it is discovered after such Termination of Services that such Participant had engaged in conduct that would have justified a Termination of Services for Cause, all outstanding Options shall immediately be canceled. Termination of Services shall be deemed to be for "Cause" for purposes of this Section 7(b) if the Participant shall have committed fraud or any felony in connection with the Participant's duties as a director of the Company or willful misconduct or any act of disloyalty, dishonesty, fraud or breach of trust, confidentiality or fiduciary duties as to the Company or the commission of any other act which causes or may reasonably be expected to cause economic or reputational injury to the Company.

(c) OTHER TERMINATION. In the event of Termination of Services for any reason other than as provided in Section 7(a) and 7(b), all outstanding Options then exercisable and not exercised by the Participant prior to such Termination of Services shall remain exercisable (to the extent exercisable by such Participant immediately before such termination) for a period of three (3) months after such termination, provided that the Committee in its discretion may extend such time period to up to one (1) year from the date of the Participant's Termination of Services.

8. NONTRANSFERABILITY OF OPTIONS

No Option shall be transferable by the Participant otherwise than by will or under applicable laws of descent and distribution, and during the lifetime of the holder may be exercised only by the holder or his or her guardian or legal representative. In addition, no Option shall be assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise), and no Option shall be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, negotiate, pledge or hypothecate any Option, or in the event of any levy upon any Option by reason of any execution, attachment or similar process contrary to the provisions hereof, such Option shall immediately be cancelled.

9. RIGHTS AS A STOCKHOLDER

A holder of an Option shall have no rights as a stockholder with respect to any Shares covered by such holder's Option until such holder shall have become the holder of record of such Shares, and no adjustments shall be made for dividends in cash or other property or distributions or other rights in respect to any such Shares, except as otherwise specifically provided for in this Plan.

10. DETERMINATIONS

Each determination, interpretation or other action made or taken pursuant to the provisions of this Plan by the Committee shall be final, conclusive and binding for all purposes and upon all persons, including, without limitation, the holders of any Options and Non-Employee Directors and their respective heirs, executors, administrators, personal representatives and other successors in interest.

11. TERMINATION, AMENDMENT AND MODIFICATION

The Plan shall terminate at the close of business on the tenth anniversary of the Effective Date, unless terminated sooner as hereinafter provided, and no Option shall be granted under the Plan on or after that date. The termination of the Plan shall not terminate any outstanding Options which by their terms continue beyond the termination date of the Plan. At any time prior to the tenth anniversary of the Effective Date, the Board or the Committee may amend or terminate the Plan or suspend the Plan in whole or in part. Notwithstanding the foregoing, however, no such amendment may, without the approval of the stockholders of the Company, (i) increase the total number of Shares which may be acquired upon exercise of Options granted under the Plan; (ii) change the requirements for eligibility for participation in the Plan; or (iii) effect any change that would require stockholder approval under Rule 16b-3 (or any successor provision) promulgated under the Act.

Subject to the provisions of this Section 11, nothing contained in this Section 11 shall be deemed to prevent the Board or the Committee from authorizing amendments of outstanding Options of Participants, including, without limitation, the reduction of the Purchase Price specified therein (or the granting or issuance of new Options at a lower Purchase Price upon cancellation of outstanding Options), so long as (i) all Options outstanding at any one time shall not call for issuance of more Shares than the remaining number provided for under the Plan, (ii) the provisions of any amended Options would have been permissible under the Plan if such Option had been originally granted or issued as of the date of such amendment with such amended terms and (iii) the provisions regarding shareholder approval set forth below in this

Section 11 are complied with.

Notwithstanding anything to the contrary contained in this Section 11, without the approval of the shareholders of the Company, no outstanding Option may be modified to reduce the exercise price thereof nor may a new Option at a lower price be substituted for a simultaneously surrendered Option, provided that the foregoing shall not apply to adjustments or substitutions in accordance with Section 5.

Notwithstanding anything to the contrary contained in this Section 11, (i) no termination, amendment or modification of the Plan may, without the consent of the Participant or the transferee of such Participant's Option, alter or impair the rights and obligations arising under any then outstanding Option, and (ii) neither the Board nor the Committee may make any determination or interpretation or take any other action which would cause any member of the Committee to cease to be a "disinterested person" with regard to the Plan for purposes of Rule 16b-3 under the Act.

12. NON-EXCLUSIVITY

Subject to the express provisions contained in the HSI Agreement, neither the adoption of the Plan by the Board nor the submission of the Plan to the stockholders of the Company for approval shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting or issuance of stock options, Shares and/or other incentives otherwise than under the Plan, and such arrangements may be either generally applicable or limited in application.

13. USE OF PROCEEDS

The proceeds of the sale of Shares subject to Options under the Plan are to be added to the general funds of the Company and used for its general corporate purposes as the Board shall determine.

14. GENERAL PROVISIONS

(a) RIGHT TO TERMINATE SERVICES. Neither the adoption of the Plan nor the grant of Options shall impose any obligations on the Company to retain any Participant as a director nor shall it impose any obligation on the part of any Participant to remain a director.

(b) PURCHASE FOR INVESTMENT. If the Board determines that the law so requires, the holder of an Option granted hereunder shall, upon any exercise or conversion thereof, execute and deliver to the Company a written statement, in form satisfactory to the Company, representing and warranting that such Participant is purchasing or accepting the Shares then acquired for such Participant's own account and not with a view to the resale or distribution thereof, that any subsequent offer for sale or sale of any such Shares shall be made either pursuant to (i) a registration statement in appropriate form under the Securities Act, which registration statement shall have become effective and shall be current with respect to the Shares being offered and sold, or (ii) a specific exemption from the registration requirements of the Securities Act, and that in claiming such exemption the holder will, prior to any offer for sale or sale of such Shares, obtain a favorable written opinion, satisfactory in form and substance to the Company, from counsel approved by the Company as to the availability of such exception.

