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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the period ended September 26, 1998

OR

__ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission File Number: 0-27078

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

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

135 DURYEA ROAD
MELVILLE, NEW YORK 11747
(Address of principal executive offices)

TELEPHONE NUMBER (516) 843-5500
(Registrant's telephone number, including area code)

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

Yes X No

As of November 5, 1998, there were 39,789,516 shares of the Registrant's Common Stock outstanding.

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HENRY SCHEIN, INC.

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PART 1. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

	September 26, 1998	December 27, 1997 (restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 16,076	$ 11,813
Accounts receivable, less reserves of $17,255 and $14,922, respectively	353,772	284,727
Inventories	264,781	228,005
Deferred income taxes	16,545	13,323
Other	42,803	41,128
Total current assets	693,977	578,996
Property and equipment, net of accumulated depreciation and amortization of $66,560 and $63,307, respectively	68,487	63,155
Goodwill and other intangibles, net of accumulated amortization of $16,173 and $10,911, respectively	145,252	130,847
Investments and other	42,684	30,948
	$950,400	$803,946
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$183,160	$137,992
Bank credit lines	21,408	32,173
Accruals:		
Salaries and related expenses	29,835	25,021
Merger and integration costs	13,652	17,056
Other	46,257	42,194
Current maturities of long-term debt	6,260	9,470
Total current liabilities	300,572	263,906
Long-term debt	182,014	107,042
Other liabilities	8,834	6,550
Total liabilities	491,420	377,498
Minority interest	1,784	2,225
Stockholders' equity:		
Common stock, $.01 par value, authorized 60,000,000; issued 39,757,374 and 38,120,572, respectively	398	381
Additional paid-in capital	347,542	328,644
Retained earnings	113,817	99,588
Treasury stock, at cost (62,479 shares)	(1,156)	(1,156)
Accumulated other comprehensive income	(1,780)	(1,609)
Deferred compensation	(1,625)	(1,625)
Total stockholders' equity	457,196	424,223
	$950,400	$803,946

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 26, 1998	September 27, 1997 (restated)	September 26, 1998	September 27, 1997 (restated)
Net sales	$492,634	$439,309	$1,418,968	$1,240,430
Cost of sales	338,935	310,431	978,979	871,810
Gross profit	153,699	128,878	439,989	368,620
Operating expenses:				
Selling, general and administrative	128,631	113,747	377,272	328,420
Merger and integration costs	20,240	17,718	32,640	22,071
Operating income (loss)	4,828	(2,587)	30,077	18,129
Other income (expense):				
Interest income	1,638	2,328	4,826	5,361
Interest expense	(2,606)	(2,034)	(8,556)	(5,079)
Other - net	289	16	850	483
Income (loss) before taxes on income, minority interest and equity in earnings of affiliates	4,149	(2,277)	27,197	18,894
Taxes on income	2,572	6,228	12,483	16,343
Minority interest in net income (losses) of subsidiaries	86	(311)	(57)	(437)
Equity in earnings of affiliates	815	558	1,470	888
Net income (loss)	$ 2,306	$(7,636)	$16,241	$3,876
Net income (loss) per common share:				
Basic	$ 0.06	$ (0.20)	$ 0.41	$ 0.10
Diluted	$ 0.06	$ (0.20)	$ 0.39	$ 0.10
Pro Forma:				
Historical net income (loss)	$ 2,306	$(7,636)	$ 16,241	$ 3,876
Pro Forma adjustment (provision for taxes on previously untaxed earnings (loss) of an acquisition)	(2,240)	385	(2,579)	597
Pro Forma net income (loss)	$ 66	$ (7,251)	$ 13,662	$ 4,473
Pro Forma net income (loss) per common share:				
Basic	$ 0.00	$ (0.19)	$ 0.34	$ 0.12
Diluted	$ 0.00	$ (0.19)	$ 0.33	$ 0.11
Weighted average shares outstanding:				
Basic	39,787	37,560	39,729	37,493
Diluted	41,828	37,560	41,588	39,393

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended	
	September 26, 1998	September 27, 1997 (RESTATED)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 16,241	$ 3,876
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,953	11,797
Provision for losses on accounts receivable	1,813	3,837
Provision (benefit) for deferred income taxes	(1,901)	368
Undistributed earnings of affiliates	(1,470)	(888)
Stock issued to ESOP trust	1,311	1,111
Provision (benefit) for merger and integration costs	(3,404)	5,753
Minority interest in net losses of subsidiaries	(57)	(437)
Other	49	132
Changes in assets and liabilities:		
Increase in accounts receivable	(59,443)	(51,551)
Increase in inventories	(27,775)	(4,273)
Decrease (increase) in other current assets	5,961	(2,727)
Increase in accounts payable and accruals	54,172	9,045
Net cash used in operating activities	(550)	(23,957)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(28,094)	(16,814)
Business acquisitions, net of cash acquired	(11,549)	(45,847)
Other	(11,831)	(8,126)
Net cash used in investing activities	(51,474)	(70,787)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of long-term debt	129,493	14,314
Principal payments on long-term debt	(19,812)	(10,967)
Proceeds from issuance of stock upon exercise of options	7,308	2,421
Proceeds from borrowings from banks	104,836	65,342
Principal payments on borrowings from banks	(163,406)	(2,663)
Purchase of treasury stock	--	(619)
Dividends paid by acquired company	(2,011)	(1,483)
Other	(121)	(387)
Net cash provided by financing activities	56,287	65,958
Net increase (decrease) in cash and cash equivalents	4,263	(28,786)
Cash and cash equivalents, beginning of period	11,813	45,818
Cash and cash equivalents, end of period	$ 16,076	$ 17,032

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share data)
(unaudited)

NOTE 1. BASIS OF PRESENTATION

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

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. These consolidated financial statements are condensed and therefore do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial statements include adjustments to give effect to the acquisitions of Sullivan Dental Products, Inc. ("Sullivan"), effective November 12, 1997 and H. Meer Dental Supply Co. ("Meer"), effective August 14, 1998, which were accounted for under the pooling of interests method. The consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K and 10-K/A for the year ended December 27, 1997. The Company follows the same accounting policies in preparation of interim reports. The results of operations for the nine months ended September 26, 1998 are not necessarily indicative of the results to be expected for the fiscal year ending December 26, 1998 or any other period.

NOTE 2. BUSINESS ACQUISITIONS

During the nine months ended September 26,1998, the Company completed five acquisitions. The 1998 completed acquisitions included two dental supply companies, the most significant of which was Meer, a leading full-service dental distributor serving over 40,000 dentists, dental laboratories and institutions throughout the United States, with 1997 annual net sales of over $180,000 and, combined with the other dental company, totaled approximately $212,000 in aggregate net sales for 1997. The completed acquisitions also included two medical supply companies with aggregate net sales for 1997 of approximately $37,000, and one international dental distribution business with 1997 net sales of approximately $16,000. Of the five completed acquisitions, four were accounted for under the pooling of interests method, and the remaining acquisition of a 50.1% interest was accounted for under the purchase method of accounting. The financial statements have been restated to give retroactive effect to the Meer transaction as the remaining three pooling transactions were not material and have been included in the consolidated financial statements from the beginning of the quarter in which the acquisitions occurred. Results of operations of the business acquisition accounted for under the purchase method of accounting have been included in the consolidated financial statements commencing with the acquisition date.

The Company issued 2,973,680 shares, 347,063 shares and 121,000 shares of its Common Stock, with an aggregate value of approximately $151,100, in connection with three of the pooling transactions. Additionally, in connection with one of the dental supply company acquisitions, the Company issued shares of a subsidiary, with rights equivalent to those of the Company's Common stock, which are exchangeable into 603,500 shares of the Company's Common Stock, at each shareholders' option, and had an aggregate value of approximately $24,000.

(in thousands, except share data)

NOTE 2. BUSINESS ACQUISITIONS (CONTINUED)

The total cash purchase price for the acquisition accounted for under the purchase method of accounting was approximately $6,800. The excess of the acquisition costs over the fair value of identifiable net assets acquired will be amortized on a straight-line basis over 30 years.

In connection with the 1998 and 1997 acquisitions accounted for under the pooling of interests method, the Company incurred certain merger and integration costs during the three and nine months ended September 26, 1998 and September 27, 1997, of approximately $20,240 and $32,640, and $17,718 and $22,071, respectively. These costs consist primarily of compensation, investment banking, legal, accounting and advisory fees, impairment of goodwill arising from acquired businesses integrated into the Company's dental business, as well as other integration costs associated with these mergers. Net of taxes, for the three and nine months ended September 26, 1998 and September 27, 1997, merger and integration costs were approximately $0.38 and $0.59 per share, and $0.44 and $0.55 per share, respectively, on a diluted basis.

The summarized unaudited pro forma results of operations set forth below for the nine months ended September 26, 1998 and September 27, 1997 assume the acquisitions, completed in 1997 and the first nine months of 1998, which were either non-material pooling transactions included in the consolidated financial statements from the beginning of the quarter in which the acquisitions occurred, or were accounted for under the purchase method of accounting, occurred as of the beginning of each of these periods.

	Nine Months Ended	
	September 26, 1998	September 27, 1997
Net sales	$1,447,679	$1,348,882
Net income (1)	$ 15,829	$ 3,742
Net income per common share:		
Basic	$ 0.40	$ 0.10
Diluted	$ 0.38	$ 0.09
Pro forma net income, reflecting adjustment for income taxes on previously untaxed earnings of Meer	$ 13,250	$ 4,339
Pro forma net income per common share:		
Basic	$ 0.33	$ 0.12
Diluted	$ 0.32	$ 0.11

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(1) Includes merger and integration costs of approximately $32,640 and $22,071, and related tax benefits of $7,835 and $624, for the nine months ended September 26, 1998 and September 27, 1997, respectively.

NOTE 2. BUSINESS ACQUISITIONS (CONTINUED)

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

Net sales and net income (loss) of the Company and Meer were $395,485 and $(6,679), and $43,824 and $(572), respectively, for the three months ended September 27, 1997, and $1,107,968 and $5,368, and $132,462 and $(895), respectively, for the nine months ended September 27, 1997. The Meer net losses for the three and nine months ended September 27, 1997 include pro forma adjustments of $385 and $597, respectively, to reflect assumed income tax benefits arising from Meer's conversion from an S Corp. to a C Corporation. For the period ended August 14, 1998, the effective date of the Meer acquisition, Meer's net sales and pro forma net income was approximately $118,073 and $1,646, respectively. The pro forma adjustment was for taxes on previously untaxed earnings of Meer as an S Corp. through August 14, 1998.

NOTE 3. SENIOR NOTES

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

NOTE 4. COMPREHENSIVE INCOME

The Company adopted SFAS No. 130 Reporting Comprehensive Income, which requires that all components of comprehensive income and total comprehensive income be reported on one of the following: a statement of income and comprehensive income, a statement of comprehensive income or a statement of stockholders' equity. Comprehensive income is comprised of net income and all changes to stockholders' equity, except those due to investments by owners (changes in paid-in capital) and distributions to owners (dividends). For interim reporting purposes, SFAS 130 requires disclosure of total comprehensive income.

NOTE 4. COMPREHENSIVE INCOME (CONTINUED)

Total comprehensive income for the three and nine months ended September 26, 1998 and September 27, 1997 is as follows:

	Three Months Ended	
	September 26, 1998	September 27, 1997
Net income (loss)	$2,306	$ (7,636)
Pro forma net income (loss), reflecting the Meer tax adjustment	$ 66	$ (7,251)
Foreign currency translation adjustments	(97)	(471)
Pro forma comprehensive income (loss)	$ (31)	$ (7,722)

	Nine Months Ended	
	September 26, 1998	September 27, 1997
Net income	$16,241	$3,876
Pro forma net income, reflecting the Meer tax adjustment	$13,662	$4,473
Foreign currency translation adjustments	(171)	(1,537)
Pro forma comprehensive income	$13,491	$2,936

NOTE 5. EARNINGS PER SHARE

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

	Three Months Ended	
	Three Months Ended	Nine Months Ended
September 26, 1998		
Basic*	39,787	39,729
Effect of assumed conversion of employee stock options	2,041	1,859
Diluted	41,828	41,588
September 27, 1997		
Basic	37,560	37,493
Effect of assumed conversion of employee stock options	--	1,900
Diluted	37,560	39,393

* Includes shares which are exchangeable into 603,500 shares of the Company's Common Stock (see Note 2).

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

RECENT DEVELOPMENTS

During the nine months ended September 26,1998, the Company completed five acquisitions. The 1998 completed acquisitions included two dental supply companies, the most significant of which was Meer, a leading full-service dental distributor serving over 40,000 dentists, dental laboratories and institutions throughout the United States, with 1997 annual net sales of over $180.0 million and, combined with the other dental company totaled approximately $212.0 million in aggregate net sales for 1997. The completed acquisitions also included two medical supply companies with aggregate net sales for 1997 of approximately $37.0 million, and one international dental distribution business with 1997 net sales of approximately $16.0 million. Of the five completed acquisitions, four were accounted for under the pooling of interests method, and the remaining acquisition of a 50.1% interest was accounted for under the purchase method of accounting. The financial statements have been restated to give retroactive effect to the Meer transaction as the remaining three pooling transactions were not material and have been included in the consolidated financial statements from the beginning of the quarter in which the acquisitions occurred. Results of operations of the business acquisition accounted for under the purchase method of accounting have been included in the consolidated financial statements commencing with the acquisition date.

The Company issued 2,973,680 shares, 347,063 shares and 121,000 shares of its Common Stock, with an aggregate value of approximately $151.1 million, in connection with three of the pooling transactions, the most significant of which was Meer, which closed on August 14, 1998. Additionally, in connection with one of the dental supply company acquisitions, the Company issued shares of a subsidiary, with rights equivalent to those of the Company's Common stock, which are exchangeable into 603,500 shares of the Company's Common Stock, at each shareholders' option, and had an aggregate value of approximately $24.0 million. The total cash purchase price for the acquisition accounted for under the purchase method of accounting was approximately $6.8 million. The excess of the acquisition costs over the fair value of identifiable net assets acquired will be amortized on a straight-line basis over 30 years.

In connection with the 1998 and 1997 acquisitions accounted for under the pooling of interests method, the Company incurred certain merger and integration costs during the three and nine months ended September 26, 1998 and September 27, 1997, of approximately $20.2 million and $32.6 million, and $17.7 million and $22.1 million, respectively. These costs consist primarily of compensation, investment banking, legal, accounting and advisory fees, impairment of goodwill arising from acquired businesses integrated into the company's dental business, as well as other integration costs associated with these mergers. Net of taxes, for the three and nine months ended September 26, 1998 and September 27, 1997, merger and integration costs were approximately $0.38 and $0.59 per share, and $0.44 and $0.55 per share, respectively, on a diluted basis.

Excluding the merger and integration costs, net of taxes, pro forma net income and pro forma net income per diluted common share would have been $38.5 million and $0.92, and $25.9 million and $0.66, respectively for the nine months ended September 26, 1998 and September 27, 1997, and $15.8 million and $0.38, and $10.2 million and $0.26, respectively for the three months ended September 26, 1998 and September 27, 1997.

On August 7, 1998, the Company completed the sale of Marus Dental International ("Marus"), the Company's dental equipment manufacturing operation. Marus had 1997 net sales of approximately $25.0 million. The operations of Marus were not material to the Company.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 26, 1998 COMPARED TO
THREE MONTHS ENDED SEPTEMBER 27, 1997

Net sales increased $53.3 million, or 12.1%, to $492.6 million for the three months ended September 26, 1998 from $439.3 million for the three months ended September 27, 1997. Of the $53.3 million increase, approximately $22.9 million represented a 18.4% increase in the Company's medical business, $13.6 million represented a 5.4% increase in its dental business, $12.3 million represented a 28.0% increase in its international business, $2.6 million represented a 33.5% increase in its technology and value-added product business, and $1.9 million represented a 18.0% increase in its veterinary business. The increase in medical net sales is primarily attributable to sales to hospitals, acquisitions, and the benefits of a new telesales structure, partially offset by a decline in sales to the Company's largest renal dialysis customer, Renal Treatment Centers, Inc., ("RTC"). The increase in dental net sales was primarily the result of the continuing favorable impact of the Company's integrated sales and marketing approach (which coordinates the efforts of its field sales consultants with its direct marketing and telesales personnel), acquisitions and continued success of the Company's targeted marketing programs, offset in part by a reduction in dental equipment sales resulting from the Company's disposal of its equipment manufacturing subsidiary, Marus in August 1998, and estimated sales erosion on the Meer acquisition. In the international market the increase in net sales was primarily due to increased account penetration in France and the United Kingdom, and an acquisition in Australia. Favorable exchange rate translation adjustments increased net sales in the international market by approximately $1.4 million. Had net sales for the international market been translated at the same exchange rates in effect during the third quarter of 1997, the increase in international net sales would have been 3.2% less. The increase in technology and value-added product net sales was primarily due to increased practice management software sales. In the veterinary market, the increase in net sales was primarily due to increased account penetration with core accounts and veterinary groups. Excluding net sales of Marus and RTC, in both periods as well as the estimated sales erosion on the Meer acquisition, net sales would have increased by 18.8% in 1998 over 1997.

Gross profit increased by $24.8 million, or 19.2%, to $153.7 million for the three months ended September 26, 1998, from $128.9 million for the three months ended September 27, 1997. Gross profit margin increased by 1.9% to 31.2% from 29.3% last year, with improvements primarily in technology and value-added product margins and to a lesser extent, medical, veterinary, and dental margins.

Selling, general and administrative expenses increased by $14.9 million, or 13.1%, to $128.6 million for the three months ended September 26, 1998 from $113.7 million for the three months ended September 27, 1997. Selling and shipping expenses increased by $11.0 million, or 14.5%, to $87.1 million for the three months ended September 28, 1998 from $76.1 million for the three months ended September 27, 1997. As a percentage of net sales, selling and shipping expenses increased 0.4% to 17.7% for the three months ended September 26, 1998 from 17.3% for the three months ended September 27, 1997. The increase was primarily due to higher selling and shipping expenses attributable to increases in

payroll, freight and other costs as a result of opening new warehouse facilities, and increased spending on promotional programs and advertising expenditures. General and administrative expenses increased $3.9 million, or 10.4%, to $41.5 million for the three months ended September 26, 1998 from $37.6 million for the three months ended September 27, 1997 primarily as a result of acquisitions. As a percentage of net sales, general and administrative expenses decreased 0.2% to 8.4% for the three months ended September 26, 1998 from 8.6% for the three months ended September 27, 1997.

Other income (expense) - net decreased by $1.0 million, to $(0.7) million for the three months ended September 26, 1998, compared to $0.3 million for the three months ended September 27, 1997 due to an increase in interest expense resulting from an increase in average borrowings and lower imputed interest income on long-term accounts receivable balances.

Equity in earnings of affiliates increased $0.2 million to $0.8 million for the three months ended September 26, 1998 from $0.6 million for the three months ended September 27, 1997. This increase was primarily due to increased sales volume and improved margins for the products sold by an unconsolidated 50%-owned affiliate.

For the three months ended September 26, 1998 the Company's effective tax rate was 62.0%. Excluding merger and integration costs, the majority of which are not deductible for income tax purposes, and including a pro forma tax adjustment for Meer on previously untaxed earnings as an S Corp, and the establishment of a net deferred tax asset arising from Meer's conversion from an S Corp. to a C Corporation, the Company's effective tax rate would have been 38.2%. For the three months ended September 27, 1997, the Company's effective tax rate was 273.5%. Excluding merger and integration costs and including a pro forma adjustment for assumed tax benefits arising from the previously untaxed loss of Meer, the Company's effective tax rate for the three months ended September 27, 1997 would have been 39.8%. The difference between the Company's effective tax rate, excluding merger and integration costs and the Meer tax adjustment, and the Federal statutory rate relates primarily to state income taxes.

Nine Months Ended September 26, 1998 compared to
Nine Months Ended September 27, 1997

Net sales increased $178.6 million, or 14.4%, to $1,419.0 million for the nine months ended September 26, 1998 from $1,240.4 million for the nine months ended September 27, 1997. Of the $178.6 million increase, approximately $80.6 million represented a 11.0% increase in the Company's dental business, $54.6 million represented a 16.7% increase in its medical business, $34.8 million represented a 27.3% increase in its international business, $5.9 million represented a 19.5% increase in its veterinary business and $2.7 million represented a 9.9% increase in its technology and value-added product business. The increase in dental net sales was primarily the result of the continuing favorable impact of the Company's integrated sales and marketing approach (which coordinates the efforts of its field sales consultants with its direct marketing and telesales personnel), continued success of the Company's targeted marketing programs and acquisitions, offset in part by a reduction in dental equipment sales resulting from the Company's disposal of its equipment manufacturing subsidiary, Marus in August 1998, and estimated sales erosion on the Meer acquisition. The increase in medical net sales was primarily attributable to sales to hospitals, acquisitions and the benefits of a new telesales structure, partially offset by a decline in sales to renal dialysis centers. In the first quarter of 1998 the Company's largest renal dialysis customer, RTC, was acquired by Total Renal Care, Inc., which currently is not a customer of the Company. In March of this year, RTC stopped purchasing Epogen from the Company, but continues to purchase other products. During fiscal year 1997, the Company's sales of Epogen to RTC amounted to $38.7 million. In the international market the

increase in net sales was due to acquisitions, primarily in Germany, the United Kingdom and Australia, and increased account penetration in France, the United Kingdom and Spain. Unfavorable exchange rate translation adjustments reduced the increase in net sales for the international market by approximately $1.4 million. Had net sales for the international market been translated at the same exchange rates in effect during the first nine months of 1997, international net sales would have increased by an additional 1.0%. In the veterinary market, the increase in net sales was primarily due to increased account penetration with core accounts and veterinary groups. The increase in technology and value-added product sales was primarily due to increased practice management software sales. Excluding net sales of Marus and RTC in both periods, as well as the estimated sales erosion on the Meer acquisition, net sales would have grown by 18.6% in 1998 over 1997.