(c) TRUSTS, ETC. Nothing contained in the Plan and no action taken pursuant to the Plan (including, without limitation, the grant of any Option thereunder) shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and any Participant or the executor, administrator or other personal representative or designated beneficiary of such Participant, or any other persons. Any reserves that may be established by the Company in connection with the Plan shall continue to be part of the general funds of the Company, and no individual or entity other than the Company shall have any interest in such funds until paid to a Participant. If and to the extent that any Participant or such Participant's executor, administrator, or other personal representative, as the case may be, acquires a right to receive any payment from the Company pursuant to the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company.

(d) NOTICES. Each Participant shall be responsible for furnishing the Committee with the current and proper address for the mailing to such Participant of notices and the delivery to such Participant of agreements, Shares and payments. Any notices required or permitted to be given shall be deemed given if directed to the person to whom addressed at such address and mailed by regular United States mail, first class and prepaid. If any item mailed to such address is returned as undeliverable to the addressee, mailing will be suspended until the Participant furnishes the proper address.

(e) SEVERABILITY OF PROVISIONS. If any provisions of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions of the Plan, and the Plan shall be construed and enforced as if such provisions had not been included.

(f) PAYMENT TO MINORS, ETC. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Committee, the Company and their employees, agents and representatives with respect thereto.

(g) READINGS AND CAPTIONS. The headings and captions herein are provided for reference and convenience only. They shall not be considered part of the Plan and shall not be employed in the construction of the Plan.

15. ISSUANCE OF STOCK CERTIFICATES; LEGENDS AND PAYMENT OF EXPENSES

(a) STOCK CERTIFICATES. Upon any exercise of an Option and payment of the exercise price as provided in such Option, a certificate or certificates for the Shares as to which such Option has been exercised shall be issued by the Company in the name of the person or persons exercising such Option and shall be delivered to or upon the order of such person or persons.

(b) LEGENDS. Certificates for Shares issued upon exercise of an Option shall bear such legend or legends as the Committee, in its discretion, determines to be necessary or appropriate to prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act, or to implement the provisions of any agreements between the Company and the Participant with respect to such Shares.

(c) PAYMENT OF EXPENSES. The Company shall pay all issue or transfer taxes with

respect to the issuance or transfer of Shares, as well as all fees and expenses necessarily incurred by the Company in connection with such issuance or transfer and with the administration of the Plan.

16. LISTING OF SHARES AND RELATED MATTERS

If at any time the Board shall determine in its sole discretion that the listing, registration or qualification of the Shares covered by the Plan upon any national securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the award or sale of Shares under the Plan, no Shares will be delivered unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Board.

17. WITHHOLDING TAXES

Where a Participant or other person is entitled to receive Shares pursuant to the exercise of an Option, the Company shall have the right to require the Participant or such other person to pay to the Company the amount of any taxes which the Company may be required to withhold before delivery to such Participant or other person of cash or a certificate or certificates representing such Shares.

Unless otherwise prohibited by the Committee or by applicable law, a Participant may satisfy any such withholding tax obligation by any of the following methods, or by a combination of such methods: (a) securing payment in cash or property in lieu of withholding, (b) authorizing the Company to withhold from the Shares otherwise payable to such Participant (1) one or more of such Shares having an aggregate Fair Market Value, determined as of the date the withholding tax obligation arises, less than or equal to the amount of the total withholding tax obligation or (2) cash in an amount less than or equal to the amount of the total withholding tax obligation; or (c) delivering to the Company previously acquired Shares (none of which Shares may be subject to any claim, lien, security interest, community property right or other right of spouses or present or former family members, pledge, option, voting agreement or other restriction or encumbrance of any nature whatsoever) having an aggregate Fair Market Value, determined as of the date the withholding obligation arises, less than or equal to the amount of the total withholding tax obligation. A Participant's election to pay his or her withholding tax obligation (in whole or in part) by the method described in (b)(1) above is irrevocable once it is made, may be disapproved by the Committee and, if made by any director, officer or other person who is subject to Section 16(b) of the Act, must be made (x) only during the period beginning on the third business day following the date of release of the Company's quarterly or annual summary statement of sales and earnings and ending on the twelfth business day following the date of such release; (y) not less than six months prior to the date such Participant's withholding tax obligation arises or (z) during any other period in which a withholding election may be made under the provisions of Rule 16b-3.

HENRY SCHEIN, INC.

2001 NON-EMPLOYEE DIRECTOR INCENTIVE PLAN

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HENRY SCHEIN, INC.

2001 NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN

1. PURPOSE OF THE PLAN.

The purpose of this Henry Schein, Inc. 2001 Non- Employee Director Stock Option Plan are to enable Henry Schein, Inc. (the "Company") to attract, retain and motivate directors of the Company who are not employees of the Company or its subsidiaries ("Non-Employee Directors") and who are important to the success of the Company and to create a mutuality of interest between the Non-Employee Directors and the stockholders of the Company by granting such directors options to purchase Common Stock (as defined herein) of the Company.

2. DEFINITIONS.

(a) "ACQUISITION EVENT" means a merger or consolidation in which the Company is not the surviving entity, or any transaction that results in the acquisition of all or substantially all of the Company's outstanding Common Stock by a single person or entity or by a group of persons and/or entities in concert, or the sale or transfer of all or substantially all of the Company's assets.

(b) "ACT" means the Securities Exchange Act of 1934, as amended and the rules and regulations promulgated thereunder.

(c) "BOARD" means the board of directors of the Company.

(d) "CAUSE" has the meaning set forth in Section 7(b).

(e) "CHANGE OF CONTROL" has the meaning set for in Section 6(e).

(f) "CODE" means the Internal Revenue Code of 1986, as amended.

(g) "COMMITTEE" means such committee, if any, appointed by the Board to administer the Plan consisting of two or more directors as may be appointed from time to time by the Board, each of whom shall qualify as a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Act. If the Board does not appoint a committee for this purpose, "Committee" means the Board.

(h) "COMMON STOCK" means the voting common stock of the Company, par value \$.01, any common stock into which the common stock may be converted and any common stock resulting from any reclassification of the common stock.

(i) "COMPANY" means Henry Schein, Inc., a Delaware corporation.

(j) "CORPORATE TRANSACTION" has the meaning set forth in Section 6(e)(i)

(k) "DISABILITY" means a permanent and total disability, as determined by

the Committee in its sole discretion, provided that in no event shall any disability that is not permanent and total disability within the meaning of Section 22(e)(3) of the Code be treated as a Disability. A Disability shall be deemed to occur at the time of the determination by the Committee of the Disability.

(l) "EFFECTIVE DATE" has the meaning set forth in Section 3.

(m) "FAIR MARKET VALUE" means, unless otherwise required by any applicable provision of the Code or any regulations issued thereunder, as of any date, the last sales price for the Common Stock on the applicable date: (i) as reported on the principal national securities exchange on which it is then traded or the Nasdaq Stock Market, Inc. or (ii) if not traded on any such national securities exchange or the Nasdaq Stock Market, Inc. as quoted on an automated quotation system sponsored by the National Association of Securities Dealers, Inc. If the Common Stock is not readily tradable on a national securities exchange, the Nasdaq Stock Market, Inc. or any automated quotation system sponsored by the National Association of Securities Dealers, Inc., its Fair Market Value shall be set in good faith by the Committee based on reasonable methods set forth under Section 422 of the Code and the regulations thereunder including, without limitation, a method utilizing the average of prices of the Common Stock reported on the principal national securities exchange on which it is then traded during a reasonable period designated by the Committee. For purposes of the grant of any Stock Option, the applicable date shall be the date for which the last sales price is available at the time of grant.

(n) "INCUMBENT BOARD" has the meaning set forth in Section 6(e)(ii).

(o) "NON-EMPLOYEE DIRECTORS" means, except for purposes of the definition of Committee, directors of the Company who are not employees of the Company or its subsidiaries.

(p) "OPTION" means the right to purchase the number of Shares granted in the Option agreement at a prescribed purchase price on the terms specified in the Plan. No Option awarded under this Plan is intended to be an "incentive stock option" within the meaning of Section 422 of the Code.

(q) "OUTSTANDING HSI VOTING SECURITIES" has the meaning set forth in Section 6(e)(i).

(r) "PARTICIPANT" means a Non-Employee Director who is granted an Option under the Plan.

(s) "PERSON" means an individual, entity or group within the meaning of Section 13d-3 or 14d-1 of the Act.

(t) "PLAN" means the Henry Schein, Inc. 2001 Non-Employee Director Stock Option Plan.

(u) "PURCHASE PRICE" means purchase price per Share.

(v) "SECURITIES ACT" means the Securities Act of 1933, as amended.

(w) "SHARE" means a share of Common Stock.

(x) "TERMINATION OF SERVICE" means termination of the relationship with the Company so that an individual is no longer a director of the Company.

3. EFFECTIVE DATE/EXPIRATION OF PLAN.

The Plan shall become effective August 6, 2001 (the "Effective Date"). Grants of Options under the Plan will be made after the Effective Date of the Plan pursuant to Section 6.2 of this Plan.

4. ADMINISTRATION.

(a) DUTIES OF THE COMMITTEE. The Plan shall be administered by the Committee. The Committee shall have full authority to interpret the Plan and to decide any questions and settle all controversies and disputes that may arise in connection with the Plan; to establish, amend, and rescind rules for carrying out the Plan, to administer the Plan, subject to its provisions: to select Participants in, and grant Options under, the Plan; to determine the terms, Exercise Price and form of exercise payment for each Option granted under the Plan; to prescribe the form or forms of instruments evidencing Options and any other instruments required under the Plan (which need not be uniform) and to change such forms from time to time; and to make all other determinations and to take all such steps in connection with the Plan and the Options as the Committee, in its sole discretion, deems necessary or desirable; provided, that all such determinations shall be in accordance with the express provisions, if any, contained in the Plan. The Committee shall not be bound to any standards of uniformity or similarity of action, interpretation or conduct in the discharge of its duties hereunder, regardless of the apparent similarity of the matters coming before it. The determination, action or conclusion of the Committee in connection with the foregoing shall be final, binding and conclusive.

(b) ADVISORS. The Committee may designate the Secretary of the Company, other employees of the Company or competent professional advisors to assist the Committee in the administration of the Plan, and may grant authority to such persons to execute option agreements or other documents on behalf of the Committee. The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan, and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee in the engagement of such counsel, consultant or agent shall be paid by the Company.

(c) INDEMNIFICATION. To the maximum extent permitted by law, no officer, member or former officer or member of the Committee or the Board shall be liable for any action or determination made in good faith with respect to the Plan or any Option granted under it. To the maximum extent permitted by applicable law or the Certificate of Incorporation or By-Laws of the Company and to the extent not covered by insurance, each officer, member or former officer or member of the Committee or of the Board shall be indemnified and held harmless by the Company against any cost or expense (including reasonable fees of counsel reasonably acceptable to the Company) or liability (including any sum paid in settlement of a claim with the approval of the Company), and advanced amounts

necessary to pay the foregoing at the earliest time and to the fullest extent permitted, arising out of any act or omission to act in connection with the Plan, except to the extent arising out of such officer's, member's or officer's or member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the officers, members or former officers or members may have as directors under applicable law or under the Certificate of Incorporation or By-Laws of the Company or otherwise.