Gross profit increased by $71.4 million, or 19.4%, to $440.0 million for the nine months ended September 26, 1998, from $368.6 million for the nine months ended September 27, 1997. Gross profit margin increased by 1.3% to 31.0% from 29.7% last year, with improvements primarily in technology and value-added product margins and to a lesser extent, medical, veterinary and dental margins.

Selling, general and administrative expenses increased by $48.9 million, or 14.9%, to $377.3 million for the nine months ended September 26, 1998 from $328.4 million for the nine months ended September 27, 1997. Selling and shipping expenses increased by $34.2 million, or 15.5%, to $254.4 million for the nine months ended September 26, 1998 from $220.2 million for the nine months ended September 27, 1997. As a percentage of net sales, selling and shipping expenses increased 0.1% to 17.9% for the nine months ended September 26, 1998 from 17.8% for the nine months ended September 27, 1997. The increase was primarily due to higher selling and shipping expenses attributable to increases in payroll, freight and other costs as a result of opening new warehouse facilities, and increased spending on promotional programs and advertising expenditures. General and administrative expenses increased $14.7 million, or 13.6%, to $122.9 million for the nine months ended September 26, 1998 from $108.2 million for the nine months ended September 27, 1997, primarily as a result of acquisitions. As a percentage of net sales, general and administrative expenses remained unchanged at 8.7%.

Other income (expense) - net decreased by $3.7 million, to $(2.9) million for the nine months ended September 26, 1998, compared to $0.8 million for the nine months ended September 27, 1997 due to an increase in interest expense resulting from an increase in average borrowings and lower imputed interest income on long-term accounts receivable balances.

Equity in earnings of affiliates increased $0.6 million to $1.5 million for the nine months ended September 26, 1998 from $0.9 million for the nine months ended September 27, 1997. This increase was primarily due to increased sales volume and improved margins for the products sold by an unconsolidated 50%-owned affiliate.

For the nine months ended September 26, 1998 the Company's effective tax rate was 45.9%. Excluding merger and integration costs, the majority of which are not deductible for income tax purposes, and including a pro forma tax adjustment for Meer on previously untaxed earnings as an S Corp, and the establishment of a net deferred tax asset arising from Meer's conversion from an S Corp. to a C Corporation, the Company's effective tax rate would have been 38.3%. For the nine months ended September 27, 1997, the Company's effective tax rate was 86.5%. Excluding merger and integration costs and including a pro forma adjustment for assumed tax benefits arising from the previously untaxed loss of Meer, the Company's effective tax rate for the three months ended September 27, 1997 would have been 40.0%. The difference between the Company's effective tax rate, excluding merger and integration costs and the Meer tax adjustment, and the Federal statutory rate relates

primarily to state income taxes.

YEAR 2000

Management has initiated a company-wide program to prepare the Company's computer systems, applications and software products for the year 2000, as well as to assess the readiness for the year 2000 of critical vendors and other third parties upon which the Company relies to operate its business. The year 2000 issue arises from the widespread use of computer programs that rely on two-digit date codes to perform computations or decision-making functions. The Company anticipates completing all of its system critical upgrades and enhancements and testing before the end of the third quarter of 1999. The Company expects to incur internal payroll costs as well as consulting costs and other expenses related to infrastructure, facility enhancements and software upgrades necessary to prepare for the Company's systems for the year 2000. Management estimates that the cost of this program will be between $2.0 million and $3.0 million, with approximately $1.5 million representing incremental costs to the Company.

There can be no assurance that the computer systems of other companies upon which the Company's systems or software products rely upon will be timely converted, or that such failure to convert by another company would not have a material adverse effect on the Company's business or systems and results of operations.

The statements contained in this Year 2000 readiness disclosure are subject to certain protection under the Year 2000 Information and Readiness Disclosure Act.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash used by operating activities for the nine months ended September 26, 1998 of $0.6 million resulted primarily from net income of $16.2 million, adjusted for non-cash changes of $10.3 million, offset by an increase in operating items of working capital of $27.1 million. The increase in working capital was primarily due to a $59.4 million increase in accounts receivable, and a $27.8 million increase in inventory, offset by a $6.0 million decrease in other current assets, and an increase in accounts payable and other accrued expenses of $54.2 million. The Company anticipates future increases in working capital as a result of its continued sales growth.

Net cash used in investing activities for the nine months ended September 26, 1998 of $51.5 million resulted primarily from cash outlays for capital expenditures of $28.1 million, acquisitions of $11.6 million and increases in loans to unconsolidated affiliates, purchases of intangibles and other long-term asset acquisitions totaling $11.8 million. The increased amount of capital expenditures over the comparable prior year period was due to expenditures for additional operating facilities, as well as the development of new computer systems. The Company expects that it will invest in excess of $30.0 million during the year ending December 26, 1998, including approximately $10.0 million to $12.0 million relating to the consolidation and integration of facilities and systems as a result of recent acquisitions. Thereafter, the Company expects to invest in excess of $20.0 million per year

in capital projects to modernize and expand its facilities and infrastructure systems and integrate operations.

Net cash provided by financing activities for the nine months ended September 26, 1998 of $56.3 million resulted primarily from borrowings under a new $100.0 million privately placed Senior Notes, offset primarily by repayments on the Company's revolving credit facility and other long-term debt.

In addition, with respect to certain acquisitions and joint ventures, holders of minority interest in the acquired entities or ventures have the right at certain times to require the Company to acquire their interest at either fair market value or a formula price based on earnings of the entity.

The Company's cash and cash equivalents as of September 26, 1998 of $16.1 million consist of bank balances and money market funds. These investments have staggered maturity dates, none greater than three months, and have a high degree of liquidity.

The Company has a $150.0 million revolving credit facility which has a termination date of August 15, 2002. Borrowings under the credit facility were $36.3 million at September 26, 1998. The Company also has two uncommitted bank lines totaling $30.0 million under which $28.0 million has been borrowed at September 26, 1998. Certain of the Company's subsidiaries have revolving credit facilities that total approximately $35.3 million under which $21.4 million has been borrowed at September 26, 1998.

On September 25, 1998 the Company completed a private placement transaction under which it issued $100.0 million in Senior Notes, the proceeds of which were used to pay down amounts owed under its revolving credit facility. Principal payments totaling $20.0 million are due annually starting September 25, 2006. The notes bear interest at a rate of 6.66% per annum. Interest is payable semi-annually.

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Certain information in this Form 10-Q contains information that is forward looking, such as the Company's opportunities to increase sales through, among other things, acquisitions; its exposure to fluctuations in foreign currencies; its anticipated liquidity and capital requirements; competitive product and pricing pressures and the ability to gain or maintain share of sales in global markets as a result of actions by competitors; and the results of legal proceedings. The matters referred to in forward looking statements could be affected by the risks and uncertainties involved in the Company's business. These risks and uncertainties include, but are not limited to, the effect of economic and market conditions, the impact of the consolidation of health care practitioners, the impact of health care reform, opportunities for acquisitions and the Company's ability to effectively integrate acquired companies, the acceptance and quality of software products, acceptance and ability to manage operations in foreign markets, the ability to maintain favorable supplier arrangements and relationships, possible disruptions in the Company's computer systems or

telephone systems, the Company's ability and its customers' and suppliers' ability to replace, modify or upgrade computer programs in ways that adequately address the Year 2000 issue (see "Year 2000"), possible increases in shipping rates or interruptions in shipping service, the level and volatility of interest rates and currency values, economic and political conditions in international markets, including civil unrest, government changes and restrictions on the ability to transfer capital across borders, the impact of current or pending legislation, regulation and changes in accounting standards and taxation requirements, environmental laws in domestic and foreign jurisdictions, as well as certain other risks described in this Form 10-Q. Subsequent written and oral forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere described in this Form 10-Q.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES

(c) On August 14, 1998 the Company issued an aggregate of 2,973,680 shares of its Common Stock in connection with its acquisition of Meer (see Note 2 to the consolidated financial statements included in this quarterly report) and 121,000 shares of its Common Stock in connection with another acquisition, without registration under the Securities Act of 1933 in reliance upon the exemption provided in Section 4(c) and Rule 144 promulgated thereunder.

Additionally, in connection with an earlier acquisition, a subsidiary of the Company issued 558,000 Class A non-voting exchangeable preferred shares. These shares are exchangeable by their holders into an equivalent number of the Company's Common Stock. Subsequently 101,087 shares of the Class A non-voting shares were exchanged for 101,087 shares of the Company's Common Stock. The remaining 456,913 shares of Class A non-voting exchangeable preferred shares have been treated as if exchanged into 456,913 shares of the Company's Common Stock, since they cannot be disposed of in any other manner than exchange into the Company's Common Stock.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

10.109 Agreement and Plan of Merger, dated as of August 3, 1998, among the Company, HSI Acquisition Corp., H. Meer Dental Supply Co., and Edward Meer individually and as Trustee of the Edward M. Meer Revocable Living Trust dated November 17, 1972, Brian D. Meer, individually and as Trustee of the Brian D. Meer Revocable Living Trust dated May 10, 1989, as amended, Robert D. Meer, individually and as Trustee of the Robert D. Meer Revocable Living Trust dated August 20, 1991, Jeffrey A. Meer, individually and as Trustee of the Jeffrey A. Meer Revocable Living Trust dated August 20, 1984, as amended, Norma Handelsman, individually and as Trustee of the Norma Handelsman Revocable Living Trust dated December 18, 1993, Herbert B. Handelsman, individually and as Trustee of the Herbert B. Handelsman Revocable Living Trust dated December 18, 1993, Tedd Handelsman, individually and as Trustee of the Tedd Handelsman Revocable Living Trust dated June 5, 1997, Amy Molnar and Jon Eric Handelsman (collectively, the "H. Meer Dental Supply Co. Stockholders").

10.110 Amendment No. 1 dated as of August 14, 1998 to the Agreement and Plan of Merger, dated as of August 3, 1998, among the Company, HSI Acquisition Corp., H. Meer Dental Supply Co., and the H. Meer Dental Supply Co. Stockholders.

10.111 Note Purchase Agreement dated as of July 15, 1998 (The "Note Purchase Agreement") among the Company, New York Life Insurance Company, New York Life Insurance and Annuity Corporation, Jackson National Life Insurance Company, Teachers Insurance and Annuity Association and the Equitable Life Assurance Society of the United States, providing for the purchase of an aggregate of $100,000,000 of the Company's 6.66% Senior Notes due July 15, 2010.

10.112 Form of Corporate Guaranty executed by certain subsidiaries of the Company pursuant to the Note Purchase Agreement.

27.1 Financial Data Schedule

(b) Reports on Form 8-K.
None.

SIGNATURE

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

HENRY SCHEIN, INC.
(Registrant)

By: /s/ Steven Paladino

STEVEN PALADINO
Senior Vice President and Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Dated: November 10, 1998

Exhibit 10.109

AGREEMENT AND PLAN OF MERGER

by and among

HENRY SCHEIN, INC.

HSI ACQUISITION CORP.

H. MEER DENTAL SUPPLY CO.

and the

STOCKHOLDERS

of

H. MEER DENTAL SUPPLY CO.

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EXHIBITS

AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER dated as of August 3, 1998, among HENRY SCHEIN, INC., a Delaware corporation ("Parent"), HSI ACQUISITION CORP., a Michigan corporation and wholly-owned subsidiary of Parent ("Sub"), H. Meer Dental Supply Co., a Michigan corporation ("Meer"), and Edward M. Meer, individually and as Trustee of the Edward M. Meer Revocable Living Trust dated November 17, 1972 (the "Edward M. Meer Trust"), Brian D. Meer, individually and as Trustee of the Brian D. Meer Revocable Living Trust dated May 10, 1989, as amended, Robert D. Meer, individually and as Trustee of the Robert D. Meer Revocable Living Trust dated August 20, 1991, Jeffrey A. Meer, individually and as Trustee of the Jeffrey A. Meer Revocable Living Trust dated August 20, 1984, as amended, Norma Handelsman, individually and as Trustee of the Norma Handelsman Revocable Living Trust dated December 18, 1993, Herbert B. Handelsman, individually and as Trustee of the Herbert B. Handelsman Revocable Living Trust dated December 18, 1993, Tedd Handelsman, individually and as Trustee of the Tedd Handelsman Revocable Living Trust dated June 5, 1997, Amy Molnar and Jon Eric Handelsman (each sometimes hereinafter referred to individually as a "Stockholder" and, collectively, as the "Stockholders"). The Stockholders are, collectively, the holders of all of the outstanding capital stock of Meer.

Parent, Sub, Meer and the Stockholders desire that Parent acquire Meer pursuant to the merger of Sub with and into Meer in accordance with the terms of this Agreement and the Michigan Business Corporation Act (the "Act").

For federal income tax purposes, it is intended that the Merger, as defined herein, shall qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code").

For accounting purposes, it is intended that the Merger shall be accounted for as a pooling of interests.

The parties hereto agree as follows:

ARTICLE I

THE MERGER; THE SURVIVING CORPORATION

Section 1.1 The Merger. In accordance with and subject to the provisions of this Agreement and the Act, at the Effective Time, as defined in Section 1.2 hereof, Sub shall be merged with and into Meer (the "Merger"), the separate existence of Sub shall thereupon cease, and Meer shall be the surviving corporation in the Merger (the "Surviving Corporation") and shall continue its corporate existence under the laws of the Act. The Merger shall have the effects set forth in the applicable sections of the Act.

Section 1.2 Effective Time of the Merger. The Merger shall become effective at the time of filing of, or at such later time as is specified in, a Certificate of Merger with respect to the Merger, in the form required by, and executed and filed with the Michigan Department of Consumer and Industry Services, Corporation, Securities & Land Development Bureau -- Corporate Division, in accordance with, the applicable provisions of the Act. Such filing shall be made as soon as practicable after the Closing (as defined in Section 1.3). When used in this Agreement, the term "Effective Time" shall mean the date and time at which the Merger becomes effective.

Section 1.3 Closing. Subject to the fourth and fifth sentences of Section 2.1(a), the closing of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Proskauer Rose LLP, 1585 Broadway, New York, New York, at 10:00 a.m., local time, on the first business day after the day on which all of the conditions set forth in Article VII are satisfied or waived or on such other date and at such other time and place as Parent and Meer shall agree (the "Closing Date").

Section 1.4 Articles of Incorporation. The Articles of Incorporation of Meer in effect at the Effective Time shall be the Articles of Incorporation of the Surviving Corporation until amended in accordance with applicable law.

Section 1.5 By-Laws. The By-Laws of Meer as in effect at the Effective Time shall be the By-Laws of the Surviving Corporation until thereafter amended in accordance with the Act.

Section 1.6 Directors and Officers of Surviving Corporation.

(a) The directors of Sub at the Effective Time shall be the directors of the Surviving Corporation and shall hold office from the Effective Time until their respective successors are duly elected or appointed and qualified in the manner provided in the Articles of Incorporation or By-Laws of the Surviving Corporation or as otherwise provided by law.

(b) The officers of Meer at the Effective Time and the individuals listed on Schedule 1.6 hereto shall be the officers of the Surviving Corporation and shall hold office from the Effective Time until their respective successors are duly elected or appointed and qualified in the manner provided in the Articles of Incorporation or By-Laws of the Surviving Corporation, or as otherwise provided by law. Each of the individuals listed on Schedule 1.6 shall hold the respective offices set forth opposite his or her name.

ARTICLE II

CONVERSION OF SHARES

Section 2.1 Exchange Ratio. At the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof:

(a) Subject to Section 6.4, the shares of Class A common stock, par value $1.00 (the "Class A Meer Common Stock"), and the shares of Class B Common stock, par value $1.00 (the "Class B Meer Common Stock and, together with the Class A Meer Common Stock, the "Meer Common Stock"), issued and outstanding immediately prior to the Effective Time shall be converted into the right to receive, in the aggregate, 3,000,000 shares of the common stock, par value $.01, of Parent (the "Parent Common Stock").

(b) All shares of Meer Common Stock, if any, that are held by Meer as treasury shares shall be canceled and retired and cease to exist, and no securities of Parent or other consideration shall be delivered in exchange therefor.

(c) Each share of Common Stock, par value $.01, of Sub ("Sub Common Stock") issued and outstanding immediately prior to the Effective Time, shall be converted into and become one fully paid and nonassessable share of the Class A common stock, par value $1.00, of the Surviving Corporation.

(d) In the event that Parent shall effect a stock split, stock dividend, subdivision, recapitalization or combination of the issued and outstanding shares of Parent Common Stock with a record date (or, if there is no record date, an effective date) prior to the Closing Date, then the number of shares of Parent Common Stock issuable pursuant to Section 2.1(a) shall be adjusted accordingly.

Section 2.2 Exchange of Meer Stock. Immediately after the Effective Time, the Stockholders shall present to Parent for cancellation the certificates which immediately prior to the Effective Time represented outstanding shares of Meer Common Stock (the "Certificates") that were converted pursuant to Section 2.1 into the right to receive shares of Parent Common Stock, and Parent shall thereupon deliver to each Stockholder in exchange therefor (i) a certificate representing the number of whole shares of Parent Common Stock that such Stockholder has the right to receive pursuant to the provisions of this Article II and (ii) cash in lieu of any fractional shares of Parent Common Stock to which such Stockholder is entitled in accordance with Section 2.3, after giving effect to any required tax withholdings. The Merger Shares so issued shall be deemed to have been issued at the Effective Time.

Section 2.3 No Fractional Securities. No certificates or scrip representing fractional shares of Parent Common Stock shall be issued upon the surrender for exchange of Certificates, and such fractional interests shall not entitle any of the Stockholders to vote or to any of the rights of a security holder. In lieu of any such fractional securities, each Stockholder shall be entitled to receive, and Parent will make, a cash payment (without interest) determined by multiplying (i) the fractional interest to which such Stockholder would otherwise be entitled (after taking into account all shares of Meer Common Stock then held of record by such holder) and (ii) the closing price of a share of Parent Common Stock on the trading day immediately preceding the Closing Date as reported on the Nasdaq Stock Market.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF MEER AND THE STOCKHOLDERS

Meer and each of the Stockholders except Jeffrey A Meer (individually and as Trustee of the Jeffrey A Meer Revocable Living Trust dated August 20, 1984) and Jon Eric Handelsman, jointly and severally, represent and warrant to Parent and Sub as follows:

Section 3.1 Organization. Meer is a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan and has the corporate power to carry on its business as it is now being conducted or presently proposed to be conducted. Meer is duly qualified as a foreign corporation to do business and is in good standing in the jurisdictions listed on Schedule 3.1 hereto and is not required to be so qualified and in good standing in any other jurisdiction (except for jurisdictions in which the failure to be so qualified and in good standing would not, individually or in the aggregate, have a Meer Material Adverse Effect (as defined below).

Section 3.2 Capitalization.

(a) The authorized capital stock of Meer consists of 2,500 shares of Class A Meer Common Stock and 247,500 shares of Class B Meer Common Stock. There are 2,000 shares of Class A Meer Common Stock and 230,142 shares of Class B Meer Common Stock issued and outstanding, and the Stockholders are, collectively, the sole record and beneficial owners of such shares. Such shares are owned by the Stockholders free and clear of any and all liens, claims or encumbrances of any nature whatsoever, whether absolute, accrued, contingent or otherwise ("Liens"). All of the issued and outstanding shares of Meer Common Stock are validly issued, fully paid and nonassessable. Set forth opposite each Stockholder's name on Schedule 3.2(a) hereto is the number of shares of Meer Common Stock owned of record and beneficially by such Stockholder and the date or dates on which such shares were acquired by such Stockholder.

(b) There is no (i) outstanding right, subscription, warrant, call, option or other agreement or arrangement of any kind (collectively, "Rights") to purchase or otherwise to receive from Meer any shares of capital stock or any other securities of Meer (including, without limitation, any Rights), (ii) outstanding security of any kind convertible into or exchangeable for such capital stock or other securities and (iii) voting trust or other agreement or understanding to which Meer or any of the Stockholders is a party or is bound with respect to the capital stock or other securities of Meer.