(d) Meetings of the Committee. The Committee shall select one of its members as a Chairman and shall adopt such rules and regulations, as it shall deem appropriate, concerning the holding of its meetings and the transaction of its business. Any member of the Committee may be removed at any time either with or without cause by resolution adopted by the Board, and any vacancy on the Committee may at any time be filled by resolution adopted by the Board. All determinations by the Committee shall be made by the affirmative vote of a majority of its members. Any such determination may be made at a meeting duly called and held at which a majority of the members of the Committee were in attendance in person or through telephonic communication. Any determination set forth in writing and signed by all of the members of the Committee shall be as fully effective as if it had been made by a vote of such members at a meeting duly called and held.

5. SHARES; ADJUSTMENT UPON CERTAIN EVENTS.

(a) SHARES TO BE DELIVERED; FRACTIONAL SHARES. Shares to be issued under the Plan shall be made available, at the discretion of the Board, either from authorized but unissued Shares or from issued Shares reacquired by the Company and held in treasury. No fractional Shares will be issued or transferred upon the exercise of any Option. In lieu thereof, the Company shall pay a cash adjustment equal to the same fraction of the Fair Market Value of one Share on the date of exercise.

(b) NUMBER OF SHARES. Subject to adjustment as provided in this Section 5, the maximum aggregate number of Shares authorized for issuance under the Plan shall be 25,000. If an Option is for any reason canceled, or expires or terminates unexercised, the Shares covered by such Option shall again be available for the grant of Options, within the limits provided by the preceding sentence.

(c) ADJUSTMENTS; RECAPITALIZATION, ETC. The existence of the Plan and the Options granted hereunder shall not affect in any way the right or power of the Board or the stockholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of bonds, debentures, preferred or prior preference stocks ahead of or affecting Common Stock, the dissolution or liquidation of the Company or any sale or transfer of all or part of its assets or business or any other corporate act or proceeding. If and whenever the Company takes any such action, however, the following provisions, to the extent applicable, shall govern:

(i) If and whenever the Company shall effect a stock split, stock dividend, subdivision, recapitalization or combination of Shares or other changes in the Company's Common Stock, (x) the Purchase Price (as defined

herein) per Share and the number and class of Shares and/or other securities with respect to which outstanding Options thereafter may be exercised, and (y) the total number and class of Shares and/or other securities that may be issued under this Plan, shall be proportionately adjusted by the Committee. The Committee may also make such other adjustments as it deems necessary to take into consideration any other event (including, without limitation, accounting changes) if the Committee determines that such adjustment is appropriate to avoid distortion in the operation of the Plan.

(ii) Subject to Section 5(c)(iii), if the Company merges or consolidates with one or more corporations, then from and after the effective date of such merger or consolidation, upon exercise of an Option theretofore granted, the Participant shall be entitled to purchase under such Option, in lieu of the number of Shares as to which such Option shall then be exercisable but on the same terms and conditions of exercise set forth in such Option, the number and class of Shares and/or other securities or property (including cash) to which the Participant would have been entitled pursuant to the terms of the agreement of merger or consolidation if, immediately prior to such merger or consolidation, the Participant had been the holder of record of the total number of Shares receivable upon exercise of such Option (whether or not then exercisable).

(iii) In the event of an Acquisition Event, the Committee may, in its discretion, and without any liability to any Participant, terminate all outstanding Options as of the consummation of the Acquisition Event by delivering notice of termination to each Participant at least 20 days prior to the date of consummation of the Acquisition Event; provided that, during the period from the date at which such notice of termination is delivered to the consummation of the Acquisition Event, each Participant shall have the right to exercise in full all of the Options that are then outstanding (without regard to limitations on exercise otherwise contained in the Options). If an Acquisition Event occurs and the Committee does not terminate the outstanding Options pursuant to the preceding sentence, then the provisions of Section 5(c)(ii) shall apply.

(iv) If, as a result of any adjustment made pursuant to the preceding paragraphs of this Section 5, any Participant shall become entitled upon exercise of an Option to receive any securities other than Common Stock, then the number and class of securities so receivable thereafter shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Common Stock set forth in this Section 5, as determined by the Committee in its discretion.

(v) Except as herein before expressly provided, the issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash, property, labor or services, upon direct sale, upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or other securities, and in any case whether or not for fair value, shall not affect, and no adjustment by reason thereof shall be made with respect to the number and class of Shares and/or other securities or property subject to Options theretofore granted of the Purchase Price per Share.

6. AWARDS AND TERMS OF OPTIONS.

(a) GRANT. Eligibility and participation in this Plan shall be determined by the Committee in its sole discretion.

(b) EXERCISE PRICE. The Purchase Price deliverable upon the exercise of an Option shall be determined by the Committee, in its sole discretion, but shall not be less than the par value of a Share.

(c) NUMBER OF SHARES. The option agreement shall specify the aggregate number of Shares subject to the Option granted to the Participant, as determined by the Committee in its sole discretion.

(d) EXERCISABILITY. At the time of grant, the Committee shall specify when and on what terms an Option shall be exercisable. In the case of an Option not immediately exercisable in full, the Committee may at any time accelerate the time at which all or any part of the Option may be exercised and may waive any other conditions to exercise, subject to the terms of the option agreement and the Plan. No Option shall be exercisable after the expiration of ten (10) years from the date of grant. Each Option shall be subject to earlier termination as provided in Section 7 below.