Section 3.3 No Meer Subsidiaries; Affiliates. Meer has no Subsidiaries, as hereinafter defined, and the Business, as hereinafter defined, has been conducted solely through Meer at all times since its incorporation except as provided in Schedule 3.3(a). Except as set forth on Schedule 3.3(a), all assets, properties and rights relating to the Business are held by, and all agreements, obligations and transactions relating to the Business have been entered into, incurred and conducted by, Meer rather than any of its Affiliates or any of the Stockholders' Affiliates. As

used in this Agreement, (i) the term "Subsidiary" means, with respect to any party, any corporation or other organization, whether incorporated or unincorporated, of which (x) such party or any other Subsidiary of such party is a general partner or (y) at least a majority of the securities or other interests having by their terms ordinary voting power to elect a majority of the board of directors or others performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such party and/or one or more of its Subsidiaries, (ii) the term "Affiliate" means, with respect to any party, an individual or entity controlled by, in control of, or under common control with, such party, and (iii) the term "Business" means the business as conducted by Meer as of the date of this Agreement and as of the Closing Date (except to the extent that the reference to the "Business" herein speaks as of any other date) including without limitation, the distribution of dental supplies, equipment and software to dentists, dental groups, clinics, health departments, dental schools and nursing homes. Schedule 3.3(b) contains a complete and accurate list of all Affiliates of Meer.

Section 3.4 Authority Relative to this Agreement. Meer has the requisite corporate power and authority, and each of the Stockholders has the capacity, to execute and deliver this Agreement and to consummate the transactions contemplated hereby. On or before the Closing Date: (i) the execution and delivery of this Agreement by Meer and the consummation by Meer of the transactions contemplated on its part hereby shall have been duly authorized by Meer's Board of Directors and each of the Stockholders entitled to vote, and no other corporate proceedings on the part of Meer shall be necessary to authorize this Agreement or for Meer to consummate the Merger and (ii) this Agreement shall have been duly and validly executed and delivered by Meer and each of the Stockholders and will constitute the valid and binding agreement of Meer and the Stockholders, enforceable against each of them in accordance with its terms, except to the extent that enforcement may be subject to bankruptcy, insolvency and other similar laws affecting the enforceability of creditors' rights generally, general equitable principles and the discretion of courts in granting equitable remedies. Set forth on Schedule 3.4 are all copies of all actions taken by the stockholders or Board of Directors of Meer since July 25, 1988. Since July 25, 1988, neither the stockholders nor the Board of Directors of Meer has held a meeting or taken any action except by written consents. The Amendment to the Articles of Incorporation being repealed referred to in Section 7.2(j) have been adopted solely with a view toward accelerating the Closing.

Section 3.5 Articles of Incorporation and By-laws. Meer has heretofore furnished to Parent a complete and correct copy of the articles of incorporation and by-laws, as amended or restated to date, of Meer. Such articles of incorporation and by-laws, as furnished to Parent, are in full force and effect. Meer has not violated and is not in violation of any of the provisions of its articles of incorporation or by-laws.

Section 3.6 Consents and Approvals; No Violations. Except as set forth on Schedule 3.6, neither the execution, delivery and performance of this Agreement by Meer and each of the Stockholders, nor the consummation by Meer and each of the Stockholders of the transactions contemplated hereby, will (i) conflict with or result in any breach of any provisions of the articles of incorporation, by-laws or other organizational documents of Meer, (ii) require a filing with, or a permit, authorization, consent or approval of (including, without limitation, any filing, permit,

authorization, consent or approval in connection with any existing Meer Permit, as defined in Section 3.15), any federal, state, local or foreign legislature, court, arbitral tribunal, administrative agency or commission or other governmental or other regulatory authority or administrative agency or commission (a "Governmental Entity"), except in connection with or an order to comply with the applicable provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), and for the filing and recordation of Articles of Merger as required by the Act, (iii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, or result in the creation of a Lien on any property or asset of Meer pursuant to, any of the terms, conditions or provisions of any oral or written note, bond, mortgage, indenture, license, contract, lease, agreement or other instrument or obligation (each, a "Contract") to which Meer is a party or by which Meer or any of its properties or assets may be bound or (iv) violate any applicable law, statute, ordinance, rule, regulation, writ, injunction, judgment, decree or order of any Governmental Entity (collectively, "Law").

Section 3.7 Financial Statements. Meer has delivered to Parent (i) the financial statements of Meer as of September 29, 1995, September 27, 1996 and September 26, 1997, and for each of the fiscal years then ended, in each case accompanied by the audit opinion of Grant Thornton, LLP ("Grant Thornton") Meer's independent auditors (the "Year-End Financial Statements"), (ii) the unaudited financial statements of Meer as of May 31, 1998 and for the eight months then ended (the "Interim Financial Statements" and, together with the Year-End Financial Statements, the "Financial Statements"). The Year-End Financial Statements (including any related notes and schedules) have been prepared in accordance with generally accepted accounting principles ("GAAP"), consistently applied throughout the periods indicated. The Interim Financial Statements were prepared in accordance with GAAP (except for the exclusion of substantially all footnotes and the statement of cash flows), applied on a consistent basis, subject to normal year-end closing adjustments. The Financial Statements are set forth on Schedule 3.7 hereto and fairly present in all material respects the financial position of Meer as of the dates thereof and the results of operations of Meer for the periods then ended and, in addition, the Year-End Financial Statements set forth therein also fairly present in all material respects the cash flows of Meer for the periods then ended. There has been no change in any of the significant accounting (including tax accounting) policies, practices or procedures of Meer. Except as set forth on Schedule 3.7, there were no audit adjustments in excess of $10,000 proposed by Meer's Accountants with respect to any of the Financial Statements that were not accepted by Meer and appropriately reflected thereon.

Section 3.8 Absence of Certain Changes or Events. Except as set forth on Schedule 3.8, since September 26, 1997, (i) Meer has not conducted its business and operations other than in the ordinary course of business and consistent with past practices, or taken any actions of a type prohibited by the provisions of Section 5.1 hereof, (ii) Meer has not, directly or indirectly, declared, set aside or paid any dividend or distribution of any kind on or in respect of its shares of capital stock or redeemed or purchased any of its shares of capital stock or any Right, and (iii) there has not been any fact, event, circumstance or change affecting or relating to Meer which, individually or in the aggregate, has had or is reasonably likely to have a material adverse effect on the financial condition, results of operations, business, assets, liabilities, prospects or properties of Meer, or the ability of

Meer to consummate the Merger and the other transactions contemplated by this Agreement (a "Meer Material Adverse Effect").

Section 3.9 Litigation. Except as set forth on Schedule 3.9, there is no suit, action, proceeding or investigation pending or, to the knowledge of Meer or any of the Stockholders, threatened against or affecting Meer, any of its Affiliates or any of the Stockholders that relates to Meer or the Business as conducted by Meer at any time or which would, if adversely determined, impair the ability of any of the Stockholders to perform his or her obligations under this Agreement or any of the Ancillary Agreements, as defined in Section 7.2(e). Except as set forth in Schedule 3.9, there is no judgment, decree, injunction, ruling or order of any Governmental Entity outstanding or, to the knowledge of Meer or any of the Stockholders, threatened against Meer, any of its Affiliates or any of the Stockholders that relates to Meer, or the Business as conducted by Meer at any time or the Meer Common Stock.

Section 3.10 Absence of Undisclosed Liabilities. Except as set forth on Schedule 3.10 and for liabilities or obligations which are accrued or reserved against on the Financial Statements (including the financial statement notes thereto) or which were incurred after May 31, 1998, in the ordinary course of business and consistent with past practice and experience, Meer has no liabilities or obligations (whether absolute, accrued, contingent or otherwise).

Section 3.11 No Default. Meer is not in default or violation (and no event has occurred which with notice or the lapse of time or both would constitute a default or violation) of any term, condition or provision of (i) its articles of incorporation, or by-laws (ii) any Contract to which Meer is a party or by which it or any of its properties or assets may be bound or any order, writ, injunction, decree, statute, rule or regulation of any Governmental Entity applicable to Meer.

Section 3.12 Taxes.

(a) Meer has heretofore delivered or hereafter will make available to Parent true, correct and complete copies of the federal, state, local and foreign income, franchise sales and other Tax Returns, as hereinafter defined, filed by Meer for each of Meer's fiscal years in the five fiscal year-period ended September 26, 1997; none of said Tax Returns has been the subject of an audit or examination by any tax authority nor, to the knowledge of Meer or any of the Stockholders, has been noticed for such audit or examination. Meer has duly filed all material federal, state, local and foreign income, franchise, sales and other Tax Returns required to be filed by it. Except as set forth on Schedule 3.12, Meer has not received written notice from a taxing authority in a jurisdiction where Meer does not file Tax Returns that Meer is or may be subject to taxation by that jurisdiction. All such Tax Returns are true, correct and complete in all material respects, and Meer has duly paid, all Taxes, as hereinafter defined, shown on such Tax Returns and has paid or made adequate provision for payment of all accrued but unpaid Taxes anticipated in respect of all periods since the periods covered by such Tax Returns. All deficiencies assessed as a result of any audit or examination of any Tax Return of Meer by federal, state, local or foreign tax authorities have been paid or reserved on the financial statements of Meer in accordance with GAAP consistently applied. Meer has not received written notice of any current audit or examination of any Meer Tax Return

or tax liability and there are no proposed tax assessments, suits, actions, claims, investigations or inquiries by any tax authority with respect to Meer. Meer has heretofore delivered or will make available to Parent true, correct and complete copies of all written tax-sharing agreements and written descriptions of all such unwritten agreements or arrangements to which Meer is a party, if any. Except as set forth on Schedule 3.12, no issue has been raised in any written communication to Meer during the past five years by any federal, state, local or foreign taxing authority which, if raised with regard to any other period not so examined, could reasonably be expected to result in a proposed deficiency for any other period not so examined. Meer has not granted any extension or waiver of the statutory period of limitations applicable to any claim for any Taxes. Except as set forth on Schedule 3.12: (i) Meer is not a party to any agreement, contract or arrangement that would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code; (ii) no consent has been filed under Section 341(f) of the Code with respect to Meer; (iii) Meer has not participated in, or cooperated with, an international boycott within the meaning of Section 999 of the Code; (iv) Meer has not issued or assumed any corporate acquisition indebtedness, as defined in Section 279(b) of the Code, (v) Meer has not been a party to any tax allocation or tax sharing agreement or a member of an affiliated group filing a consolidated federal income Tax Return or consolidated or combined state or local return and does not have any liability for the taxes of any person under Treas. Reg. ss. 1.1502-6 or any similar provision of state, local or foreign Law, or as a transferee or successor, by contract, or otherwise; (vi) there has not been a change in a method of accounting within the meaning of Code section 481 by Meer since 1988; (vii) all items that could give rise to a substantial understatement of federal income tax (within the meaning of Code section 6662(d)) were adequately disclosed on Meer's Tax Returns in accordance with Code section 6662(d)(2)(B); (viii) Meer is not a party to a closing agreement or other agreement with a taxing authority that could affect its future liability for taxes; and (ix) Meer does not hold an evidence of indebtedness of a purchaser that is subject to the installment method of gain reporting under section 453 of the Code. Meer filed an election to be treated as a S corporation effective on September 26, 1987, and, except as set forth on Schedule 3.12, has been an S corporation since the effective date of such election, and since such date has been an S corporation in every state or other jurisdiction where it has been subject to income taxation and S corporation treatment has been available. Meer has complied with all applicable Laws relating to the payment and withholding of Taxes (including, without limitation, withholding of Taxes pursuant to Sections 1441 and 1442 of the Code or similar provisions under any foreign Law) and has, within the time and in the manner prescribed by law, withheld from employee wages and paid over to the proper governmental authorities all amounts required to be so withheld and paid over under all applicable Law.

(b) For purposes of this Agreement (i) the term "Taxes" means all income, gross receipts, excise, sales, use, gains, payroll and withholding taxes imposed by the United States, or any state, local or foreign government or subdivision or agency thereof, including any interest, penalties or additions thereto, and (ii) the term "Tax Return" shall mean any report, return or other information or document required to be supplied to a taxing authority in connection with Taxes.

Section 3.13 Title to Properties; Encumbrances. Except as set forth on Schedule 3.13 hereto, Meer has good, valid and marketable title to, or a valid leasehold interest in, all of its

properties and assets (real, personal and mixed, tangible and intangible) shown on its books and records as being owned or leased by it, as applicable, or used in the Business, including, without limitation, all the properties and assets reflected in the balance sheet of Meer as of May 31, 1998 other than properties and assets disposed of in the ordinary course of business and consistent with past practices since May 31, 1998, in each case free and clear of all Liens, other than inchoate mechanic's, materialmen's, laborer's and carrier's liens and other similar liens arising by operation of law or statute that are not delinquent and arose in the ordinary course of business (collectively, "Permitted Liens").

Section 3.14 Intellectual Property.

(a) Meer is the sole and exclusive owner of, or has a valid license to use, all patent applications, patent rights, trademarks, trademark rights, trade names, trade name rights, copyrights, service marks, trade secrets, registrations for and applications for registration of trademarks, service marks and copyrights, technology and know-how, rights in computer software and other proprietary rights and information and all technical and user manuals and documentation made or used in connection with any of the foregoing, used or held for use in connection with the Business (collectively, the "Intellectual Property"), free and clear of all Liens.

(b) All grants, registrations and applications for Intellectual Property that are used in the conduct of the Business (i) are valid, subsisting, in proper form and enforceable, and have been duly maintained, including the submission of all necessary filings and fees in accordance with the legal and administrative requirements of the appropriate jurisdictions and (ii) have not lapsed, expired or been abandoned, and no grant, registration or license therefor is the subject of any legal or governmental proceeding before any registration authority in any jurisdiction.

(c) Meer owns or has the right to use all of the Intellectual Property used by it or held for use by it in connection with the Business. Meer and the Stockholders have no notice that any third party is engaging in conduct which conflicts with or infringes in any way any Intellectual Property. The conduct of the Business as currently conducted does not conflict with or infringe in any way any proprietary right of any third party, and there is no claim, suit, action or proceeding pending or threatened against Meer (i) alleging any such conflict or infringement with any third party's proprietary rights, or (ii) challenging the ownership, use, validity or enforceability of the Intellectual Property.

Section 3.15 Compliance with Applicable Law.

(a) (i) Meer holds, and is in compliance with the terms of, all material permits, licenses, exemptions, orders and approvals of all Governmental Entities necessary for the current and proposed conduct of the Business ("Meer Permits"), (ii) no fact exists or event has occurred, and no action or proceeding is pending or, to the knowledge of Meer or any of the Stockholders, threatened, that has a reasonable possibility of resulting in a revocation, non-renewal, termination, suspension or other impairment of any Meer Permits, (iii) the Business is not being conducted (and has not been conducted) in violation of any applicable Law, and (iv) except as set forth on Schedule 3.15, no

investigation or review by any Governmental Entity with respect to Meer is pending or, to the knowledge of Meer or any of the Stockholders, threatened and (b) no Governmental Entity has indicated to Meer or any of the Stockholders an intention to conduct the same.

(b) Meer (which, for purposes of paragraphs (b) and (c) of this Section 3.15, is defined to include Meer and its Affiliates) has never participated in the Medicare, Medicaid or CHAMPUS programs or any other health care program, nor has it ever received any payment from any third-party payor (each such program and payor, a "Medical Reimbursement Program").

(c) Neither Meer, any of the Stockholders, nor any of their respective officers, directors or employees has ever been charged with or, to the knowledge of Meer or any of the Stockholders, investigated for committing any violation of any state or federal statute or regulation involving fraudulent and abusive practices relating to its or his participation in any Medical Reimbursement Program, including but not limited to fraudulent billing practices. Neither Meer, any of its Affiliates, any of the Stockholders or their respective Affiliates, any of their respective officers, directors or employees, nor any other persons or entities providing professional services for Meer has engaged in any of the following: (i) knowingly and willfully soliciting or receiving any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind or offering to pay such remuneration (x) in return for referring an individual to a person for the furnishing or arranging for the furnishing of any item or service for which payment may be made in whole or in part by any Medical Reimbursement Program, or (y) in return for purchasing, leasing or ordering or arranging for or recommending the purchasing, leasing or ordering of any good, facility, service, or item for which payment may be made in whole or in part by any Medical Reimbursement Program; or (ii) billing a patient in violation of any Federal or State law that prohibits referrals for certain services by physicians or providers that have a financial interest in the entity receiving referrals.

Section 3.16 Employee Benefit Plans; ERISA.

(a) Schedule 3.16(a) contains a list of all "employee benefit plans," within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and any other bonus, profit sharing, compensation, pension, severance, deferred compensation, fringe benefit, insurance, welfare, post-retirement, health, life, stock option, stock purchase, restricted stock, tuition refund, service award, company car, scholarship, relocation, disability, accident, sick, vacation, holiday, termination, unemployment, individual employment, consulting, executive compensation, incentive, commission, payroll practices, retention, change in control, noncompetition, or other plan, agreement, policy, trust fund, or arrangement (whether written or unwritten, insured or self-insured) (i) established, maintained, sponsored, or contributed to (or with respect to which any obligation to contribute has been undertaken) within the last six years by Meer or any entity that would be deemed a "single employer" with Meer under Section 414(b), (c), (m), or (o) of the Code or Section 4001 of ERISA (an "ERISA Affiliate") on behalf of any employee, director, shareholder, or beneficiary of Meer (whether current, former, or retired) or their beneficiaries or (ii) with respect to which Meer or any ERISA Affiliate has or has had any obligation on behalf of any such employee, director, shareholder, or beneficiary (each a "Plan" and,

collectively, the "Plans"). With respect to each Plan, true and complete copies, if applicable, of the documents embodying or relating to the Plan, including, without limitation, each communication received by or furnished to Meer or any ERISA Affiliate from the Internal Revenue Service ("IRS"), the Pension Benefit Guaranty Corporation ("PBGC"), U.S. Department of Labor ("DOL"), or any other governmental authority including, without limitation, the most recent application for determination letter submitted to the IRS and the most recent determination letter received from the IRS, have been delivered to Parent.

(b) Except with regard to the single employer plan (within the meaning of Section 4001(a)(15) of ERISA disclosed on Schedule 3.16(b) (the "Terminated Pension Plan"), neither Meer, any ERISA Affiliate, nor any of their respective predecessors has ever contributed to, contributes to, has ever been required to contribute to, or otherwise participated in or participates in or in any way, directly or indirectly, has any liability with respect to any plan subject to Section 412 of the Code, Section 302 of ERISA or Title IV of ERISA, including, without limitation any, "multiemployer plan" (within the meaning of Sections (3)(37) or 4001(a)(3) of ERISA or Section 414(f) of the Code), or any single employer pension plan (within the meaning of Section 4001(a)(15) of ERISA). With regard to the Terminated Pension Plan, Meer has (i) taken all corporate actions necessary to terminate the Terminated Pension Plan, (ii) received a favorable determination letter from the Internal Revenue Service approving the qualified status of the Terminated Pension Plan upon its termination, (iii) timely filed all applicable forms with the PBGC, (iv) timely filed the final Form 5500 with the Internal Revenue Service and (v) taken all other actions as are necessary or appropriate to effectuate the termination of the Terminated Pension Plan in accordance with its terms and the Code, ERISA and other applicable Law. Neither Meer, any ERISA Affiliate, nor any of their respective predecessors is liable for or will be liable for any liability with respect to the Terminated Pension Plan.

(c) Meer, each ERISA Affiliate, each Plan, and each "plan sponsor" (within the meaning of Section 3(16) of ERISA) of each "welfare benefit plan" (within the meaning of Section 3(1) of ERISA) has complied in all respects with the requirements of Section 4980B of the Code and Title I, Subtitle B, Part 6 of ERISA.

(d) With respect to each of the Plans on Schedule 3.16(a):

(i) each Plan intended to qualify under Section 401(a) of the Code has been qualified since its inception and has received a determination letter under Revenue Procedure 93-39 or its progeny from the IRS to the effect that the Plan is qualified under Section 401 of the Code and any trust maintained pursuant thereto is exempt from federal income taxation under Section 501 of the Code and nothing has occurred or is expected to occur through the date of the Closing that caused or could cause the loss of such qualification or exemption or the imposition of any penalty or tax liability;

(ii) all payments required by any Plan, any collective bargaining agreement or other agreement, or by Law (including, without limitation, all contributions, insurance premiums, or intercompany charges) with respect to all periods through the date of the Closing shall

have been made prior to the Closing (on a pro rata basis where such payments are otherwise discretionary at year end) or provided for by Meer as applicable, by full accruals as if all targets required by such Plan had been or will be met at maximum levels) on its financial statements;

(iii) no claim, lawsuit, arbitration or other action has been threatened, asserted, instituted, or anticipated against the Plans (other than non-material routine claims for benefits, and appeals of such claims), any trustee or fiduciaries thereof, Meer, any ERISA Affiliate, any director, officer, or employee thereof, or any of the assets of any trust of the Plans;

(iv) the Plan complies and has been maintained and operated in accordance with its terms and applicable Law, including, without limitation, ERISA and the Code;

(v) no "prohibited transaction," within the meaning of Section 4975 of the Code and Section 406 of ERISA, has occurred or is expected to occur with respect to the Plan (and the consummation of the transactions contemplated by this Agreement will not constitute or directly or indirectly result in such a "prohibited transaction");

(vi) no Plan is or expected to be under audit or investigation by the IRS, DOL, or any other governmental authority and no such completed audit, if any, has resulted in the imposition of any tax or penalty;

(vii) each Plan intended to meet requirements for tax-favored treatment under any provision of the Code, including, without limitation, Sections 79, 105, 106, 117, 120, 125, 127, 129, 132, 162(m), 404, 404A, 419, 419A, or 501(c)(9) of the Code satisfies the applicable requirements under the Code; and

(viii) with respect to each Plan that is funded mostly or partially through an insurance policy, neither Meer nor any ERISA Affiliate has any liability in the nature of retroactive rate adjustment, loss sharing arrangement or other actual or contingent liability arising wholly or partially out of events occurring on or before the Closing.