(e) ACCELERATION OF EXERCISABILITY ON CHANGE OF CONTROL. All Options granted and not previously exercisable shall become exercisable immediately upon a Change of Control (as defined herein). For this purpose, a "Change of Control" shall be deemed to have occurred upon:

(i) an acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 20% or more of either (A) the then outstanding Shares or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "OUTSTANDING HSI VOTING SECURITIES"); excluding, however, the following: (w) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (x) any acquisition by the Company, (y) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or (z) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or similar corporate transaction (in each case, a "CORPORATE TRANSACTION"), if, pursuant to such Corporate Transaction, the conditions described in clauses (A), (B) and (C) of paragraph (iii) of this Section are satisfied; or

(ii) a change in the composition of the Board such that the individuals who, as of the Effective Date hereof, constitute the Board (the Board as of the date hereof shall be herein after referred to as the "INCUMBENT BOARD") cease for any reason to constitute at least a majority of the Board; provided that for purposes of this subsection any individual who becomes a member of the Board subsequent to the date hereof whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who are also members of the Incumbent Board (or deemed to be such pursuant to this proviso) shall be considered as though

such individual were a member of the Incumbent Board; but, provided further, that any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board shall not be so considered as a member of the Incumbent Board; or

(iii) the approval by the stockholders of the Company of a Corporate Transaction or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding, however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the outstanding Shares and Outstanding HSI Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction and the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors, in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the outstanding Shares and Outstanding HSI Voting Securities, as the case may be, (B) no Person (other than the Company, any employee benefit plan (or related trust) of the Company or the corporation resulting from such Corporate Transaction and any Person beneficially owning, immediately prior to such Corporate Transaction, directly or indirectly, 20% or more of the outstanding Shares or Outstanding HSI Voting Securities, as the case may be) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the corporation resulting from such Corporate Transaction or the combined voting power of the then outstanding securities of such corporation entitled to vote generally in the election of directors and (C) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; notwithstanding the foregoing, no Change of Control will occur if two-thirds (2/3) of the Incumbent Board approves the Corporate Transaction; or

(iv) the approval of the stockholders of the Company of (A) a complete liquidation or dissolution of the Company or (B) the sale or other disposition of all or substantially all of the assets of the Company; excluding; however, such a sale or other disposition to a corporation with respect to which, following such sale or other disposition, (x) more than 60% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors will be then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners respectively, of the outstanding Shares and Outstanding HSI Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the outstanding Shares and Outstanding HSI Voting Securities, as the case may be, (y) no Person (other

than the Company and any employee benefit plan (or related trust) of the Company or such corporation and any Person beneficially owning, immediately prior to such sale or other disposition, directly or indirectly, 20% or more of the outstanding Shares or Outstanding HSI Voting Securities, as the case may be) will beneficially own, directly or indirectly, 20% or more of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors and (z) individuals who were members of the Incumbent Board will constitute at least a majority of the members of the board of directors of such corporation.

(f) Exercise of Options.

(i) A Participant may elect to exercise an Option by giving written notice to the Committee of such election and of the number of Shares such Participant has elected to purchase pursuant to the Option, accompanied by payment in full of the aggregate Purchase Price for the number of Shares for which the Option are being exercised.

(ii) Shares purchased pursuant to the exercise of an Option shall be paid for at the time of exercise as follows:

(A) in cash or by check, bank draft or money order payable to the order of the Company;

(B) if so permitted by the Committee: (x) through the delivery of unencumbered Shares (including Shares being acquired pursuant to the Option then being exercised), provided such Shares (or such Option) have been owned by the Participant for such period as may be required by applicable accounting standards to avoid a charge to earnings, (y) through a combination of Shares and cash as provided above, (z) by delivery of a promissory note of the Participant to the Company, such promissory note to be payable on such terms as are specified in the option agreement (except that, in lieu of a stated rate of interest, the option agreement may provide that the rate of interest on the promissory note will be such rate as is sufficient, at the time the note is given, to avoid the imputation of interest under the applicable provisions of the Code), or by a combination of cash (or cash and Shares) and the Participant's promissory note; provided, that, if the Shares delivered upon exercise of the Option is an original issue of authorized Shares, at least so much of the exercise price as represents the par value of such Shares shall be paid in cash or by a combination of cash and Shares; or

(C) on such other terms and conditions as may be acceptable to the Committee and in accordance with applicable law. Upon receipt of payment, the Company shall deliver to the Participant as soon as practicable a certificate or certificates for the Shares then purchased.

7. EFFECT OF TERMINATION OF SERVICE.

(a) Death, Disability, Retirement, etc. Except as otherwise provided in the Participant's option agreement or in this Plan, upon a Termination of Service,

all outstanding Options then exercisable and not exercised by the Participant prior to such Termination of Service (and any Options not previously exercisable but made exercisable by the Committee at or after the Termination of Service) shall remain exercisable by the Participant to the extent not theretofore exercised for the following time periods (subject to Section 6(d)):

(i) In the event of the Participant's death, such Options shall remain exercisable (by the Participant's estate or by the person given authority to exercise such Options by the Participant's will or by operation of law) for a period of one (1) year from the date of the Participant's death, provided that the Committee, in its discretion, may at any time extend such time period to up to three (3) years from the date of the Participant's death.

(ii) In the event the Participant retires at or after age 65 (or, with the consent of the Committee, before age 65), or if the Participant's services terminate due to Disability such Options shall remain exercisable for one (1) year from the date of the Participant's Termination of Service, provided that the Committee, in its discretion, may at any time extend such time period to up to three (3) years from the date of the Participant's Termination of Service.

(b) CAUSE OR VOLUNTARY TERMINATION. Upon the Termination of Service of a Participant for cause (as defined herein) or if it is discovered after such Termination of Service that such Participant had engaged in conduct that would have justified a Termination of Service for Cause, all outstanding Options shall immediately be canceled. Termination of Service shall be deemed to be for "Cause" for purposes of this Section 7(b) if the Participant shall have committed fraud or any felony in connection with the Participant's duties as a director of the Company or willful misconduct or any act of disloyalty, dishonesty, fraud or breach of trust, confidentiality or fiduciary duties as to the Company or the commission of any other act which causes or may reasonably be expected to cause economic or reputational injury to the Company.

(c) OTHER TERMINATION. In the event of a Termination of Service for any reason other than as provided in Section 7(a) and 7(b), all outstanding Options then exercisable and not exercised by the Participant prior to such Termination of Service shall remain exercisable (to the extent exercisable by such Participant immediately before such termination) for a period of three (3) months after such termination, provided that the Committee in its discretion may extend such time period to up to one (1) year from the date of the Participant's Termination of Service.