(e) Except as provided in Schedule 3.16(e), the consummation of the transactions contemplated by this Agreement will not give rise to any liability, including, without limitation, liability for severance pay, unemployment compensation, termination pay, or withdrawal liability, or accelerate the time of payment or vesting or increase the amount of compensation or benefits due to any employee, director, shareholder, or beneficiary of Meer (whether current, former, or retired) or their beneficiaries solely by reason of such transactions. No amounts payable under any Plan will fail to be deductible for federal income tax purposes by virtue of Sections 280G or 162(m) of the Code.

(f) Neither Meer nor any ERISA Affiliate maintains, contributes to, or in any way provides for any benefits of any kind whatsoever (other than under Section 4980B of the Code, the Federal Social Security Act, or a plan qualified under Section 401(a) of the Code) to any current or future retiree or terminee.

(g) Except as provided in Schedule 3.16(g), neither Meer, any ERISA Affiliate, nor any officer or employee thereof, has made any promises or commitments, whether legally binding or not, to create any additional plan, agreement, or arrangement, or to modify or change any existing Plan.

(h) No event, condition, or circumstance exists that could result in an increase of the benefits provided under any Plan or the expense of maintaining any Plan from the level of benefits or expense incurred for the most recent fiscal year ended before the Closing.

(i) Neither Meer nor any ERISA Affiliate has any unfunded liabilities pursuant to any Plan that is not intended to be qualified under Section 401(a) of the Code.

(j) No event, condition, or circumstance exists that would prevent the amendment or termination of any Plan.

Section 3.17 Labor Matters; Employment Matters. Except as set forth in Schedule 3.17: (i) there are no controversies pending or, to the knowledge of Meer or any Stockholder, threatened, between Meer and any of its employees regarding Meer's compliance with applicable wage and hour, equal employment, safety and other similar legal requirements relating to its employees, (ii) Meer is not a party to, or bound by, any collective bargaining agreement, contract or other understanding with a labor union or labor organization and there is, to Meer's or any of the Stockholders' knowledge, no activity involving any employees of Meer seeking to certify a collective bargaining unit or engaging in any other organizational activity; and (iii) there are no strikes, slowdowns, work stoppages, lockouts, or threats thereof, by or with respect to any group of employees of Meer. Each of the salespersons employed by Meer are listed on Schedule 3.17 hereto. Schedule 3.17 identifies the salespersons with whom Meer has entered into employment agreements or non-competition arrangements (collectively, the "Salesperson Agreements"), accurate and complete copies of which, including all amendments thereto, have been delivered to Parent. Meer is not in breach or default, nor is there any basis for any valid claim of breach or default by Meer, under any of the Salesperson Agreements, and, to the knowledge of Meer or any of the Stockholders, no salesperson is in breach or default of his or her respective Salesperson Agreement. Except for those Salesperson Agreements specifically identified on Schedule 3.17 with respect thereto, the consummation of the transactions contemplated by this Agreement will not violate or breach any of the Salesperson Agreements or give any Salesperson subject to any of the Salesperson Agreements the right to terminate such Salesperson Agreement or materially impact such Salesperson's rights or obligations therein. Except as set forth on Schedule 3.17, all of the Salesperson Agreements are valid and binding agreements in full force and effect; provided, however, that no representation or warranty is given as to the enforceability of any noncompetition agreement or covenant included therein. Meer has previously provided to Parent a list of the names, office locations, hire date and year-to-date compensation of all full- and part-time employees of Meer as of June 30, 1998. No employee of Meer has received any salary increase not reflected on the ADP computer printouts provided to representatives of Parent at Meer's offices on July 30, 1998. No employee of Meer has indicated to Meer as of the date of this Agreement that he or she is considering terminating his or

her employment. Meer has complied in all material respects with all applicable wage and hour, equal employment, safety and other legal requirements relating to its employees.

Section 3.18 Environmental Laws and Regulations.

(a) For purposes of this Agreement, the term "Environmental Laws" means all federal, state, local or common law, rule, regulation, ordinance, code, order or judgment (including any judicial or administrative interpretations, guidances, directives, policy statements or opinions) relating to the injury to, or the pollution or protection of human health and safety or the Environment.

(b) Except as set forth on Schedule 3.18(b), all of the current and past operations of Meer and the real property formerly or presently owned, leased or otherwise used by Meer, including any operations at or from any real property presently or formerly owned, used, leased, occupied, managed or operated by Meer, (collectively, the "Real Property"), comply and have at all times complied with all applicable Environmental Laws. Meer has not engaged in, authorized, allowed or suffered any operations or activities upon any of the Real Property for the purpose of or in any way involving the handling, manufacture, treatment, processing, storage, use, generation, release, discharge, spilling, emission, dumping or disposal of any petroleum, petroleum products, petroleum-derived substances, radioactive materials, hazardous wastes, polychlorinated biphenyls, lead based paint, radon, urea formaldehyde, asbestos or any materials containing asbestos, and any materials or substances regulated or defined as or included in the definition of "hazardous substances," "hazardous materials," "hazardous constituents," "toxic substances," "pollutants," "contaminants" or any similar denomination intended to classify or regulate substances by reason of toxicity, carcinogenicity, ignitability, corrosivity or reactivity under any Environmental Law ("Hazardous Substances") at, on, under or from the Real Property, except in full compliance with all applicable Environmental Laws.

(c) Neither Meer's assets nor the Real Property contain any Hazardous Substances in, on, over, under or at it, in concentrations which would violate any applicable Environmental Laws or would be reasonably likely to result in the imposition of liability or obligations on the present or former owner, manager, or operator of the Real Property under any applicable Environmental Laws, including any liability or obligations for the investigation, corrective action, remediation or monitoring of Hazardous Substances in, on, over, under or at the Real Property.

(d) None of the Real Property is listed or proposed for listing on the National Priorities List pursuant to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. ss. 9601 et seq., or any similar inventory of sites requiring investigation or remediation maintained by any state or locality. Meer has not received any notice, whether oral or written, from any Governmental Entities or third party of any actual or threatened claims, judgments, damages (including punitive damages), losses, penalties, fines, liabilities, encumbrances, liens, violations, costs and expenses (including attorneys' and consultants' fees) of investigation, remediation, monitoring or defense of any matter relating to human health, safety or any surface or subsurface physical medium or natural resource, including, air, land, soil, surface waters, ground

waters, stream and river sediments, biota and any indoor area, surface or physical medium (the "Environment") of whatever kind or nature by any party, entity or authority, (i) which have been incurred as a result of (x) the existence of Hazardous Substances in, on, under, at or emanating from any Real Property, (y) the offsite transportation, treatment, storage or disposal of Hazardous Substances generated by Meer or (z) the violation of or non-compliance with any Environmental Laws or (ii) which arise under the Environmental Laws ("Environmental Liabilities") with respect to the Business as conducted by Meer at any time, Meer's assets or Real Property.

(e) Except as set forth on Schedule 3.18(e), there are no underground storage tanks, asbestos or asbestos containing materials, polychlorinated biphenyls, urea formaldehyde, or other Hazardous Substances (other than small quantities of Hazardous Substances for use in the ordinary course of the business of Meer, which are stored and maintained in full compliance with all applicable Environmental Laws) in, on, over, under or at any Real Property.

(f) There are no conditions existing at any Real Property or with respect to the assets or the Business, that require, or which with the giving of notice or the passage of time or both will reasonably likely require remedial or corrective action, removal, monitoring or closure pursuant to the Environmental Laws.

(g) Meer has all the permits, licenses, authorizations and approvals necessary for the conduct of the Business and for the operations on, in or at the Real Property (the "Environmental Permits"), which are required under applicable Environmental Laws. Meer is in full compliance with the terms and conditions of all such Environmental Permits, and no reason exists why Parent would not be capable of continued operation of the Business in full compliance with the Environmental Permits and the applicable Environmental Laws.

(h) Meer has provided to Parent all environmental reports, assessments, audits, studies, investigations, data, Environmental Permits and other written environmental information in its custody, possession or control concerning Meer's assets, the Business as conducted by Meer at any time and the Real Property.

(i) Meer has not contractually, by operation of law, by the Environmental Laws, by common law or otherwise assumed or succeeded to any Environmental Liabilities of any predecessors or any other person or entity.

Section 3.19 Restrictions on Business Activities. Except for this Agreement, there is no agreement, judgment, injunction, order or decree binding upon Meer or any of the Stockholders which has or could reasonably be expected to have (after giving effect to the consummation of the Merger) the effect of prohibiting or impairing the business practices of Meer as currently practiced, the acquisition of property by Meer or the conduct of the Business as currently conducted by Meer.

Section 3.20 Accounting Matters. Neither Meer, any of its directors or officers nor any of the Stockholders, has taken any action which would prevent the accounting for the Merger as a pooling of interests in accordance with Accounting Principles Board Opinion No. 16, the

interpretative releases pursuant thereto and the relevant pronouncements of the Securities and Exchange Commission (the "Commission").

Section 3.21 Affiliate Transactions. Except as set forth in Schedule 3.21, there are no Contracts or other transactions between Meer on the one hand, and any (i) officer or director of Meer or any Stockholder or (ii) Affiliate or family member of any such officer or director or any Stockholder, on the other hand.

Section 3.22 Brokers. No broker, finder or financial advisor is entitled to any brokerage, finder's or other fee or commission in connection with the Merger or the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Meer except BancAmerica Robertson Stephens pursuant to the express terms of the letter agreement between Meer and BancAmerica Robertson Stephens dated November 19, 1997 (the "BankAmerica Engagement Letter"), which remains in full force and effect and has not been amended. A true and correct copy of the BancAmerica Letter Agreement has been delivered to Parent.

Section 3.23 Certain Tax Matters. Neither Meer, any of its directors or officers nor any of the Stockholders knows of any fact or circumstance relating to Meer, the Business or its capital stock, or has taken any action, which would be reasonably likely to cause the Merger to be treated other than as a tax-free reorganization under Section 368(a) of the Code.

Section 3.24 Accounts Receivable. Schedule 3.24 contains a complete and accurate summary aging of all of the accounts and notes receivable of Meer set forth on the books and records of Meer as of May 31, 1998. Except as set forth on Schedule 3.24, all of the accounts and notes receivable of Meer: (i) represent sales actually made in the ordinary course of business for goods or services delivered or rendered to unaffiliated customers in bona fide arm's length transactions, (ii) constitute valid claims, (iii) are good and collectible in full in time periods that are customary in the industry at the aggregate recorded amounts thereof net of the reserve therefor without right of recourse, defense (other than warranty claims in the ordinary course of business consistent in type and aggregate amount with past practice), deduction, return of goods, counterclaim or offset, and (iv) have not been extended or rolled over in order to make them current.

Section 3.25 Inventory. Except to the extent of the reserve therefor reflected on the books and records of Meer, (i) all inventory of Meer is of merchantable quality and is usable and salable at normal profit margins for Meer and in accordance with Meer's historical sales practices in the ordinary course of the business of Meer; (ii) such inventory does not include any items which are obsolete, damaged, excessive (i.e., more than a six-month supply or such longer period with respect to any specific items as may be in accordance with industry practice), below standard quality or slow moving (i.e., items that are for discontinued or expected to be discontinued product lines, or items that have not been used or sold within 6 months prior to the date hereof or such longer period with respect to any specific items as may be in accordance with industry practice); and (iii) the Inventory amount shown on the Interim Financial Statements is true and correct. Notwithstanding clause (iii) above, should the Inventory Amount be less than that shown on the Interim Financial Statements but any other current asset amount is greater or any other current

liability is lesser than the amounts shown on the Interim Financial Statements, then the foregoing representation shall not be deemed violated to the extent of such excesses.

Section 3.26 Real and Personal Property. Schedule 3.26 contains a complete and correct list of all real property (including buildings and structures) owned or leased by Meer and all interests therein (including a brief description of the property, the record title holder, the location and the improvements thereon). All such real property, buildings and structures, and the equipment therein, and the operations and maintenance thereof, comply with any applicable agreements and restrictive covenants and conform in all material respects to all applicable legal requirements, including those relating to health and safety, land use and zoning, and all work required by law to be done by Meer or any of the Stockholders or any of their respective Affiliates as landlord or tenant has been duly performed. No condemnation or other proceeding is pending or, to the knowledge of Meer or any of the Stockholders, threatened which would affect the use of any such property by Meer. Schedule 3.26 contains a complete and correct list and brief description of all equipment, machinery, computers, furniture, leasehold improvements, vehicles and other personal property owned or leased by Meer with a net book value of over $5,000 and all interests therein as of June 24, 1998. Meer's buildings and other structures, equipment and other physical assets (whether leased or owned) are in good operating condition and repair, subject to ordinary wear and tear.

Section 3.27 Insurance. Schedule 3.27 contains a complete and correct list of all policies of insurance of any kind or nature covering Meer, including, without limitation, policies of life, fire, theft, casualty, product liability, workmen's compensation, business interruption, employee fidelity and other casualty and liability insurance, indicating the type of coverage, name of insured, the insurer, the premium, the expiration date of each policy and the amount of coverage. All such policies are (i) valid, outstanding and enforceable policies in full force and effect, and (ii) sufficient for compliance with all requirements of law and of all applicable Contracts. Complete and correct copies of all such policies have been furnished to Parent. Meer has not been denied any insurance coverage which it has requested or made any material reduction in the scope or change in the nature of its insurance coverage.

Section 3.28 Books and Records. The books and records of Meer are complete and correct in all material respects and have been maintained in accordance with good business practices consistently applied. The minute books of Meer contain complete and accurate records of all meetings and accurately reflect all other corporate action of the shareholders and board of directors of Meer.

Section 3.29 Illegal Payments. Meer and its officers and agents have not made any illegal payments to, or provided any illegal benefit or inducement for, any governmental official, supplier, customer or other person, in an attempt to influence any such person to take or to refrain from taking any action relating to Meer.

Section 3.30 Officers and Directors; Bank Accounts, etc. Schedule 3.30 lists: (i) all officers, directors and fiduciaries of Meer; (ii) all bank accounts and safe deposit boxes maintained by Meer and all authorized signatories therefor, specifying their respective authority; and (iii) all

credit cards under which employees of Meer may incur liability, and the persons holding such cards. No person or entity holds any general or special power of attorney from Meer.

Section 3.31 Customers and Suppliers.

(a) Schedule 3.31(a) hereto sets forth a list of Meer's 50 largest customers (including the addresses) in order of dollar volume of sales for its last fiscal year and for the period from the end of the last fiscal year through May 31, 1998, showing the approximate total sales in dollars by Meer to each such customer each such period.

(b) Schedule 3.31(b) hereto sets forth a list of the 25 largest suppliers of Meer in order of dollar volume of purchases for its last fiscal year and for the period from the end of the last fiscal year through May 31, 1998, showing the approximate total purchases in dollars by Meer from each such supplier during each such period.

(c) Except as set forth on Schedule 3.31(c): (i) Meer is not engaged in any disputes with customers or suppliers except for minor returns, warranty claims (with respect to which no litigation has been commenced or threatened), bill adjustments and similar disputes in the ordinary course of business not exceeding $25,000 with respect to any single return, bill adjustment or similar dispute and which individually or in the aggregate do not result in a Meer Material Adverse Effect, and (ii) there has not been any adverse change, and there are no facts known to Meer or any of the Stockholders which may reasonably be expected to indicate that any adverse change may occur, in the business relationship of Meer with any customer or supplier named on Schedule 3.31(a) or Schedule 3.31(b). To the knowledge (excluding knowledge held by participants in the dental distribution industry in general) of Meer or any of the Stockholders and except as set forth on Schedule 3.31(c), none of the customers or suppliers named on Schedule 3.31(a) or Schedule 3.31(b) is considering termination, non-renewal or any adverse modification of its arrangements with Meer, and the transactions contemplated by this Agreement will not, to the knowledge of Meer or any of the Stockholders, have any adverse effect on Meer's relationship with any of such suppliers or customers.

(d) Schedule 3.31(d) hereto sets forth a complete and accurate summary aging of all accounts payable over $1,000 of Meer as of May 31, 1998 prepared in accordance with Meer's past practice of preparing accounts payable schedules.

Section 3.32 Contracts and Commitments.

(a) The contracts listed on Schedule 3.32 hereto are all of the Contracts, written or oral, to which Meer is a party or as to which it or any of its properties are bound or which otherwise relate to the Business (excluding any Contract entered into in the ordinary course of Business that involves the payment, commitment or guarantee by Meer of, or Meer's indemnity or liability for, less than $5,000 over the next 12 months and less than $25,000 over the balance of the term of such Contract).

(b) Meer is not in breach or default, nor is there any basis for any valid claim of breach or default by Meer, under any Contract. Except as set forth on Schedule 3.6, all Contracts are valid and in full force and effect, and consummation of the transactions contemplated by this Agreement will not cause any Contract to cease to be valid and in full force and effect. Accurate and complete copies of all Contracts, including all amendments thereto, have been heretofore delivered to Parent. Except as set forth on Schedule 3.6, the transactions contemplated by this Agreement will not constitute a change of control under, or require the consent from or the giving of notice to any party pursuant to, the terms, conditions or provisions of any Contract to which Meer is a party.

Section 3.33 Disclosure. No representation or warranty by Meer and the Stockholders in this Agreement contains an untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained herein not misleading. Neither Meer nor any of the Stockholders is aware of any matter that could reasonably be expected to have a Meer Material Adverse Effect that has not been disclosed in writing to Parent. The filing made on June 17, 1998 by Edward M. Meer as Trustee of the Edward M. Meer Trust with respect to the Merger under the HSR Act complied in all material respects with the applicable requirements for such filing under the HSR Act.

Section 3.34 Stockholders' Investment Intent.

(a) Subject to their rights under the Registration Rights Agreement (as hereinafter defined), each of the Stockholders is acquiring shares of Parent Common Stock pursuant hereto for such Stockholder's own account for investment and not with a view to the resale or distribution or public offering thereof within the meaning of the Securities Act of 1933 (the "Securities Act").

(b) Each of the Stockholders understands that the shares of Parent Common Stock to be received by him hereunder have not been registered under the Securities Act and, therefore, cannot be resold unless they are registered under the Securities Act or unless an exemption from registration is available.

(c) Each of the Stockholders has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of an investment in the shares of Parent Common Stock to be received by him hereunder and is a "Accredited Investor" within the meaning of Rule 501 promulgated under the Securities Act.

(d) Parent has made available to each of the Stockholders at a reasonable time prior to the execution of this Agreement the opportunity to ask questions and receive answers concerning the terms and conditions of this Agreement and to obtain any additional information concerning Parent which Parent possesses or can acquire without unreasonable effort or expense.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PARENT

Parent represents and warrants to Meer as follows:

Section 4.1 Organization. Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power to carry on its business as it is now being conducted or presently proposed to be conducted. Sub is a corporation duly organized, validly existing and in good standing under the laws of the State of Michigan. Sub has not engaged in any business (other than in connection with this Agreement and the transactions contemplated hereby) since the date of its incorporation.

Section 4.2 Capitalization. The authorized capital stock of Parent consists of 120,000,000 shares of Parent Common Stock and 1,000,000 shares of preferred stock, par value $.01 (the "Parent Preferred Stock"). As of August 2, 1998, (i) approximately 36,000,000 shares of Parent Common Stock and four (4) shares of Parent Preferred Stock were issued and outstanding and (ii) options to acquire approximately 4,500,000 shares of Parent Common Stock (the "Parent Stock Options") were outstanding. The shares of Parent Common Stock issuable in exchange for shares of Meer Common Stock at the Effective Time in accordance with this Agreement will be, when so issued, duly authorized, validly issued, fully paid and nonassessable and free of pre-emptive rights. The shares of Parent Common issuable upon exercise of the options to be granted to Meer Executives, as hereinafter defined in Section 7.2(e), in connection with the Merger have been duly authorized, and when issued against the payment therefor, will be validly issued, fully paid, nonassessable and free from pre-emptive rights. The authorized capital stock of Sub consists of 1,000 shares of Sub Common Stock, of which 100 shares are issued and outstanding as of the date hereof. All of such shares are owned beneficially and of record by Parent and are fully paid and nonassessable.

Section 4.3 Authority Relative to this Agreement. Each of Parent and Sub has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement by each of Parent and Sub and the consummation by Parent and Sub of the transactions contemplated on its part hereby have been duly authorized by their respective Boards of Directors, and no other corporate proceedings on the part of Parent or Sub are necessary to authorize this Agreement or for Parent and Sub to consummate the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by each of Parent and Sub and constitutes a valid and binding agreement of each of Parent and Sub, enforceable against Parent and Sub in accordance with its terms, subject to applicable bankruptcy, insolvency and other similar laws affecting the enforceability of creditors' rights generally, general equitable principles and the discretion of courts in granting equitable remedies.

Section 4.4 Consents and Approvals; No Violations. Neither the execution, delivery and performance of this Agreement by Parent or Sub, nor the consummation by Parent or Sub of the

transactions contemplated hereby will (i) conflict with or result in any breach of any provisions of the Certificate of Incorporation or By-Laws of Parent or the Articles of Incorporation or By-Laws of Sub, (ii) require a filing with, or a permit, authorization, consent or approval of, any Governmental Entity except in connection with or in order to comply with the applicable provisions of the HSR Act, the Securities Act, the Securities Exchange Act, state securities or "blue sky" laws, the By-Laws of the National Association of Securities Dealers (the "NASD"), and the filing and recordation of a Certificate of Merger as required by the Act, or (iii) violate any law, order, writ, injunction, decree, statute, rule or regulation of any Governmental Entity applicable to Parent, Sub or any of their properties or assets.

Section 4.5 Reports and Financial Statements. Parent has timely filed all reports required to be filed with the SEC pursuant to the Exchange Act or the Securities Act since December 27, 1997 (collectively, the "Parent SEC Reports"), and has previously made available to Meer true and complete copies of all such Parent SEC Reports. Such Parent SEC Reports, as of their respective dates, complied in all material respects with the applicable requirements of the Securities Act and the Exchange Act, as the case may be, and none of such SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Both the audited consolidated financial statements of Parent (including the related notes and schedules) included (or incorporated by reference) in its Annual Report on Form 10-K for the fiscal year ended December 27, 1997, as amended, and the unaudited consolidated financial statements of Parent (including any related notes and schedules) included (incorporated by reference) in any quarterly or current reports filed by Parent pursuant to the Exchange Act subsequent to the filing of such Form 10-K, as amended, (i) have been prepared in accordance with GAAP applied on a consistent basis (except as may be indicated in the notes thereto) subject, in the case of the unaudited consolidated financial statements, to year-end closing adjustments and the lack of full footnote presentations and except that the presentation and disclosures in such statements conform with the applicable rules of the Exchange Act but include all adjustments necessary to conform to GAAP requirements with respect to interim financial statements, and (ii) fairly present, in all material respects, the consolidated financial position of Parent and its consolidated Subsidiaries as of the dates thereof and the consolidated results of their operations and their cash flows for the periods then ended.

Section 4.6 Brokers. No broker, finder or financial advisor is entitled to any brokerage finder's or other fee or commission in connection with the Merger or the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Parent or Sub except Cleary Gull Reiland and McDevitt Inc. ("Cleary Gull"), which remains in full force and effect and has not been amended.

Section 4.7 Certain Tax Matters. Neither Parent, Sub nor any of their officers or directors has taken any action that would be reasonably likely to cause the Merger to be treated other than as a tax-free reorganization under Section 368(a) of the Code.

Section 4.8 Accounting Matters. Neither Parent nor any of its directors, officers or, to Parent's knowledge, stockholders has taken any action which would prevent the accounting for the Merger as a pooling of interests in accordance with Accounting Principles Board Opinion No. 16, the interpretative releases pursuant thereto and the relevant pronouncements of the Securities and Exchange Commission.

ARTICLE V

CONDUCT OF BUSINESS PENDING THE MERGER

Section 5.1 Conduct of Business by Meer Pending the Merger. Prior to the Effective Time, unless Parent shall otherwise agree in writing, or as otherwise expressly contemplated by this Agreement or described on Schedule 5.1 hereto:

(a) Meer shall conduct, and the Stockholders shall cause Meer to conduct, its business only in the ordinary and usual course consistent with past practice, and Meer shall use its reasonable efforts to preserve intact the present business organization, keep available the services of its present officers and key employees, and preserve its business relationships with customers, suppliers and other third parties;

(b) Meer shall not, and the Stockholders shall not permit Meer to (i) amend its articles of incorporation or by-laws, (ii) split, combine or reclassify any shares of its outstanding capital stock, (iii) except as provided in Section 6.8, declare, set aside or pay any dividend or other distribution payable in cash, stock or property, or (iv) directly or indirectly redeem or otherwise acquire any shares of its capital stock;

(c) Meer shall not, and the Stockholders shall not permit Meer to (i) authorize for issuance, issue or sell or agree to issue or sell any shares of, or Rights to acquire or convertible into any shares of, its capital stock (whether through the issuance or granting of options, warrants, commitments, subscriptions, rights to purchase or otherwise), (ii) merge or consolidate with another entity, (iii) acquire or purchase an equity interest in or a substantial portion of the assets of another corporation, partnership or other business organization or otherwise acquire any assets outside the ordinary and usual course of business and consistent with past practice or otherwise enter into any contract, commitment or transaction outside the ordinary and usual course of business consistent with past practice, (iv) sell, lease, license, waive, release, transfer, encumber or otherwise dispose of any of its assets outside the ordinary and usual course of business and consistent with past practice, (v) incur, assume, guarantee, secure or prepay any indebtedness (including, without limitation, capitalized lease obligations) or any other liabilities other than in the ordinary course of business and consistent with past practice, (vi) assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person, (vii) make any loans, advances or capital contributions to, or investments in, any other person, (viii) authorize or make capital expenditures in excess of the amounts currently budgeted therefor and disclosed to Parent, (ix) permit any insurance policy naming Meer as a beneficiary or

a loss payee to be modified, canceled or terminated, except in connection with the simultaneous issuance of a replacement policy providing equivalent coverage, or (x) enter into any contract, agreement, commitment or arrangement with respect to any of the foregoing;

(d) Meer shall not, and the Stockholders shall not permit Meer to (i) adopt, enter into, terminate or amend (except as may be required by applicable Laws) any Plan or other arrangement for the current or future benefit or welfare of any director, officer or current or former employee, (ii) increase in any manner the compensation or fringe benefits of, or pay any bonus to, any director, officer or employee (except for normal increases in salaried compensation in the ordinary course of business consistent with past practice), or (iii) take any action to fund or in any other way secure, or to accelerate or otherwise remove restrictions with respect to, the payment of compensation or benefits under any employee plan, agreement, contract, arrangement or other Plan;

(e) Meer shall not, and the Stockholders shall not permit Meer to, take any action with respect to, or make any change in, its accounting or tax policies or procedures, except as required by law or to comply with GAAP;

(f) Neither Meer nor any of the Stockholders shall not take any action that would jeopardize (i) the treatment of Parent's acquisition of Meer as a pooling of interests for financial accounting purposes; or (ii) the qualification of the Merger as a reorganization within the meaning of Section 368(a) of the Code;

(g) Meer will make or cause to be made all necessary filings with all Governmental Entities; and

(h) Meer shall promptly provide to Parent a copy of all correspondence and written communications received from or supplied to any Governmental Entity.

Section 5.2 Conduct of Business by Parent Pending the Merger. Prior to the Effective Time, unless Meer shall otherwise agree in writing, or as otherwise expressly contemplated by this Agreement, neither Parent nor Sub shall take any action that would jeopardize (i) the treatment of Parent's acquisition of Meer as a pooling of interests for financial accounting purposes or (ii) the qualification of the Merger as a reorganization within the meaning of Section 368(a) of the Code.

ARTICLE VI

ADDITIONAL AGREEMENTS

Section 6.1 Access and Information.

(a) Each of Meer and Parent shall (and shall cause its officers, directors, employees, auditors and agents to) afford to the other and to the other's officers, employees, financial

advisors, legal counsel, accountants, consultants and other representatives reasonable access during normal business hours throughout the period prior to the Effective Time to all of its books and records and its properties, plants and personnel and, during such period, each shall furnish promptly to the other a copy of each report, schedule and other document filed or received by it pursuant to the requirements of federal securities laws, provided that no investigation pursuant to this Section 6.1 shall affect any representations or warranties made herein or the conditions to the obligations of the respective parties to consummate the Merger.

(b) Parent shall retain an environmental consultant reasonably acceptable to Meer to undertake a Phase I environmental assessment of each real property owned or leased by Meer and used for the Business in accordance with a Phase I scope of work generally followed by nationally recognized environmental consulting firms and the protocol established by the American Society for Testing and Materials, "Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process", E-1527-97. Meer shall provide all necessary or appropriate access to said real properties for the conduct of the Phase I environmental assessment and shall provide to Parent or the environmental consultant any and all information concerning the environmental condition of the real properties in their custody, possession or control, including, all reports, data, assessments, investigations, tests.

(c) Unless otherwise required by law, each party agrees that it and its directors, officers, employees, partners, Affiliates, financing sources, agents, advisors or representatives (collectively, "Representatives") shall hold in confidence all non-public information so acquired or otherwise disclosed to him, her or it in connection with this Agreement or the transactions contemplated hereby and make no use of such confidential information except in connection with this Agreement; provided, however, that neither Meer or the Stockholders (the "Meer Parties"), on the one hand, nor Parent nor Sub (the "Parent Parties"), on the other hand, shall be required to maintain the confidentiality of any confidential information that (i) becomes generally available to the public other than as a result of a disclosure by the Meer Parties or Parent Parties, as the case may be, or their respective Representatives, (ii) were available to the Meer Parties or Parent Parties, as the case may be, on a non-confidential basis prior to the disclosure of such information pursuant to this Agreement, provided that the source of such information was not known by the Meer Parties or Parent Parties, as the case may be, or their Representatives to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, any of the Meer Parties or Parent Parties, as the case may be, or any of their affiliates, with respect to such material, or (iii) becomes available to the Meer Parties or Parent Parties, as the case may be, on a non-confidential basis from a source other than the Meer Parties or Parent Parties, as the case may be, or their Representatives, provided that the source of such information was not known by any of the Meer Parties or Parent Parties, as the case may be, or their Representatives, to be bound by a confidentiality agreement with, or other contractual, legal or fiduciary obligation of confidentiality to, the Meer Parties or Parent parties, as the case may be, or any of their affiliates. Notwithstanding anything in the foregoing to the contrary, a party may disclose confidential information if and to the extent that such party has been advised by counsel that such disclosure is required under applicable Laws and, prior to such disclosure, if practical, such party, to the extent not otherwise prohibited

from doing so under applicable Laws, promptly advise and consult with Meer or Parent, as applicable, concerning the information proposed to be so disclosed.

Section 6.2 No Solicitation. Prior to the Effective Time, Meer and the Stockholders agree that neither they, any of their respective Affiliates, nor any of the respective directors, officers, employees (under authorization of Meer or any of the Stockholders), agents or representatives of the foregoing will, directly or indirectly, solicit, initiate, facilitate, cooperate with or encourage (including by way of furnishing or disclosing non-public information) any inquiries or the making of any proposal with respect to any merger, consolidation or other business combination involving Meer or the acquisition of all or any significant assets or capital stock of Meer taken as a whole or any recapitalization, liquidation or dissolution or similar transaction including Meer (each, an "Acquisition Transaction"), or negotiate, explore or otherwise engage in discussions with any person (other than Parent and its Representatives) with respect to any Acquisition Transaction, or enter into any agreement, arrangement or understanding with respect to any such Acquisition Transaction or which would require it to abandon, terminate or fail to consummate the Merger or any other transaction contemplated by this Agreement. Meer and the Stockholders agree to advise Parent promptly in writing of any inquiries or proposals (or desire to make a proposal) received by (or indicated to), any such information requested from, or any such negotiations or discussions sought to be initiated or continued with, Meer, any of the Stockholders or any of their respective Affiliates, or any of the respective directors, officers, employees, agents or representatives of the foregoing, in each case from a person (other than Parent and its Representatives) with respect to an Acquisition Transaction, and the terms thereof, including the identity of such third party, and to update on an ongoing basis or upon Parent's request, the status thereof, as well as any actions taken or other developments pursuant to, or caused by, this Section 6.2.

Section 6.3 Reasonable Best Efforts. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use its reasonable best efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable Law to consummate and make effective the transactions contemplated by this Agreement including, without limitation, the obtaining of all necessary waivers, consents and approvals and the effecting of all necessary registrations and filings. Meer and the Stockholders will furnish to Parent and Sub, and Parent and Sub will furnish to Meer and the Stockholders, such information and assistance as the other may reasonably request in connection with the preparation of any such filings or submissions. Without limiting the generality of the foregoing, as promptly as practicable, Meer, the Stockholders, Parent and Sub shall make all additional filings and submissions under the HSR Act as may be reasonably required to be made in connection with the transactions contemplated by this Agreement

Section 6.4 Expenses. Except as hereinafter provided in this Section 6.4 and in Article IX, each of Meer, the Stockholders, Sub and Parent shall separately bear his, her or its own expenses, including the fees and disbursements of counsel, investment bankers and accountants, incurred in connection with this Merger Agreement, the Merger and the transactions contemplated by this Agreement. Notwithstanding the foregoing: Parent (x) has paid (and will not be entitled to reimbursement for) the filing fees (an aggregate of $90,000) for the filings heretofore made by Parent

and Edward M. Meer as Trustee of the Edward M. Meer Trust under the HSR Act and (y) shall pay to BancAmerica Robertson Stephens at the Closing in immediately available funds the fee payable under the BancAmerica Letter Agreement and the aggregate number of shares constituting the Merger Shares shall be reduced (rounded to the nearest whole share) by the quotient obtained by dividing the aggregate amount of the fee payable under the BancAmerica Letter Agreement by $38, and the resulting reduced number of Merger Shares shall be used for all purposes under Section 2.1(a), and (z) no separate allocation of the fees and disbursements incurred in connection with the negotiation, execution and delivery of the Merger Agreement, the Registration Rights Agreement or the Ancillary Agreements need be made to any Stockholder.

Section 6.5 Public Announcements. Meer and the Stockholders agree that it and they will not issue any press release or otherwise make any public statement with respect to this Agreement (including the Exhibits hereto) or the transactions contemplated hereby (or thereby) without the prior consent of Parent; provided, however, that such disclosure can be made without obtaining such prior consent if (i) the disclosure is required by law and (ii) the party making such disclosure has first used its reasonable best efforts to consult with (but not obtain the consent of about the form and substance of such disclosure. Parent and the Sub agree that, prior to the Effective Time, they will not issue any press release or otherwise make any public statement with respect to this Agreement (including the Exhibits hereto) or the transactions contemplated hereby (or thereby) without the prior consent of Meer; provided, however, that such disclosure can be made without obtaining such prior consent if (i) the disclosure is required by law and (ii) the party making such disclosure has first used its reasonable best efforts to consult with (but not obtain the consent of) the Meer about the form and substance of such disclosure.

Section 6.6 Supplemental Disclosure. Meer and the Stockholders shall give prompt notice to Parent, and Parent shall give prompt notice to Meer, of (i) the occurrence, or non-occurrence, of any event known to Meer or any of the Stockholders, the occurrence or non-occurrence, of which would be likely to cause (x) any representation or warranty contained in this Agreement to be untrue or inaccurate or (y) any covenant, condition or agreement contained in this Agreement not to be complied with or satisfied and (ii) any failure of Meer, any Stockholder, Sub or Parent, as the case may be, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 6.6 shall not have any effect for the purpose of determining the satisfaction of the conditions set forth in Article VII of this Agreement or otherwise limit or affect the remedies available hereunder or under applicable Law to any party.

Section 6.7 Stock Transfers. The Stockholders shall hold the Merger Shares subject to all applicable provisions of the Securities Act and the rules and regulations promulgated by the Commission thereunder and shall not make an illegal "distribution" (within the meaning of the Act and Rule 145 promulgated thereunder) of such Parent Common Stock. In addition, the Stockholders shall hold the Merger Shares subject to the applicable requirements for pooling of interest accounting under Accounting Principles Board Opinion No. 16, the interpretation releases pursuant thereto and the pronouncements of the Commission. Without limiting the generality of the foregoing, the Stockholders:

(a) shall not sell any Parent Common Stock until after the publication of financial results reflecting the combined operating results of Parent and Meer for a period of not less than 30 days from and after the Effective Time;

(b) shall not transfer any Parent Common Stock unless (i) Parent shall have been furnished with an opinion of counsel, in form and substance reasonably satisfactory to Parent's counsel, that registration under the Securities Act is not required in respect of such transfer or (ii) a registration statement covering the shares proposed to be transferred and the proposed transfer thereof has been filed by Parent with the Commission and has become effective under the Securities Act; and

(c) shall consent to the imposition of legends on Parent Common Stock to be received by them in connection with the Merger to the effect that such Parent Common Stock may not be sold except in compliance with the Securities Act and is subject to the transfer restrictions provided for in this Section 6.7.

Section 6.8 Certain Tax Matters.

(a) After the Closing Date, Meer will not amend in any material respect, or consent to any material adjustment to, any Meer Return (or any other federal or state income tax return for any taxable year ended on or before the Closing Date) in a manner that would increase the tax liability of the Stockholder without the Stockholder's written consent, which shall not be unreasonably withheld.

(b) On the Closing Date Meer shall distribute to the Stockholders, pro rata in accordance with their respective holdings of Meer Common Stock, an aggregate of $2,010,719.04 (the "Distribution Amount"), representing 44% of the estimated taxable income for Meer for the fiscal period ("Fiscal Period") ending on the Closing Date.

(c) A final determination ("Determination") of the taxable income of Meer for the Fiscal Period ending on the Closing Date shall be undertaken and completed within seventy-five (75) days of the Closing Date. The Determination shall be computed in a manner consistent with the computation of Meer's taxable income for prior fiscal years. The Determination shall be undertaken by the Parent's certified public accountants. Upon completion of the Determination, the Parent shall notify the Stockholders of the actual taxable income amount ("Amount"). The Stockholders shall have a period of fifteen (15) days after receipt of notice of the Amount to review the Parent's calculations with respect to the same and to deliver to the Parent written notification of any dispute concerning the Determination, along with a brief explanation in reasonable detail to support the Stockholders' position in respect thereof. The Parent's certified public accountants will cooperate with the Stockholders in connection with the Stockholders' review of the Parent's calculations, work papers and other information compiled by the Parent or its certified public accountants in connection with the calculation of the Amount. In the event of any dispute with respect to the Amount, the Parent and Stockholders shall consult to resolve any dispute for a period of twenty (20) business days following notification thereof. If such twenty (20) day consultation

period expires and the dispute has not been resolved, the dispute shall be submitted to a certified public accounting firm agreeable to the Stockholders and Parent, the cost of which shall be borne equally by the Stockholders and Parent. In the event the parties are unable to agree upon an independent certified public accounting firm, the Parent and the Stockholders shall each select one such certified public accounting firm, and the firm so selected shall select a third, independent certified public accounting firm. The independent certified public accounting firm mutually agreed upon by the Parent and Stockholders (or in the event they are unable to agree, an independent certified public firm selected by the accounting firms selected by the Parent and Stockholders as provided in the immediately preceding sentence) (the "CPA Firm") shall make its determination of the Amount, which determination will be final and binding upon the parties hereto. Payment of any adjustment of the Distribution Amount pursuant to this Section 6.8(c) and the fees and expenses of the CPA Firm shall be made by the appropriate party or parties within ten (10) days after completion of the Determination or resolution of any disputes by the independent certified public accounting firms, whichever shall last occur.

Section 6.9 Dissenters Rights; Authorization and Approval. (i) Meer and each of the Stockholders shall cause the Certificate of Amendment to Meer's Articles of Incorporation described in Section 7.1(j) to be filed as promptly as is practicable; (ii) Meer and each of the Stockholders shall promptly thereafter take all corporate action to authorize or ratify the execution and delivery by Meer of this Agreement and the consummation of the transactions contemplated hereby, including, without limitation, the Merger; and (iii) each of the Stockholders hereby waives any dissenter's rights that such Stockholder may have, whether under the Act or otherwise, to the fullest extent permitted under applicable law and irrevocably covenants not to exercise any such rights and irrevocably covenants to take all such action as may be necessary or appropriate to extinguish all such rights as quickly as is possible.

Section 6.10 Lease Amendment. Meer and the Stockholders shall have caused (i) each of the leases listed on Schedule 3.26 between Meer and any Affiliate of any of the Stockholders to be amended so that they will terminate on the first anniversary of the Closing Date, provided that Parent may renew any or all of said leases for up to three successive one-year terms upon notice given to Meer at least ninety days prior to the expiration date then in effect, and (ii) the rent payable under the lease for the Canton, Michigan facility shall be reduced by $50,000 a month (and all rental increases shall be adjusted proportionally, if applicable).

ARTICLE VII

CONDITIONS TO CONSUMMATION OF THE MERGER

Section 7.1 Conditions to Each Party's Obligation to Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the satisfaction or waiver at or prior to the Effective Time of the following conditions:

(a) HSR Approval. Any waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated, and no action shall have been instituted by the U.S. Department of Justice or Federal Trade Commission challenging or seeking to enjoin the consummation of this transaction, which action shall have not been withdrawn or terminated.

(b) No Order. No Governmental Entity (including a federal or state court) of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent) which is in effect and which enjoins, materially restricts, restrains or prohibits the transactions contemplated hereby, including the consummation of the Merger, or has the effect of making the Merger illegal; provided, however, that the party or parties asserting this condition shall have used their reasonable best efforts (as required under Section 6.3) to cause any such decree, judgment, injunction or other order to be vacated or lifted.