8. NONTRANSFERABILITY OF OPTIONS.

No Option shall be transferable by the Participant otherwise than by will or under applicable laws of descent and distribution, and during the lifetime of the holder may be exercised only by the holder or his or her guardian or legal representative. In addition, no Option shall be assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise), and no Option shall be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, negotiate, pledge or hypothecate any Option, or in the event of any levy upon any Option by reason of any execution, attachment or similar process contrary to the provisions hereof, such Option shall immediately be cancelled.

9. RIGHTS AS A STOCKHOLDER.

A holder of an Option shall have no rights as a stockholder with respect to any Shares covered by such holder's Option until such holder shall have become the holder of record of such Shares, and no adjustments shall be made for dividends in cash or other property or distributions or other rights in respect to any such Shares, except as otherwise specifically provided for in this Plan.

10. DETERMINATIONS.

Each determination, interpretation or other action made or taken pursuant to the provisions of this Plan by the Committee shall be final, conclusive and binding for all purposes and upon all persons, including, without limitation, the holders of any Options and Non-Employee Directors and their respective heirs, executors, administrators, personal representatives and other successors in interest.

11. TERMINATION, AMENDMENT AND MODIFICATION.

The Plan shall terminate at the close of business on the tenth anniversary of the Effective Date, unless terminated sooner as hereinafter provided, and no Option shall be granted under the Plan on or after that date. The termination of the Plan shall not terminate any outstanding Options which by their terms continue beyond the termination date of the Plan. At any time prior to the tenth anniversary of the Effective Date the Board or the Committee may amend or terminate the Plan or suspend the Plan in whole or in part. Notwithstanding the foregoing, however, no such amendment may, without the approval of the stockholders of the Company, (i) increase the total number of Shares which may be acquired upon exercise of Options granted under the Plan; (ii) change the requirements for eligibility for participation in the Plan; or (iii) effect any change that would require stockholder approval under Rule 16b-3 (or any successor provision) promulgated under the Act.

Nothing contained in this Section 11 shall be deemed to prevent the Board or the Committee from authorizing amendments of outstanding Options of Participants, including, without limitation, the reduction of the Purchase Price specified therein (or the granting or issuance of new Options at a lower Purchase Price upon cancellation of outstanding Options), so long as all Options outstanding at any one time shall not call for issuance of more Shares than the remaining number provided for under the Plan and so long as the provisions of any amended Options would have been permissible under the Plan if such Option had been originally granted or issued as of the date of such amendment with such amended terms.

Notwithstanding anything to the contrary contained in this Section 11, (i) no termination, amendment or modification of the Plan may, without the consent of the Participant or the transferee of such Participant's Option, alter or impair the rights and obligations arising under any then outstanding Option, and (ii) neither the Board nor the Committee may make any determination or interpretation or take any other action which would cause any member of the Committee to cease to be a "disinterested person" with regard to the Plan for purposes of Rule 16b-3 under the Act.

12. NON-EXCLUSIVITY.

Neither the adoption of the Plan by the Board shall be construed as creating any limitations on the power of the Board to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting or issuance of stock options, Shares and/or other incentives otherwise than under the Plan, and such arrangements may be either generally applicable or limited in application.

13. USE OF PROCEEDS.

The proceeds of the sale of Shares subject to Options under the Plan are to be added to the general funds of the Company and used for its general corporate purposes as the Board shall determine.

14. GENERAL PROVISIONS.

(a) RIGHT TO TERMINATE SERVICES. Neither the adoption of the Plan nor the grant of Options shall impose any obligations on the Company to retain any Participant as a director nor shall it impose any obligation on the part of any Participant to remain a director.

(b) PURCHASE FOR INVESTMENT. If the Board determines that the law so requires, the holder of an Option granted hereunder shall, upon any exercise or conversion thereof, execute and deliver to the Company a written statement, in form satisfactory to the Company, representing and warranting that such Participant is purchasing or accepting the Shares then acquired for such Participant's own account and not with a view to the resale or distribution thereof, that any subsequent offer for sale or sale of any such Shares shall be made either pursuant to (i) a registration statement on in appropriate form under the Securities Act, which registration statement shall have become effective and shall be current with respect to the Shares being offered and sold, or (ii) a specific exemption from the registration requirements of the Securities Act, and that in claiming such exemption the holder will, prior to any offer for sale or sale of such Shares, obtain a favorable written opinion, satisfactory in form and substance to the Company, from counsel approved by the Company as to the availability of such exception.

(c) TRUSTS, ETC. Nothing contained in the Plan and no action taken pursuant to the Plan (including, without limitation, the grant of any Option thereunder) shall create or be construed to create a trust of any kind, or a fiduciary relationship, between the Company and any Participant or the executor, administrator or other personal representative or designated beneficiary of such Participant, or any other persons. Any reserves that may be established by the Company in connection with the Plan shall continue to be part of the general funds of the Company, and no individual or entity other than the Company shall have any interest in such funds until paid to a Participant. If and to the extent that any Participant or such Participant's executor, administrator, or other personal representative, as the case may be, acquires a right to receive any payment from the Company pursuant to the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company.

(d) NOTICES. Each Participant shall be responsible for furnishing the Committee with the current and proper address for the mailing to such Participant of notices and the delivery to such Participant of agreements, Shares and payments. Any notices required or permitted to be given shall be

deemed given if directed to the person to whom addressed at such address and mailed by regular United States mail, first class and prepaid. If any item mailed to such address is returned as undeliverable to the addressee, mailing will be suspended until the Participant furnishes the proper address.

(e) SEVERABILITY OF PROVISIONS. If any provisions of the Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provisions of the Plan, and the Plan shall be construed and enforced as if such provisions had not been included.

(f) PAYMENT TO MINORS, ETC. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipting therefore shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Committee, the Company and their employees, agents and representatives with respect thereto.