(c) Approvals. Other than the filing of the Certificate of Merger in accordance with the Act, all authorizations, consents, waivers, orders or approvals of, or declarations or filings with, or expirations of waiting periods imposed by, any Governmental Entity the failure of which to obtain, make or occur would individually, or in the aggregate have a material adverse effect at or after the Effective Time on Parent and its subsidiaries (including, without limitation, the Surviving Corporation), taken as a whole, shall have been obtained or filed or have occurred.

(d) Statutes. No statute, rule, regulation, executive order, decree or order of any kind shall have been enacted, entered, promulgated or enforced by any court or governmental authority which prohibits the consummation of the Merger or has the effect of making the Merger illegal.

Section 7.2 Conditions to Obligations of Parent and Sub to Effect the Merger. The obligations of Parent and Sub to effect the Merger shall be subject to the satisfaction at or prior to the Effective Time of the following additional conditions, unless waived in writing by Parent:

(a) Representations and Warranties. The representations and warranties of Meer and the Stockholders set forth in this Agreement shall be true and correct in all material respects as of the date hereof and, except to the extent such representations and warranties speak as of an earlier date, as of the Effective Time as though made at and as of the Effective Time, and Parent shall have received a certificate signed by each of the Stockholders and, on behalf of Meer, by the chief executive officer or the chief financial officer of Meer, to such effect.

(b) Performance of Obligations of Meer and the Stockholders. Each of Meer and the Stockholders shall have performed in all material respects all obligations required to be performed by such person under this Agreement at or prior to the Effective Time, and Parent shall have received a certificate signed by each of the Stockholders and, on behalf of Meer, by the chief executive officer or the chief financial officer of Meer, to such effect.

(c) Letters of Resignation. Parent and Sub shall have received letters of resignation addressed to Meer from each of the members of Meer's board of directors, which resignations shall be effective as of the Effective Time.

(d) Pooling Letter. Parent shall have received from BDO Seidman, LLP a letter, dated the Closing Date and addressed to Parent, to the effect that, subject to customary qualifications, the Merger qualifies for pooling of interests treatment for financial reporting purposes in accordance with GAAP, and Parent shall have received from Meer, with the consent of Grant Thornton, a copy of a letter, dated the Closing Date, of such firm addressed to Meer to the effect that, based upon inquiries and their examination of the financial statements of Meer, they are not aware of any condition relating to Meer that would preclude the use of pooling of interests treatment of the Merger for financial reporting purposes in accordance with GAAP.

(e) Ancillary Agreements. Each of Brian Meer, Ted Handelsmann, Al Molnar and Robert Meer shall have executed and delivered an employment agreement with Meer and option agreement with Parent substantially in the respective forms, including exhibits thereto, attached as Exhibit 7.2(e) (collectively, the Ancillary Agreements").

(f) Legal Opinion. Parent shall have received from Meer's counsel, Maddin, Hauser, Wartell, Roth, Heller & Pesses, P.C., ("Maddin Hauser") an opinion, dated the Closing Date, in form and substance reasonably satisfactory to Parent, which opinion may rely on an opinion of local counsel as to matters of New York law, provided that such local counsel and its opinion are reasonably satisfactory to Parent and a copy of such opinion is (with the consent of such local counsel set forth therein) attached to Maddin Hauser's opinion (or, alternatively, such local counsel opinion may be addressed and delivered directly to Parent).

(g) Tax Opinion. Parent shall have received an opinion from Proskauer Rose, counsel to Parent, dated the Closing Date, to the effect that the Merger will be treated for United States Federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code.

(h) Lease Amendments. The lease amendments provided for in Section 6.8 shall have been effected in writings in form and substance reasonably satisfactory to Parent.

(i) Appraisal Rights; Surrender for Conversion. Appraisal rights shall not have been asserted in connection with the Merger with respect to 10% or more of the outstanding shares of Meer Common Stock and no Stockholder shall have dissented with respect to less than all of its shares of Meer Common Stock. Each of the outstanding shares of Meer Common Stock shall have been tendered for conversion pursuant to Section 2.20.

(j) Certificate of Amendment. Meer shall have filed a duly authorized and executed Certificate of Amendment to its Articles of Incorporation reversing the Certificate of Amendment to its Articles of Incorporation approved by stockholders on July 31, 1998 and Meer and the Stockholders shall have taken all action reasonably requested by Parent (or otherwise

necessary or advisable) in order to carry out the intent and purposes of Section 6.9 of this Agreement.

Section 7.3 Conditions to Obligation of Meer and Stockholders to Effect the Merger. The obligation of Meer to effect the Merger shall be subject to the satisfaction at or prior to the Effective Time of the following additional conditions:

(a) Representations and Warranties. (i) The representations and warranties of Parent set forth in this Agreement shall be true and correct in all material respects, as of the date hereof, and, except to the extent such representations and warranties speak as of an earlier date, as of the Effective Time as though made on and as of the Effective Time, and (ii) Meer shall have received a certificate signed on behalf of Parent by the chief executive officer or the chief financial officer of Parent, to such effect.

(b) Performance of Obligations of Parent and Sub. Each of Parent and Sub shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Effective Time, and Meer shall have received a certificate signed on behalf of Parent by the chief executive officer or the chief financial officer of Parent, to such effect.

(c) Legal Opinion. Meer and the Stockholders shall have received from Parent's counsel, Proskauer Rose LLP, an opinion in form and substance reasonably satisfactory to Meer and the Stockholders, which opinion may rely on an opinion of local counsel as to matters of Michigan law, provided that such local counsel and its opinion reasonably satisfactory to Meer and a copy of such opinion is (with the consent of such local counsel set forth therein) attached to Proskauer Rose LLP's opinion (or, alternatively, such opinion may be addressed and delivered directly to Meer and the Stockholders).

(d) Other Agreements. Parent shall have executed and delivered the Registration Rights Agreement and each of the option agreements included in the Ancillary Agreements.

ARTICLE VIII

TERMINATION

Section 8.1 Termination. This Agreement may be terminated at any time prior to the Effective Time.

(a) by mutual consent of Parent and Meer;

(b) by either Parent or Meer, if the Merger shall not have been consummated before August 20, 1998 (unless, in the case of any such termination pursuant to this Section 8.1(b), the failure to so consummate the Merger by such date shall have been caused by the action or failure to act of the party seeking to terminate this Agreement (or Sub, in the case of termination being

sought by Parent, or any Stockholder, in the case of termination being sought by Meer), which action or failure to act constitutes a breach of this Agreement);

(c) by Parent, if (i) there has been a misrepresentation or breach in any material respect in or of any representation or warranty of Meer or any of the Stockholders or (ii) there has been a breach in any material respect of any of the covenants or agreements set forth in this Agreement on the part of Meer or any of the Stockholders, which breach is not curable or, if curable, is not cured within 30 days after written notice of such breach is given by Parent to Meer;

(d) by Meer, if (i) there has been a misrepresentation or breach in any material respect in or of any representation or warranty of Parent or Sub or (ii) there has been a breach in any material respect of any of the covenants or agreements set forth in this Agreement on the part of Parent or Sub, which breach is not curable or, if curable, is not cured within 30 days after written notice of such breach is given by Meer to Parent; and

(e) by either Parent or Meer, if any permanent injunction or action by any Governmental Entity of competent jurisdiction preventing the consummation of the Merger shall have become final and nonappealable; provided, however, that the party seeking to terminate this Agreement pursuant to this Section 8.1(e) shall have used all reasonable efforts to remove such injunction or overturn such action;

Section 8.2 Effect of Termination.

(a) In the event of the termination of this Agreement pursuant to this Article VIII, the Merger shall be deemed abandoned and this Agreement shall forthwith become void, without liability on the part of any party hereto, except as provided in this Section 8.2, Section 6.1 (solely with respect to confidentiality) and Section 6.4, which provisions shall survive such termination, and except that nothing in this Section 8.2 shall relieve any party from liability that such party would otherwise have for any misrepresentation or breach of representation, warranty, covenant or agreement in this Agreement.

(b) If Parent shall have terminated this Agreement pursuant to Section 8.1(c) (or would have so terminated this Agreement but for any prior termination of this Agreement by Meer pursuant to Sections 8.1(b) or 8.1(e) prior to the expiration of the 30 day cure period provided for in Section 8.1(c), if applicable) as a result of a willful breach by Meer or any Stockholder (including, without limitation, any willful breach under Section 6.9), Meer shall pay to Parent, as liquidated damages and not as a penalty, seven and one-half million dollars ($7,500,000) plus Parent's reasonably documented out-of-pocket expenses. Such liquidated damage amounts shall be payable no later than five business days after such termination.

(c) If Meer shall have terminated this Agreement pursuant to Section 8.1(d) (or would have so terminated this Agreement but for any prior termination of this Agreement by Parent pursuant to Sections 8.1(b) or 8.1(e) prior to the expiration of the 30 day cure period provided for in Section 8.1(d), if applicable) as a result of a willful breach by Parent or Sub, Parent shall pay to

the Company, as liquidated damages and not as a penalty, seven and one-half million dollars ($7,500,000) plus Meer's reasonably documented out-of-pocket expenses. Such liquidated damage amounts shall be payable no later than five business days after such termination.

(d) If this Agreement terminates for any reason other than a termination as a result of which Parent is obligated to pay Meer liquidated damages pursuant to Section 8.2(c), and (i) within six months after such termination Meer or one or more of the Stockholders consummates or enters into a definitive agreement with respect to an Acquisition Transaction and (ii) prior to the termination of this Agreement a willful material breach of Section 6.2 occurred, then Meer shall pay to Parent, as liquidated damages and not as a penalty, seven and one-half million dollars ($7,500,000) plus Parent's reasonably documented out-of-pocket expenses. Such liquidated damage amounts shall be payable on the date such Acquisition Transaction is consummated or such definitive agreement is entered into, as applicable.

ARTICLE IX

INDEMNIFICATION

Section 9.1 Survival of Representations and Warranties. All representations and warranties contained in Articles III and IV of this Agreement shall survive until the first anniversary of the Closing.

Section 9.2 Indemnification by Stockholders.

(a) Subject to Section 9.3(a), from and after the Closing the Stockholders shall, jointly and severally, indemnify and save Parent, its Subsidiaries (including, without limitation, the Surviving Corporation), and their respective Affiliates, directors, officers, employees, agents, counsel and representatives and all of their successors and assigns (collectively, the "Parent Claimants" and, individually, a "Parent Claimant") harmless from, and defend each of them from and against, any and all demands, claims, actions, liabilities, losses, costs, damages or expenses whatsoever, including reasonable attorneys' fees (collectively, "Losses"), imposed upon or incurred by the Parent Claimants constituting, resulting from or arising out of (i) any misrepresentation or breach of any representation or warranty of Meer or any of the Stockholders contained in this Agreement or (ii) any breach of any covenant or obligation of Meer or any of the Stockholders contained in this Agreement. Without limiting the generality of the foregoing and subject to Section 9.3(a), the Stockholders shall pay any Parent Claimant who is successful asserting any claim for indemnification hereunder an amount sufficient to put such Parent Claimant in the same position it would have been in had such representation or warranty been accurate or had such covenant or obligation not been breached, as the case may be, net of any tax benefit received by such Parent Claimant due to such Losses (after taking into account any amounts to be received hereunder).

(b) Subject to Section 9.3(b), from and after the Closing, Parent shall indemnify and save the Stockholders and their respective Affiliates, beneficiaries, heirs, executors, successors

and assigns (collectively, the "Stockholder Claimants" and, individually, a "Stockholder Claimant") harmless from and defend each of them from and against any and all Losses imposed upon or incurred by the Stockholder Claimants, constituting, resulting from or arising out of (i) any inaccuracy or breach of any representation or warranty of Parent or Sub contained in Sections 4.1, 4.2, 4.3, 4.4, the last sentence of Section 4.5, 4.6, 4.7 or 4.8 of this Agreement or (ii) any material breach of any covenant or obligation of Parent or Sub contained in this Agreement or the Registration Rights Agreement. Without limiting the generality of the foregoing and subject to Section 9.3(b), Parent shall pay any Stockholder Claimant who is successful asserting any claim for indemnification hereunder an amount sufficient to put the Stockholder Claimant in the same position it would have been in had such representation or warranty been accurate or had such covenant or obligation not been breached, as the case may be, net of any tax benefit received by the Stockholder Claimant (after taking into account any amounts to be received hereunder).

Section 9.3 Limitations on Indemnification.

(a) The Parent Claimants will not be entitled to such indemnification under Section 9.2(a) unless and until the aggregate amount of all Losses incurred by the Parent Claimants exceeds $1,125,000 (the "Basket Amount"), in which event the Parent Claimants will be entitled to indemnification for all Losses so incurred, not just Losses in excess of the Basket Amount. The maximum aggregate amount of indemnification that the Stockholders shall be obligated to pay under Section 9.2(a) shall be equal to 10% of the aggregate value (calculated using the Average Closing Price) of the Merger Shares (the "Cap Amount"); provided, however, that the Basket Amount threshold and the Cap Amount shall not apply to Losses arising with respect to any misrepresentation or breach of any representation or warranty made in Section 3.1, 3.2, 3.3, 3.4, 3.5, 3.12, 3.16, 3.18 or 3.20 or any covenant contained in Section 6.9, but in no event shall the aggregate amount of indemnification payments made under Section 9.2(a) exceed the aggregate value (calculated using the average closing price of the Parent Common Stock as reported on the Nasdaq Stock Market for the ten consecutive trading day period immediately preceding the Closing Date (the "Average Closing Price")) of the Merger Shares.

(b) The Stockholder Claimants will not be entitled to seek indemnification under Section 9.2(b) unless and until the aggregate amount of all Losses incurred by the Stockholder Claimants exceeds the Basket Amount, in which event the Stockholder Claimants will be entitled to indemnification for all Losses so incurred, not just Losses in excess of the Basket Amount. The maximum aggregate amount of indemnification that Parent shall be obligated to pay under Section 9.2(b) shall be equal to the Cap Amount; provided, however, that the Basket Amount threshold and the foregoing limitation shall not apply to Losses arising with respect to any misrepresentation or breach of any representation or warranty made in Section 4.1, 4.2, 4.3 or 4.4, and the Cap Amount shall not apply to Losses arising out of any material breach by Parent under the Registration Rights Agreement, but in no event shall the aggregate amount of indemnification payments made under Section 9.2(b) exceed the aggregate value (calculated using the Average Closing Price) of the Merger Shares.

Section 9.4 Indemnification Procedures.

(a) The rights and obligations of each party asserting a claim for indemnification pursuant to Section 9.2 (each, an "Indemnitee") from a party or parties obligated to provide such indemnification (collectively, the "Indemnitor") shall be governed by the following rules:

(i) The Indemnitee shall give prompt written notice to the Indemnitor of any state of facts which the Indemnitee determines will give rise to a claim by it against the Indemnitor based on the indemnity agreement contained herein, stating the nature and basis of said claims and the amount thereof, to the extent known. No failure to give such notice shall affect the indemnification obligations of the Indemnitor hereunder, except, in the case of a third party claim subject to Section 9.4(a)(ii), to the extent such failure materially prejudices the Indemnitor's ability successfully to defend the matter giving rise to the indemnification claim. Notwithstanding the foregoing, the Indemnitee shall not be entitled to indemnification hereunder unless it shall have given written notice to the Indemnitor, setting forth its claim for indemnification within the earlier of (x) one year after the Closing Date and (y) with respect to those matters for which claims for indemnification must be asserted not later than the date that the first combined annual audited financial statements of Parent and Meer are issued (the "Financial Statements Date") in order to account for the Merger as a pooling of interest, the Financial Statements Date (the earlier of (x) and (y) the "Indemnification Termination Date").

(ii) In the event any action, suit or proceeding is brought by or before any Governmental Entity or arbitrator against an Indemnitee with respect to which the Indemnitor may have liability hereunder, then, upon the written acknowledgment by the Indemnitor within thirty days of the bringing of such action, suit or proceeding that it is undertaking and will prosecute the defense of the claim and confirming that the claim is one with respect to which the Indemnitor is obligated to indemnify and that it will be able to pay the full amount of potential liability in connection with any such claim, the action, suit or proceeding (including all proceedings on appeal or for review which counsel for the Indemnitee shall deem appropriate) may be defended by the Indemnitor. However, in the event the Indemnitor shall fail promptly to assume the defense of any action, suit or proceeding or shall not offer reasonable assurances as to its financial capacity to satisfy any final judgment or settlement, the Indemnitee may assume the defense and dispose of the action, suit or proceeding. The Indemnitee shall have the right to employ its own counsel and local counsel in any action, suit or proceeding, but the fees and expenses of such counsel shall be at the Indemnitee's own expense unless (x) the employment of such counsel and the payment of such fees and expenses both shall have been specifically authorized by the Indemnitor in connection with the defense of such action, suit or proceeding, (y) the Indemnitee shall have reasonably concluded and specifically notified the Indemnitor that there may be specific defenses available to it which are different from or additional to those available to the Indemnitor, or that such action, suit or proceeding involves or could have an effect upon matters beyond the scope of the indemnity agreement contained herein, or (z) the Indemnitee shall have assumed the defense of such action, suit or proceeding as provided above. In addition, if any event specified in clause (y) of the immediately proceeding sentence occurs, the Indemnitee shall have the right to direct the defense of such action, suit or proceeding.

(iii) The Indemnitee shall be kept fully informed by the Indemnitor of such action, suit or proceeding at all stages thereof, whether or not it is represented by counsel. The Indemnitor shall, at the Indemnitor's expense, make available to the Indemnitee and its attorneys and accountants all books and records of the Indemnitor relating to such proceedings or litigation, and the parties hereto agree to render to each other such assistance as they may reasonably require of each other in order to ensure the proper and adequate defense of any such action, suit or proceeding.

(b) The Indemnitor shall make no settlement of any claims which the Indemnitor has undertaken to defend without the Indemnitee's consent (which consent shall not be unreasonably withheld), unless the Indemnitor fully indemnifies the Indemnitee for all Losses, there is no finding or admission of violation of Laws by, or effect on any other claims that may be made against, the Indemnitee, and the relief granted in connection therewith requires no action on the part of and has no effect on the Indemnitee or the operation of the business of Parent or any of its Subsidiaries (including, without limitation, the Surviving Corporation).

(c) Arbitration. In order to insure that the Merger qualifies for treatment as a pooling-of-interest for financial reporting purposes, the parties agree that any dispute, disagreement or controversy between any Indemnitee and the Indemnitor with respect to any claim for indemnification pursuant to this Agreement, including, without limitation, any dispute with respect to the Indemnitor's obligation to assume the defense and indemnify such Indemnitee in connection with a third party claim pursuant to Section 9.3(a)(ii), that is not resolved by the Indemnification Termination Date shall promptly be submitted to the American Arbitration Association (the "AAA") to be resolved by binding arbitration in accordance with the arbitration rules of the AAA. The place of arbitration shall be New York, New York. The arbitration tribunal shall be composed of three arbitrators, one of which shall be appointed by Parent within 10 business days of the Indemnification Termination Date, one of which shall be appointed by the Stockholders within 10 business days of the Indemnification Termination Date and one of which shall be appointed by the arbitrators appointed by Parent and the Stockholders within 15 business days of the Indemnification Termination Date. The arbitrators will be directed to resolve such dispute, disagreement or controversy as soon as practicable (and, in any event, within two months of the Indemnification Termination Date).

ARTICLE X

RESTRICTIVE COVENANTS

Section 10.1 Non-Competition. Except for those Stockholders who enter into an employment agreement constituting one of the Ancillary Agreements (the "Engaged Stockholders"), neither the Stockholders nor any of their respective Affiliates shall, for a period of five years after the Effective Time, directly or indirectly, engage or be interested (whether as owner (excluding solely the ownership of not more than 1% of any class of securities that are traded on a national securities exchange or on the Nasdaq Stock Market), partner, lender, consultant, employee or otherwise), anywhere in the United States, in any business, activity or enterprise that engages in or

constitutes any Competitive Activity (excluding working for manufacturers who sell solely to distributors as opposed to directly to the healthcare practitioner). For purposes of this Section 10.1, the term "Competitive Activity" means the distribution of any healthcare products or services (including computer software) primarily to office based practitioners.

Section 10.2 Non-Solicitation of Employees. Except for the Engaged Stockholders, neither the Stockholders or any of their Affiliates shall, for a period of five years after the Effective Date, directly or indirectly, for himself, herself, or itself or on behalf of any other individual or entity, hire any employee of Parent or any of its Subsidiaries, including, without limitation, any employees of Meer, or induce nor attempt to induce any such employee to leave his or her employment with Parent or any of its Subsidiaries (including without limitation, Meer).

Section 10.3 Non-Solicitation or Interference with Customers and Suppliers. Except for the Engaged Stockholders, neither the Stockholders nor any of their Affiliates shall, for a period of five years after the Effective Time, directly or indirectly, for himself, herself or itself or on behalf of any other individual or entity, solicit, divert, take away or attempt to take away any of Parent's or any of its Subsidiaries' (including without limitation, Meer's) customers or suppliers or the business or patronage of any such customers or suppliers or in any way interfere with, disrupt or attempt to disrupt any then existing relationships between Parent or any of its Subsidiaries (including without limitation, Meer) and any of their respective customers or suppliers or other individuals or entities with whom they deal, or contact or enter into any business transaction with any such customers or suppliers or other individuals or entities for any purpose.