(g) READINGS AND CAPTIONS. The headings and captions herein are provided for reference and convenience only. They shall not be considered part of the Plan and shall not be employed in the construction of the Plan.

(h) OTHER BENEFITS. No award under this Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Company or its subsidiaries nor affect any benefits under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation.

15. ISSUANCE OF STOCK CERTIFICATES; LEGENDS AND PAYMENT OF EXPENSES.

(a) STOCK CERTIFICATES. Upon any exercise of an Option and payment of the exercise price as provided in such Option, a certificate or certificates for the Shares as to which such Option has been exercised shall be issued by the Company in the name of the person or persons exercising such Option and shall be delivered to or upon the order of such person or persons.

(b) LEGENDS. Certificates for Shares issued upon exercise of an Option shall bear such legend or legends as the Committee, in its discretion, determines to be necessary or appropriate to prevent a violation of, or to perfect an exemption from, the registration requirements of the Securities Act or to implement the provisions of any agreements between the Company and the Participant with respect to such Shares.

(c) PAYMENT OF EXPENSES. The Company shall pay all issue or transfer taxes with respect to the issuance or transfer of Shares, as well as all fees and expenses necessarily incurred by the Company in connection with such issuance or transfer and with the administration of the Plan.

(d) SECTION 16(B) OF THE ACT. All elections and transactions under the Plan by persons subject to Section 16 of the Act involving shares of Common Stock are intended to comply with any applicable condition under Rule 16b-3. To the extent any provision of the Plan or action by the Committee fails to so comply, it shall be deemed null and void. The Committee may establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b)

of the Act, as it may deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

16. LISTING OF SHARES AND RELATED MATTERS.

If at any time the Board shall determine in its sole discretion that the listing, registration or qualification of the Shares covered by the Plan upon any national securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the award or sale of Shares under the Plan, no Shares will be delivered unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Board.

17. WITHHOLDING TAXES.

The Company shall have the right to require, prior to the issuance or delivery of any shares of Common Stock, payment by the Participant of any federal, state or local taxes required by law to be withheld.

January 1, 2003

Dear _____:

As you know, the Board of Directors of Henry Schein, Inc. ("HSI" or the "Company") awarded you certain Change in Control protection outlined in the letter agreement dated July 1, 2001 (the "CIC Agreement"). The CIC Agreement provided, generally, for two Change in Control benefits, i.e., a severance benefit set forth in Section 3 of the CIC Agreement, and a cash bonus based on a phantom share award set forth in Section 2 of the CIC Agreement. Under the CIC Agreement, the severance benefit provisions would continue in full force and effect indefinitely. The cash bonus provisions, by contrast, were to expire on December 31, 2002.

Having concluded that the cash bonus provisions of the CIC Agreement should be extended to December 31, 2004, the Board of Directors of the Company has authorized this letter agreement which (1) carries forward, without alteration, the severance benefit of the CIC Agreement, and (2) carries forward, under the terms specified herein, the cash bonus benefit through December 31, 2004. Accordingly, this letter agreement amends and restates in its entirety the CIC Agreement and any and all other 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 January 1, 2003 (the "Effective Date") and continue in full force and effect indefinitely; PROVIDED, HOWEVER, that the provisions of Section 2 hereof shall be of no further force or effect after December 31, 2004, unless a Change in Control has occurred on or prior to such date, in which event, the provisions of Section 2 hereof shall continue in full force and effect with respect to such Change in Control. The period from the Effective Date to December 31, 2004 or such later date, if any, as the Company, in its sole discretion, may hereafter extend the provisions of Section 2 hereof, is hereinafter referred to as the Term.

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, multiplied by _____, 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 multiplied by _____, 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 (v) continued participation in all HSI's welfare benefit plans (including, without limitation, health coverage and other benefit plans and programs pursuant to which benefits are provided to you as of the Termination Date) 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. As used herein, the term "Base Salary" includes, without limitation, the annualized rate of any automobile allowance in effect on the date of Termination, and the amount, as applicable, of the Company's matching 401(k) contribution and/or supplemental employment retirement plan contribution for the full year preceding the date of the Change in Control.

(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 Nominating & Corporate Governance Committee (or a committee of the HSI Board of Directors performing functions substantially similar to a nominating 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 \$45, equal to the result obtained by subtracting \$15 from 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 your employment 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:

Stanley M. Bergman
Chairman, President and CEO

Accepted:

Print name:

EMPLOYMENT AGREEMENT dated as of January 1, 2003 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 herein after 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, or 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 and such other corporation is not a supplier or customer of the Company and does not engage in any business that is competitive with the business of the Company. 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.

1.2 EMPLOYMENT PERIOD. Bergman's employment shall be for the period (the "Employment Period") commencing on January 1, 2003, and ending on the earlier of (i) December 31, 2005, as such date may be extended as provided below, 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

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scheduled to expire pursuant to whichever shall be the later of clause (i) above or the extended date as provided above 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 \$800,000 per annum, commencing on January 1, 2003, payable in accordance with the Company's normal payroll practices for its senior executive officers from time to time in effect. The base salary may be increased by such amounts and at such times as shall be determined by the Board of Directors or the Compensation Committee of the Board of Directors (the "Compensation Committee") from time to time, in its sole discretion. (The base salary, as it may be increased from time to time, is hereinafter referred to as the "Base Salary.")

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, perquisite, equity and other similar 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, or from another employer or another employer's insurance plans, 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) or (iii) hereof, for a period of two years thereafter, the Company shall provide for Bergman's use an 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 or three-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 the occurrence of an event that constitutes Good Reason, as hereinafter provided, (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.