Section 10.4 Confidentiality. Except for the Engaged Stockholders, neither the Stockholders nor any of their Affiliates shall ever use or divulge any trade secrets, customer or supplier lists, pricing information, marketing arrangements or strategies, business plans, internal performance statistics, training manuals or any other information concerning the Company, Parent or any of its Subsidiaries that is competitively sensitive, proprietary or confidential, except on behalf of the Company, Parent or any of its Subsidiaries, and shall not conduct himself in a manner that would reasonably be expected to adversely affect the Company, Parent or any of its Subsidiaries in any material respect, including, but not limited to, making false, misleading or negative statements, either orally or in writing, about the Company, Parent or any of its Subsidiaries, or their respective directors, officers or employees; provided, however, that the confidentiality covenants contained in this Section 10.4 shall not apply to the following: (i) information which is already in the public domain at the time of its disclosure to a Stockholder; (ii) information which, after its disclosure to a Stockholder, becomes part of the public domain by publication or otherwise other than through a Stockholder's act; (iii) information which a Stockholder received from a third party having the right to make such disclosure without restriction on disclosure or use thereof; or (iv) information which a Stockholder is legally compelled to disclose.

Section 10.5 Employment Agreements Covenants. The Engaged stockholders shall comply, from and after the Effective Date, with all of their respective non-competition and non-solicitation (of employees, customers or suppliers) covenants and agreements set forth in their respective employment agreements included in the Ancillary Agreements.

Section 10.6 Acknowledgments. The Stockholders acknowledge that, in view of the nature of Meer's business and the business objectives of Parent in acquiring Meer, and the consideration paid in the Merger to the Stockholders therefor, the restrictions and covenants contained or referenced in this Article X are reasonably necessary to protect the legitimate business interests of Parent and that any violation of such restrictions will result in irreparable injury to Parent and its Subsidiaries, including Meer, for which damages will not be an adequate remedy. The Stockholders therefore acknowledge that, if any such restrictions or covenants are violated, Parent shall be entitled to preliminary and injunctive relief as well to an equitable accounting of earnings, profits and other benefits arising from such violation.

ARTICLE XI

GENERAL PROVISIONS

Section 11.1 Amendment and Modification. At any time prior to the Effective Time, this Agreement may be amended, modified or supplemented only by written agreement (referring specifically to this Agreement) of Parent, Sub, Meer and Stockholders with respect to any of the terms contained herein.

Section 11.2 Waiver. At any time prior to the Effective Time, Parent and Sub, on the one hand, and Meer (on behalf of itself and the Stockholders), on the other hand, may (i) extend the time for the performance of any of the obligations or other acts of the other parties, (ii) waive any inaccuracies in the representations and warranties of the other contained herein or in any documents delivered pursuant hereto, and (iii) waive compliance by the other with any of the agreements or conditions contained herein which may legally be waived. Any such extension or waiver shall be valid only if set forth in an instrument in writing specifically referring to this Agreement and signed on behalf of such party.

Section 11.3 Investigations. The respective representations and warranties of Parent, Meer and Stockholders contained herein or in any certificates or other documents delivered prior to or as of the Effective Time shall not be deemed waived or otherwise affected by any investigation made by any party hereto.

Section 11.4 Notices. All notices and other communications hereunder shall be in writing and shall be delivered personally or by next-day courier or telecopied with electronic confirmation of receipt, to the parties at the addresses specified below (or at such other address for a party as shall be specified by like notice; provided that notices of a change of address shall be effective only upon receipt thereof). Any such notice shall be effective upon receipt, if personally delivered or telecopied, or one day after delivery to a courier for next-day delivery.

(a) If to Parent or Sub, to:

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

Attention: Mark E. Mlotek, Esq.

with a copy to:

Proskauer Rose LLP
1585 Broadway
New York, New York 10036

Attention: Edward W. Scheuermann, Esq.

(b) if to Meer, to:

H. Meer Dental Supply Co.
7277 N. Haggerty Road
Canton, Michigan 48187

Attention: President

with a copy to:

Maddin, Hauser, Wartell, Roth, Heller & Pesses, P.C.
Third Floor Essex Centre
28400 Northwestern Highway
P.O. Box 215
Southfield, Michigan 48037

Attention: Charles M. Lax

(c) If to any Stockholder, to:

Mr. Brian D. Meer
3020 Middlebelt Road
West Bloomfield, Michigan 48323

with a copies to:

Mr. Tedd Handelsman
24 954 Arcadia
Novi, Michigan 48374

and

Maddin, Hauser, Wartell, Roth, Heller & Pesses, P.C.
Third Floor Essex Centre
28400 Northwestern Highway
P.O. Box 215
Southfield, Michigan 48037

Attention: Charles M. Lax

Section 11.5 Descriptive Headings; Interpretation. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. References in this Agreement to Sections, Schedules, Exhibits or Articles mean a Section, Schedule, Exhibit or Article of this Agreement unless otherwise indicated. References to this Agreement shall be deemed to include the Exhibits and Schedules hereto, unless the context otherwise requires. The term "person" shall mean and include an individual, a partnership, a joint venture, a corporation, a trust, a Governmental Entity or an unincorporated organization.

Section 11.6 Entire Agreement; Assignment. This Agreement (including the Exhibits, Schedules and other documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, among the parties or any of them, with respect to the subject matter hereof. Except as expressly set forth in Article IX hereof, this Agreement is not intended to confer upon any person not a party hereto any rights or remedies hereunder. This Agreement shall not be assigned by operation of law or otherwise; provided that Parent or Sub may assign its rights and obligations hereunder to a direct or indirect subsidiary of Parent, but no such assignment shall relieve Parent or Sub, as the case may be, of its obligations hereunder.

Section 11.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the provisions thereof relating to conflicts of law.

Section 11.8 Severability. In case any one or more of the provisions contained in this Agreement should be invalid, illegal or unenforceable in any respect against a party hereto, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby and such invalidity, illegality or unenforceability shall only apply as to such party in the specific jurisdiction where such judgment shall be made. To the extent that

any of the restrictive covenants contained in Article X of this Agreement are determined by a court in any jurisdiction to be unenforceable, as to any Stockholder or any Affiliate, as to duration, scope of activities restricted or geographic area, such covenant shall automatically be deemed amended to the extent necessary to make such covenant enforceable; provided, however, that nothing in the foregoing shall be deemed to affect the enforceability of any other covenant in Article X as written or the enforceability of the covenant deemed to be amended in any other jurisdiction as written.

Section 11.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

IN WITNESS WHEREOF, each of Parent, Sub, Meer and the Stockholders has executed this Agreement as of the date first above written.

HENRY SCHEIN, INC.

By: /s/ Mark Mlotek

Name:
Title:

HSI ACQUISITION CORP.

By: /s/ Mark Mlotek

Name:
Title:

H. MEER DENTAL SUPPLY CO.

By: /s/ Brian D. Meer

Name:
Title: President

/s/ Edward M. Meer

Edward M. Meer, Individually and as Trustee
of the Edward M. Meer Revocable Living Trust
dated November 17, 1972

/s/ Brian D. Meer

Brian D. Meer, Individually and as Trustee
of the Brian D. Meer Revocable Living Trust
dated May 10, 1989, as Amended

/s/ Robert D. Meer

Robert D. Meer, Individually and as Trustee
of the Robert D. Meer Revocable Living Trust
dated August 20, 1989

/s/ Jeffrey A. Meer

Jeffrey A. Meer, Individually and as Trustee
of the Jeffrey A. Meer Revocable Living Trust
dated August 20, 1984, as Amended

/s/ Norma Handelsman

Norma Handelsman, Individually and as Trustee
of the Norma Handelsman Revocable Living Trust
dated December 18, 1993

/s/ Herbert B. Handelsman

Herbert B. Handelsman, Individually and as
Trustee of the Herbert B. Handelsman Revocable
Living Trust dated December 18, 1993

/s/ Tedd Handelsman

Tedd Handelsman, Individually and as Trustee
of the Tedd Handelsman Revocable Living Trust
dated June 5, 1997

/s/ Amy Molnar

Amy Molnar

/s/ John Eric Handelsman

John Eric Handelsman

Exhibit 10.110

AMENDMENT NO. 1

to

AGREEMENT AND PLAN OF MERGER

Amendment No. 1, dated as of August 14, 1998 (the "Amendment") to AGREEMENT AND PLAN OF MERGER dated as of August 3, 1998 (the "Merger Agreement"), among HENRY SCHEIN, INC., a Delaware corporation ("Parent"), HSI ACQUISITION CORP., a Michigan corporation and wholly-owned subsidiary of Parent ("Sub"), H. Meer Dental Supply Co., a Michigan corporation ("Meer"), and Edward M. Meer, individually and as Trustee of the Edward M. Meer Revocable Living Trust dated November 17, 1972 (the "Edward M. Meer Trust"), Brian D. Meer, individually and as Trustee of the Brian D. Meer Revocable Living Trust dated May 10, 1989, as amended, Robert D. Meer, individually and as Trustee of the Robert D. Meer Revocable Living Trust dated August 20, 1991, Jeffrey A. Meer, individually and as Trustee of the Jeffrey A. Meer Revocable Living Trust dated August 20, 1984, as amended, Norma Handelsman, individually and as Trustee of the Norma Handelsman Revocable Living Trust dated December 18, 1993, Herbert B. Handelsman, individually and as Trustee of the Herbert B. Handelsman Revocable Living Trust dated December 18, 1993, Tedd Handelsman, individually and as Trustee of the Tedd Handelsman Revocable Living Trust dated June 5, 1997, Amy Molnar and Jon Eric Handelsman (each sometimes hereinafter referred to individually as a "Stockholder" and, collectively, as the "Stockholders"). The Stockholders are, collectively, the holders of all of the outstanding capital stock of Meer. Capitalized terms used herein and not otherwise defined have the meanings assigned in the Merger Agreement.

Whereas, the Officer's Certificate to be delivered on behalf of Meer pursuant to Sections 7.2(a) and (b) of the Merger Agreement, a copy of which is attached hereto (the "Officer's Certificate), identifies certain items on Exhibit A thereto (the "Identified Items") as exceptions to the certifications required under Section 7.2(a) and (b) of the Merger Agreement as conditions to Parent's and Sub's obligation to effect the Merger; and

Whereas, Parent and Sub are willing to waive such conditions and effect the Merger on the terms set forth herein;

Now, therefore, the parties hereto agree as follows:

1. Waiver of Conditions to Closing. Subject to the satisfaction of all of the other conditions to the obligations of Parent and Sub to effect the Merger, Parent and Sub hereby accept the Officer's Certificate in satisfaction of the conditions to their obligations to close set forth in Sections 7.2(a) and 7.2(b) of the Merger Agreement. Without limiting the generality of the proviso contained in Section 6.6 of the Merger Agreement, Meer and the Stockholders acknowledge and agree that the foregoing waiver and the disclosure to Parent and Sub of the Identified Items and the consummation of the Merger shall not be deemed to modify or otherwise affect any of the representations, warranties or obligations of Meer or any of the Stockholders under the Merger

Agreement or otherwise limit or affect the remedies available to Parent and Sub under the Merger Agreement or applicable Law.

2. Waiver of Limits to Indemnification. The Stockholders jointly and severally agree that their obligations under Section 9.2 of the Merger Agreement to indemnify the Parent Claimants from any Losses arising out of or relating to the action titled Chris Montgomery v. H. Meer Dental Supply Co. and Fred Dezendorf, individually and as agent for Meer Dental Supply Company, included as one of the Identified Items, or any other action, suit, proceeding or claim arising out of or related to the same facts and circumstances that are the subject of such action, shall not be subject to the Basket Amount threshold or to the Indemnification Termination Date time limitation for asserting claims for indemnification set forth in Section 9.4(i).

3. Continued Forced Effect. Except as expressly amended by this Amendment, the Merger Agreement shall continue in full force and effect in accordance with its terms. References in the Merger Agreement to "this Agreement" shall be deemed to refer to the Merger Agreement as made by this Amendment.

4. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York without giving effect to the provisions thereof relating to conflicts of law.

5. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which shall constitute one and the same agreement.

IN WITNESS WHEREOF, each of Parent, Sub, Meer and the Stockholders has executed this Amendment as of the date first above written.

HENRY SCHEIN, INC.

By: /s/ Mark Mlotek

Name:
Title:

HSI ACQUISITION CORP.

By: /s/ Mark Mlotek

Name:
Title:

H. MEER DENTAL SUPPLY CO.

By: /s/ Brian D. Meer

    Name:
    Title: President

/s/ Edward M. Meer

Edward M. Meer, Individually and as Trustee
of the Edward M. Meer Revocable Living Trust
dated November 17, 1972

/s/ Brian D. Meer

Brian D. Meer, Individually and as Trustee
of the Brian D. Meer Revocable Living Trust
dated May 10, 1989, as Amended

/s/ Robert D. Meer

Robert D. Meer, Individually and as Trustee
of the Robert D. Meer Revocable Living Trust
dated August 20, 1989

/s/ Jeffrey A. Meer

Jeffrey A. Meer, Individually and as Trustee
of the Jeffrey A. Meer Revocable Living Trust
dated August 20, 1984, as Amended

/s/ Norma Handelsman

Norma Handelsman, Individually and as Trustee
of the Norma Handelsman Revocable Living Trust
dated December 18, 1993

/s/ Herbert B. Handelsman

Herbert B. Handelsman, Individually and as Trustee
of the Herbert B. Handelsman Revocable Living Trust
dated December 18, 1993

/s/ Tedd Handelsman

Tedd Handelsman, Individually and as Trustee
of the Tedd Handelsman Revocable Living Trust
dated June 5, 1997

/s/ Amy Molnar

Amy Molnar

/s/ John Eric Handelsman

John Eric Handelsman

Exhibit 10.111

[COMPOSITE CONFORMED COPY]

HENRY SCHEIN, INC.

$100,000,0006.66% Senior Notes due September 25, 2010

NOTE PURCHASE AGREEMENT

Dated as of September 25, 1998

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(Not a part of the Agreement)

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HENRY SCHEIN, INC.
135 Duryea Road
Melville, New York 11747

6.66% Senior Notes due September 25, 2010

Dated as of
September 25, 1998

TO EACH OF THE PURCHASERS LISTED IN
THE ATTACHED SCHEDULE A:

Ladies and Gentlemen:

HENRY SCHEIN, INC., a Delaware corporation (the "Company"), agrees with you as follows:

SECTION 1. AUTHORIZATION OF NOTES.

The Company will authorize the issue and sale of $100,000,000 aggregate principal amount of its 6.66% Senior Notes due September 25, 2010 (the "Notes", such term to include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement or the Other Agreements (as hereinafter defined)). The Notes shall be substantially in the form set out in Exhibit 1, with such changes therefrom, if any, as may be approved by you and the Company. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

Concurrently with the execution and delivery of this Agreement, the Guarantors are entering into the Guaranty Agreements, guaranteeing the obligations of the Company under this Agreement and the Other Agreements and the Notes as set forth therein.

SECTION 2. SALE AND PURCHASE OF NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to you and you will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount specified opposite your name in Schedule A at the purchase price of 100% of the principal amount thereof. Contemporaneously with entering into this Agreement, the Company is entering into separate Note Purchase Agreements (the "Other Agreements") identical with this Agreement with each of the other purchasers named in Schedule A (the "Other Purchasers"), providing for the sale at such Closing to each of the Other Purchasers of Notes in the principal amount specified opposite its name in Schedule A. Your obligation hereunder, and the obligations of the Other Purchasers under the Other Agreements, are several and not joint obligations, and you shall have no obligation under any Other Agreement and no liability to any Person for the performance or nonperformance by any Other Purchaser thereunder.

SECTION 3. CLOSING.

The sale and purchase of the Notes to be purchased by you and the Other Purchasers shall occur at the offices of Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603, at 10:00 A.M. Chicago time, at a closing (the "Closing") on September 25, 1998 or on such other Business Day thereafter on or prior to September 30, 1998 as may be agreed upon by the

Company and you and the Other Purchasers. At the Closing, the Company will deliver to you the Notes to be purchased by you in the form of a single Note (or such greater number of Notes in denominations of at least $500,000 as you may request) dated the date of the Closing and registered in your name (or in the name of your nominee), against delivery by you to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 3092400096 at The Chase Manhattan Bank, New York, New York, ABA No. 021 000 021. If at the Closing the Company shall fail to tender such Notes to you as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to your satisfaction, you shall, at your election, be relieved of all further obligations under this Agreement, without thereby waiving any rights you may have by reason of such failure or such nonfulfillment.

SECTION 4. CONDITIONS TO CLOSING.

Your obligation to purchase and pay for the Notes to be sold to you at the Closing is subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

Section 4.2. Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing, and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Section 5.14), no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Sections 10.1, 10.3, 10.4 or 10.6 hereof had such Sections applied since such date.

Section 4.3. Compliance Certificates. (a) Officer's Certificate. The Company shall have delivered to you an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled. (b) Secretary's Certificate. The Company shall have delivered to you a certificate certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and the Agreements.

Section 4.4. Opinions of Counsel. You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing (a) from Proskauer Rose LLP, counsel for the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to you) and (b) from Chapman and Cutler, your special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as you may reasonably request.

Section 4.5. Purchase Permitted By Applicable Law, Etc. On the date of the Closing your

purchase of Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which you are subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation U, T or X of the Board of Governors of the Federal Reserve System) and (c) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Notes. Contemporaneously with the Closing, the Company shall sell to the Other Purchasers, and the Other Purchasers shall purchase, the Notes to be purchased by them at the Closing as specified in Schedule A.

Section 4.7. Payment of Special Counsel Fees. Without limiting the provisions of Section 15.1, the Company shall have paid on or before the Closing the reasonable fees, charges and disbursements of your special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.8. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for the Notes.

Section 4.9. Changes in Corporate Structure. Except as specified in Schedule 4.9, the Company shall not have changed its jurisdiction of incorporation or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Section 5.5.

Section 4.10. Guaranty Agreements. The Guaranty Agreements and the Intercreditor Agreement shall have been executed and delivered by each of the Guarantors in the case of the Guaranty Agreements, and each of the Banks, in the case of the Intercreditor Agreement, and shall be in full force and effect.

Section 4.11. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to you that:

Section 5.1. Organization; Power and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the requisite corporate power and authority

to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Other Agreements and the Notes and to perform the provisions hereof and thereof.

Section 5.2. Authorization, Etc. This Agreement, the Other Agreements and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company, through its agent, Chase Securities Inc., has delivered to you and each Other Purchaser a copy of a Private Placement Memorandum, dated July 1998 (the "Memorandum"), relating to the transactions contemplated hereby. The Memorandum (including the exhibits thereto) fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. Except as disclosed in Schedule 5.3, this Agreement, the Memorandum, the documents, certificates or other writings delivered to you by or on behalf of the Company in connection with the transactions contemplated hereby and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Estimates as to market share, projections and other similar matters contained in the Memorandum have been made in good faith and on a reasonable basis by the Company, it being recognized that any such estimates, projections or similar matters are not to be viewed as representations or warranties as to facts and the actual facts may vary from any such estimates, projections or similar matters. Except as disclosed in the Memorandum or as expressly described in Schedule 5.3, one of the documents, certificates or other writings identified therein, or in the financial statements listed in Schedule 5.5, since December 31, 1997, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 5.4.Organization and Ownership of Shares of Subsidiaries. (a) Schedule 5.4 contains (except as noted therein) complete and correct lists of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary and whether or not such Subsidiary is a Restricted Subsidiary.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Restricted Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of

organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Restricted Subsidiary has the requisite corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Restricted Subsidiary is a party to, or otherwise subject to, any legal restriction or any agreement (other than this Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law statutes) restricting the ability of such Restricted Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Restricted Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Restricted Subsidiary.

Section 5.5. Financial Statements. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Restricted Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Restricted Subsidiaries as of the respective dates specified in such financial statements and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments and the absence of footnotes).

Section 5.6. Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by the Company of this Agreement and the Notes will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Restricted Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Restricted Subsidiary is bound or by which the Company or any Restricted Subsidiary or any of their respective properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

Section 5.7. Governmental Authorizations, Etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes as contemplated hereby.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders. (a) Except as disclosed in Schedule 5.8, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Restricted Subsidiary or any property of the Company or any Restricted Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could

reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Restricted Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company and its Restricted Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which is not individually or in the aggregate Material or (b) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Restricted Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Restricted Subsidiaries in respect of Federal, state or other taxes for all fiscal periods are adequate. The Federal income tax liabilities of the Company and its Restricted Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 29, 1990.

Section 5.10. Title to Property; Leases. The Company and its Restricted Subsidiaries have good and sufficient title to their respective properties that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Restricted Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. Licenses, Permits, Etc. (a) The Company and its Restricted Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others.

(b) To the best knowledge of the Company, no product of the Company infringes in any Material respect any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person.

(c) To the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Restricted Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company or any of its Restricted Subsidiaries.