4.1A DEFINITIONS

A "Good Reason" event shall have occurred upon the taking of any of the following actions, without Bergman's written consent; provided that a Good Reason event shall not be deemed to have occurred unless Bergman shall have given written notice to the Company specifying the Good Reason event within 90 days of the occurrence of such event:

- (a) a material reduction or material adverse change in Bergman's responsibilities, duties, positions or authority, as provided in the Agreement, including, the failure to appoint Bergman to, or to continue Bergman in, any position to which he is required to be appointed under this Agreement.
- (b) any failure by the Company to provide the compensation, or any failure by the Company to provide the material benefits, agreed to be provided under this Agreement; provided, however, that any reduction in benefits generally applicable to senior management employees shall not constitute Good Reason;
- (c) any change in location of the Company's principal executive offices outside of the New York metropolitan area (which shall consist solely of New York City, Long Island and any other location within 35 miles of the Company's current principal executive offices);

PROVIDED, HOWEVER, that (i) a "Good Reason" event will not include acts which are cured by the Company within 30 days from receipt by it of a written notice from Bergman identifying in reasonable detail the act or acts constituting "Good Reason," and (ii) if the Company has failed to cure as provided above, a "Good Reason" event will not exist unless Executive has thereafter given notice of termination for Good Reason within 30 days after the earlier of the expiration of the 30-day cure period or the Company's notice to Bergman that it will not cure such Good Reason event.

4.2 DISABILITY. If, by reason of physical or mental disability, Bergman (i) is unable to carry out the material duties he has agreed to carry out under this Agreement for more than 180 days in any twelve-month period or (ii) is expected to be unable to carry out his duties for such period as certified by a Licensed Physician ("Disability"), the Employment Period shall terminate hereunder. A "Licensed Physician" shall be any qualified physician licensed to practice medicine in the State of New York as shall be mutually agreed by the Company and Bergman (or his representatives), such approval not to be unreasonably withheld or delayed. Bergman shall submit to an examination by a physician for purposes of the preceding provisions 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 or omission by Bergman involving willful malfeasance or willful misconduct having a material adverse effect on the Company (whether economically or as to reputation), (ii) Bergman being convicted of, or pleading NOLO CONTENDERE to, a felony (other than resulting from a traffic violation or like event) or being convicted of any other crime involving intentional dishonesty or fraud, (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. In the case of (i) above, no act or omission by Executive shall be considered willful if it is done or omitted in good faith and with a reasonable belief that it was in the best interests of the Company. Termination by the Company for Cause pursuant to (i) or (iii) above will not be effective unless the Board of Directors has voted to terminate Bergman for Cause at a meeting of the Board called for such purpose after Bergman has been afforded at least three days notice of the meeting and an opportunity to be heard at a meeting of the Board; provided, however, that the Board may suspend Bergman with pay and benefits pending such Board meeting.

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 annual Incentive Compensation due to Bergman, if any, for the last full fiscal year of the Company ending prior to the date of termination (if not previously paid), (d) 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, (e) any accrued and unpaid vacation pay, and (f) 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 GOOD REASON. If Bergman's employment hereunder is terminated by the Company for Cause or by Bergman pursuant to Section 4.1(c)(ii) above, or by Bergman by non-renewal pursuant to Section 1.2 (a) or (b), 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 clauses (c) and (d) 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 GOOD REASON; 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 Bergman's annual Incentive Compensation paid or payable with respect to whichever of the immediately preceding two fiscal years of the Company ending prior to the date of termination was higher; and

(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 written opinion (at the substantial authority level) 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 280G 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 finally by the Internal Revenue Service to be less than the amount taken into account thereunder at the time the Gross-up Payment is made, Bergman shall pay 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 paid by the Executive if, and to the extent, such payment results in a reduction in Excise Tax or a federal and state and local income tax deduction), plus interest on the amount of such payment 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 paid to the Company has been paid to any federal, state or local tax authority, payment 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, or earlier if as a result thereof, Bergman would be subject to the entry of a judgment against him or

other action by the Internal Revenue Service to enforce such assessment (other than the accrual of interest and penalties which are included in the calculation of the Gross-up Payment to be made by the Company).

(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 be payable to the Company 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 one 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, if assignment is permissible) 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. INTO 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, if such breach is not cured by the Company within 30 days after written notice from Bergman specifying the default, 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
c/o Henry Schein, Inc.
135 Duryea Road
Melville, New York 11747

(b) If any provision of this Agreement shall be held by court of competent jurisdiction to be illegal, invalid or unenforceable, including, without limitation, under any provision of the Sarbanes-Oxley Act of 2002, as amended from time to time, 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, including, without limitation, as of the effective date of this Agreement, that certain employment agreement dated as of January 1, 2000 and any letters with respect thereto.

(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: /S/ Steven Paladino

Authorized Officer

/S/ Stanley Bergman

STANLEY M. BERGMAN

Consent of Independent Certified Public Accountants

Henry Schein, Inc.
New York, New York

We hereby consent to the incorporation by reference to the Registration Statements of Henry Schein, Inc. and Subsidiaries (the "Company") on Forms S-3 dated February 28, 2001, August 22, 2000 and October 5, 2000 and Forms S-8 dated July 2, 2002, April 19, 2000, November 20, 1997, August 8, 1997, June 7, 1997 and June 7, 1996, filed with the Securities and Exchange Commission, respectively, of our reports dated February 27, 2003 on the consolidated financial statements and schedule of the Company appearing in the Annual Report on Form 10-K as of and for the year ended December 28, 2002.

/s/ BDO Seidman, LLP

New York, New York
February 27, 2003

Certification
Pursuant to 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350,
Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Henry Schein, Inc., a Delaware corporation (the "Company"), does hereby certify, to the best of such officer's knowledge and belief that:

- (1) The Annual Report of the Company on Form 10-K for the year ended December 28, 2002 (the "Form 10-K") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 24, 2003 /s/ Stanley M. Bergman

Stanley M. Bergman
Chairman, Chief Executive Officer and
President

Dated: March 24, 2003 /s/ Steven Paladino

Steven Paladino
Executive Vice President and
Chief Financial Officer