Section 5.12. Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan (other than a Multiemployer Plan) in compliance with all

applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans subject to Title IV of ERISA (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities by more than $2,500,000 in the case of any single Plan and by more than $10,000,000 in the aggregate for all Plans. The term "benefit liabilities" has the meaning specified in section 4001 of ERISA and the terms "current value" and "present value" have the meanings specified in Section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected post-retirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is described in Note 14 to the Company's notes to consolidated financial statements contained in the Company's most recent Form 10K for the fiscal year ended December 27, 1997 and, in any event, is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406(a) of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of your representation in Section 6.2 as to the sources of the funds used to pay the purchase price of the Notes to be purchased by you.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than you, the Other Purchasers and not more than 40 other Institutional Investors, each of which has been offered a portion of the Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds

of the sale of the Notes to reduce the Revolving Credit Facility and for general corporate purposes. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 3% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 3% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Indebtedness; Future Liens. (a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Restricted Subsidiaries as of June 27, 1998, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company or its Restricted Subsidiaries. Neither the Company nor any Restricted Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Restricted Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Restricted Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, neither the Company nor any Restricted Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.3.

Section 5.16. Foreign Assets Control Regulations, etc. Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

Section 5.17. Status under Certain Statutes. Neither the Company nor any Restricted Subsidiary is an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, or is subject to regulation under the Public Utility Holding Company Act of 1935, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

Section 5.18. Environmental Matters. Neither the Company nor any Restricted Subsidiary has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any of its Restricted Subsidiaries or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect.

Except as otherwise disclosed to you in writing:

(a) neither the Company nor any Restricted Subsidiary has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(b) neither the Company nor any of its Restricted Subsidiaries has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them or has disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect; and

(c) all buildings on all real properties now owned, leased or operated by the Company or any of its Restricted Subsidiaries are in compliance with applicable Environmental Laws, except where failure to comply could not reasonably be expected to result in a Material Adverse Effect.

SECTION 6. REPRESENTATIONS OF THE PURCHASER.

Section 6.1. Purchase for Investment. You represent that you are purchasing the Notes for your own account or for one or more separate accounts maintained by you or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of your or their property shall at all times be within your or their control. You understand that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

Section 6.2. Source of Funds. You represent that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by you to pay the purchase price of the Notes to be purchased by you hereunder:

(a) the Source is an "insurance company general account" within the meaning of Department of Labor Prohibited Transaction Exemption ("PTE") 95-60 (issued July 12, 1995) and there is no employee benefit plan, treating as a single plan, all plans maintained by the same employer or employee organization, with respect to which the amount of the general account reserves and liabilities for all contracts held by or on behalf of such plan, exceeds 10% of the total reserves and liabilities of such general account (exclusive of separate account liabilities) plus surplus, as set forth in the National Association of Insurance Commissioners Annual Statement filed with your state of domicile; or

(b) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 901 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 9138 (issued July 12, 1991) and, except as you have disclosed to the Company in writing pursuant to this paragraph (b), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(c) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part l(c) and (g) of the QPAM Exemption are satisfied, neither the QPAM nor a person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this paragraph (c); or

(d) the Source is a governmental plan; or

(e) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (e); or

(f) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms "employee benefit plan", "governmental plan", "party in interest" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 7. INFORMATION AS TO COMPANY.

Section 7.1. Financial and Business Information. The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of:

(i) a consolidated balance sheet of the Company and its Restricted Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Restricted Subsidiaries for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments;

(b) Annual Statements -- within 105 days after the end of each fiscal year of the

Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Restricted Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Restricted Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by

(A) an opinion thereon of independent certified public accountants of recognized national standing (which shall initially be BDO Seidman LLP), which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(B) a certificate of such accountants stating that they have reviewed this Agreement and stating further whether, in making their audit, they have become aware of any condition or event that then constitutes a Default or an Event of Default, and, if they are aware that any such condition or event then exists, specifying the nature and period of the existence thereof (it being understood that such accountants shall not be liable, directly or indirectly, for any failure to obtain knowledge of any Default or Event of Default unless such accountants should have obtained knowledge thereof in making an audit in accordance with generally accepted auditing standards or did not make such an audit);

(c) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission and of all press releases and other statements made available generally by the Company or any Subsidiary to the public concerning developments that are Material;

(d) Notice of Default or Event of Default -- promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any written notice or taken any action with respect to a claimed default hereunder or that any Person has given any written notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters -- promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could reasonably be expected to result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) Notices from Governmental Authority -- promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect;

(g) Requested Information -- with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes, provided that, if no Default or Event of Default then exists,

(i) the Company shall not be required to provide financial statements or compilations in forms which are not otherwise internally generated, with respect to the dates or periods requested, in the ordinary course of the business of the Company and its Restricted Subsidiaries; and

(ii) the Company shall not be required to provide information with respect to which any of the National Association of Securities Dealers, Inc. Automated Quotation System - NMS or the New York Stock Exchange, Inc. (if, in either case, the Company's common stock is listed thereon), the Securities and Exchange Commission or nationally recognized independent counsel reasonably satisfactory to the Required Holders has, within five Business Days of such holder's request, affirmatively stated to the Company that disclosure of such

information to any such holder of Notes would give rise to an obligation on the part of the Company to publicly disclose such requested information.

Section 7.2. Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including calculations in reasonable detail) required in order to establish whether the Company was in compliance with the requirements of Section 10.3 through Section 10.7 hereof, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3. Inspection. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, but precluding discussion of information with respect to which the National Association of Securities Dealers, Inc. Automated Quotation System - NMS or the New York Stock Exchange, Inc. (if, in either case, the Company's common stock is listed thereon), the Securities and Exchange Commission or nationally recognized independent counsel reasonably satisfactory to the Required Holders has, within five Business Days after such holder's inquiry, affirmatively stated in writing to the Company (which writing shall be promptly forwarded to the holders of the Notes) that disclosure of such information to any such holder would give rise to an obligation on the part of the Company to publicly disclose such requested information, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the

Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

Section 7.4. Designation of Subsidiaries. The Company may from time to time designate any Unrestricted Subsidiary as a Restricted Subsidiary if immediately thereafter such Subsidiary is in compliance with all of the covenants of this Agreement applicable to Restricted Subsidiaries. The Company may designate any Restricted Subsidiary an Unrestricted Subsidiary, provided that at the time of such designation (i) the Subsidiary so designated neither owns, directly or indirectly, any Funded Debt or capital stock of any Restricted Subsidiary, and (ii) no Default or Event of Default would occur as a result of such designation. The Company shall not designate any Subsidiary a Restricted Subsidiary more than once. Each change in the designation of a Subsidiary shall be made by resolution of the Board of Directors of the Company and the Company shall within 10 days after such action give written notice thereof to the holders of the Notes.

SECTION 8. PREPAYMENT OF THE NOTES.

Section 8.1. Required Prepayments. On September 25, 2006 and on each September 25 thereafter to and including September 25, 2009, the Company will prepay $20,000,000 principal amount (or such lesser principal amount as shall then be outstanding) of the Notes at par and without payment of the Make-Whole Amount or any premium, provided that upon any partial prepayment of the Notes pursuant to Section 8.2 or purchase of the Notes permitted by Section 8.6 or Debt Prepayment Application pursuant to Section 10.7, the principal amount of each required prepayment of the Notes becoming due under this Section 8.1 on and after the date of such prepayment or purchase shall be reduced in the same proportion as the aggregate unpaid principal amount of the Notes is reduced as a result of such prepayment or purchase.

Section 8.2. Optional Prepayments with Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in an amount not less than 5% of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall

deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3. Change in Control.

(a) Notice of Change in Control or Control Event. The Company will, within five (5) Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control or Control Event, give written notice of such Change in Control or Control Event to each holder of Notes unless notice in respect of such Change in Control (or the Change in Control contemplated by such Control Event) shall have been given pursuant to subparagraph (b) of this Section 8.3. If a Change in Control has occurred, such notice shall contain and constitute an offer to prepay Notes as described in subparagraph (c) of this Section 8.3 and shall be accompanied by the certificate described in subparagraph (g) of this Section 8.3.

(b) Condition to Company Action. The Company will not take any action that consummates or finalizes a Change in Control unless (i) at least thirty (30) days prior to such action it shall have given to each holder of Notes written notice containing and constituting an offer to prepay Notes as described in subparagraph (c) of this Section 8.3, accompanied by the certificate described in subparagraph (g) of this Section 8.3, and (ii) contemporaneously with such action, it prepays all Notes required to be prepaid in accordance with this Section 8.3.

(c) Offer to Prepay Notes. The offer to prepay Notes contemplated by subparagraphs (a) and (b) of this Section 8.3 shall be an offer to prepay, in accordance with and subject to this Section 8.3, all, but not less than all, the Notes held by each holder (in this case only, "holder" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer (the "Proposed Prepayment Date"). If such Proposed Prepayment Date is in connection with an offer contemplated by subparagraph (a) of this Section 8.3, such date shall be not less than 30 days and not more than 45 days after the date of such offer (if the Proposed Prepayment Date shall not be specified in such offer, the Proposed Prepayment Date shall be the 30th day after the date of such offer).

(d) Acceptance; Rejection. A holder of Notes may accept the offer to prepay made pursuant to this Section 8.3 by causing a notice of such acceptance to be delivered to the Company at least ten (10) days prior to the Proposed Prepayment Date. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this Section 8.3 shall be deemed to constitute a rejection of such offer by such holder.

(e) Prepayment. Prepayment of the Notes to be prepaid pursuant to this Section 8.3 shall be at 100% of the principal amount of such Notes together with interest on such Notes accrued to the date of prepayment but without payment of a Make-Whole Amount. The prepayment shall be made on the Proposed Prepayment Date except as provided in subparagraph (f) of this Section 8.3.

(f) Deferral Pending Change in Control. The obligation of the Company to prepay Notes pursuant to the offers required by subparagraph (b) and accepted in accordance with subparagraph (d) of this Section 8.3 is subject to the occurrence of the Change in Control in respect of which such offers and acceptances shall have been made. In the event that such Change in Control does not occur on the Proposed Prepayment Date in respect thereof, the prepayment shall be deferred until and shall be made on the date on which such Change in Control occurs. The Company shall keep each holder of Notes reasonably and timely informed of (i) any such

deferral of the date of prepayment, (ii) the date on which such Change in Control and the prepayment are expected to occur, and (iii) any determination by the Company that efforts to effect such Change in Control have ceased or been abandoned (in which case the offers and acceptances made pursuant to this Section 8.3 in respect of such Change in Control shall be deemed rescinded).

(g) Officer's Certificate. Each offer to prepay the Notes pursuant to this Section 8.3 shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Prepayment Date; (ii) that such offer is made pursuant to this Section 8.3; (iii) the principal amount of each Note offered to be prepaid; (iv) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Prepayment Date; (v) that the conditions of this Section 8.3 have been fulfilled; and (vi) in reasonable detail, the nature and date or proposed date of the Change in Control.

(h) "Change in Control" Defined. "Change in Control" means any of the following events or circumstances:

if any person (as such term is used in section 13(d) and section 14(d)(2) of the Exchange Act as in effect on the date of the Closing) or related persons constituting a group (as such term is used in Rule 13d-5 under the Exchange Act), other than the Current Management or Current Owners, become the "beneficial owners" (as such term is used in Rule 13d-3 under the Exchange Act as in effect on the date of the Closing), directly or indirectly, of more than 50% of the total voting power of all classes then outstanding of the Company's voting stock.

(i) "Current Management" Defined. "Current Management" means any one or more of Stanley M. Bergman, Robert J. Sullivan, James Breslawski, Bruce Haber, Gerald A. Benjamin, Leonard A. David, Mark E. Mlotek, Marvin Schein, Steve Paladino, Irving Shafran, Pamela Joseph, Barry Alperin, Donald Kabat, so long as any such Persons remain Directors of the Company.

(j) "Current Owners" Defined. "Current Owners" means any one or more of Stanley M. Bergman, Marvin Schein and Pamela Joseph or any trust for the exclusive benefit of any such Persons, his/her spouse and lineal descendants, so long as such Person has the exclusive right to control each such trust.

(j) "Control Event" Defined. "Control Event" means:

(i) the execution by the Company or any of its Subsidiaries or Affiliates of any agreement or letter of intent with respect to any proposed transaction or event or series of transactions or events which, individually or in the aggregate, may reasonably be expected to result in a Change in Control, or

(ii) the execution of any written agreement which, when fully performed by the parties thereto, would result in a Change in Control.

Section 8.4. Allocation of Partial Prepayments. In the case of each partial prepayment of the Notes pursuant to Section 8.1 or 8.2, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

Section 8.5. Maturity; Surrender, Etc. In the case of each prepayment of Notes pursuant to this Section 8 or Debt Prepayment Application pursuant to Section 10.7, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.6. Purchase of Notes. The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.7. Make-Whole Amount. The term "Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, .50% over the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as Screen PX on the Bloomberg Financial Markets Services Screen (or such other display as may replace Screen PX on the Bloomberg Financial Markets Services Screen) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication)

for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than the Remaining Average Life.

"Remaining Average Life" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

SECTION 9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 9.1. Compliance with Law. The Company will, and will cause each of its Restricted Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.2. Insurance. The Company will, and will cause each of its Restricted Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance,

if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated, except where the failure to maintain such insurance could not reasonably be expected to result in a Material Adverse Effect.

Section 9.3. Maintenance of Properties. The Company will, and will cause each of its Restricted Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Restricted Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.4. Payment of Taxes and Claims. The Company will, and will cause each of its Restricted Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Restricted Subsidiary, provided that neither the Company nor any Restricted Subsidiary need pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by the Company or such Restricted Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Restricted Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Restricted Subsidiary or (ii) the nonpayment of all such taxes, assessments and claims in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 9.5. Corporate Existence, Etc. Subject to Section 10.2, the Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Sections 10.2 and 10.7, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries (unless merged into the Company or a Restricted Subsidiary) and all rights and franchises of the Company and its Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6. Additional Guarantees. (a) The Company hereby covenants and agrees that, within 30 days after any Person becomes a Significant Subsidiary, it will cause such Significant Subsidiary to enter into a guaranty agreement substantially in the form of the Guaranty Agreements and acceptable in form and substance to the Required Holders for the benefit of the holders of the Notes. Notwithstanding the foregoing, at such time as the Banks are no longer the beneficiary of any Guaranty guaranteeing the Revolving Credit Facility, the holders of the Notes will, subject to documentation reasonably satisfactory to the Required Holders, release the Guarantors from their obligations under the Guaranty Agreements.

(b) The Company hereby covenants and agrees that, within thirty (30) days of Closing, the Company will either (i) cause Lesam Inc. to enter into a guaranty agreement substantially in the form of the Guaranty Agreements and acceptable in form and substance to the Required Holders, for the benefit of the holders of the Notes or (ii) cause the Banks to release the Guaranty by Lesam Inc. of the Company's obligations under the Revolving Credit Facility and provide evidence of such release within such thirty (30) day period.

SECTION 10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 10.1. Transactions with Affiliates. The Company will not and will not permit any Restricted Subsidiary to enter into directly or indirectly any transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Restricted Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

Section 10.2. Merger, Consolidation, etc. The Company shall not consolidate with or merge with any other Person or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person (except that a Restricted Subsidiary of the Company may consolidate with or merge with, or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to, the Company so long as in any such transaction the Company shall be the surviving or continuing corporation and immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing) unless:

(a) the successor formed by such consolidation or the survivor of such merger or the Person that acquires by conveyance, transfer or lease substantially all of the assets of the Company as an entirety, as the case may be, shall be a solvent corporation organized and existing under the laws of the United States or any State thereof (including the District of Columbia), and, if the Company is not such corporation, (i) such corporation shall have executed and delivered to each holder of any Notes its assumption of the due and punctual performance and observance of each covenant and condition of this Agreement (including, without limitation, any obligation on the part of the Company arising under Section 8.3 hereof in connection with any Change of Control occurring in connection with any such consolidation or merger), the Other Agreements and the Notes and (ii) shall have caused to be delivered to each holder of any Notes an opinion of nationally recognized independent counsel, or other independent counsel reasonably satisfactory to the Required Holders, to the effect that all agreements or instruments effecting such assumption are enforceable in accordance with their terms and comply with the terms hereof;

(b) immediately after giving effect to such transaction, no Default or Event of Default shall have occurred and be continuing.

No such conveyance, transfer or lease of substantially all of the assets of the Company shall have the effect of releasing the Company or any successor corporation that shall theretofore have

become such in the manner prescribed in this Section 10.2 from its liability under this Agreement or the Notes.

Section 10.3. Liens. The Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any such Restricted Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom or assign or otherwise convey any right to receive income or profits, except:

(a) Liens for taxes, assessments or other governmental charges which are not yet due and payable or the payment of which is not at the time required by Section 9.4 of this Agreement;

(b) Liens of or resulting from any litigation or legal proceeding which are currently being contested in good faith by appropriate proceedings and for which the Company or such Restricted Subsidiary shall have set aside on its books adequate reserves with respect thereto in accordance with GAAP;

(c) Liens on property or assets of any Restricted Subsidiary securing Debt owing to the Company or to any Restricted Subsidiary;

(d) Liens existing as of the date of Closing and referenced in Schedule 5.15;

(e) any Lien created to secure all or any part of the purchase price, or to secure Debt incurred or assumed to pay all or any part of the purchase price or cost of construction, of tangible property (or any improvement thereon) acquired or constructed by the Company or a Restricted Subsidiary after the date of the Closing including Liens existing on tangible property at the time of acquisition thereof or at the time of acquisition by the Company or a Restricted Subsidiary of any business entity then owing such tangible property, whether or not such existing Liens were given to secure the payment of the purchase price of the tangible property to which they attach so long as they were not incurred, extended or renewed in contemplation of such acquisition, provided that

(i) any such Lien shall extend solely to the item or items of such property (or improvement thereon) so acquired or constructed and, if required by the terms of the instrument originally creating such Lien, other property (or improvement thereon) which is an improvement to or is acquired for specific use in connection with such acquired or constructed property (or improvement thereon) or which is real property being improved by such acquired or constructed property (or improvement thereon),

(ii) the principal amount of the Debt secured by any such Lien shall at no time exceed an amount equal to 100% of the lesser of (A) the cost to the Company or such Restricted Subsidiary of the property (or improvement thereon) so acquired or constructed and (B) the Fair Market Value (as determined in good faith by the board of directors of the Company) of such property (or improvement thereon) at the time of such acquisition or construction, and

(iii) any such Lien shall be created contemporaneously with, or within

180 days after, the acquisition or construction of such property;

(f) Liens incidental to the conduct of business or the ownership of properties and assets (including, without limitation, Liens in connection with worker's compensation, unemployment insurance and other like laws, warehousemen's and attorneys' liens and statutory landlords' liens) and Liens to secure the performance of bids, tenders or trade contracts, or to secure statutory obligations, indemnity, surety or appeal bonds or other Liens of like general nature, in any such case not incurred in connection with the incurrence of Debt; provided that such Liens do not, individually or in the aggregate, materially impair the use of such property encumbered by any such Lien in the operation of the business of the Company and its Restricted Subsidiaries, taken as a whole, or the value of the property so encumbered for purposes of such business; provided further in each case, the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate actions or proceedings;

(g) minor survey exceptions or minor encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, which are necessary for the conduct of the activities of the Company and its Restricted Subsidiaries or which customarily exist on properties of Persons engaged in similar activities and similarly situated and which do not in any event materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries, taken as a whole;

(h) any Lien renewing, extending or refunding any Lien permitted by paragraph (d) or (e) of this Section 10.3, provided that (i) the principal amount of Debt secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding no Default or Event of Default would exist; and

(i) other Liens, not otherwise permitted by paragraphs (a) through (h) hereof, securing Debt of the Company or any Restricted Subsidiary permitted under Section 10.4(b).

For the purposes of this Section 10.3, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Liens at the time it becomes a Restricted Subsidiary, and any Person extending, renewing or refunding any Debt secured by any Lien shall be deemed to have incurred such Lien at the time of such extension, renewal or refunding.

Section 10.4. Maintenance of Consolidated Debt and Priority Debt. (a) The Company will not at any time permit Consolidated Debt to exceed 60% of Consolidated Total Capitalization as of the then most recently ended fiscal quarter of the Company.

(b) The Company will not, at any time, permit Priority Debt to exceed an amount equal to 10% of Consolidated Assets as of the then most recently ended fiscal quarter of the Company.

Section 10.5. Consolidated Net Worth. The Company will not, at any time, permit Consolidated Net Worth to be less than the sum of (a) $350,000,000, plus (b) an aggregate amount equal to 20% of its Consolidated Net Income (but, in each case, only if a positive number) for

each completed fiscal quarter beginning with the fiscal quarter ended September 26, 1998.

Section 10.6. Restricted Payments and Restricted Investments.

(a) Limitation. The Company will not, and will not permit any of its Restricted Subsidiaries to, declare, make or incur any liability to make any Restricted Payment or make or authorize any Restricted Investment unless immediately after giving effect to such action:

(i) the sum of (x) the aggregate value of all Restricted Investments of the Company and its Restricted Subsidiaries (valued immediately after such action), plus (y) the aggregate amount of Restricted Payments of the Company and its Restricted Subsidiaries declared or made during the period commencing on the date of Closing, and ending on the date such Restricted Payment or Restricted Investment is declared or made, inclusive, would not exceed the sum of

(A) $25,000,000, plus

(B) 80% of Consolidated Net Income for such period (or minus 100% of Consolidated Net Income for such period if Consolidated Net Income for such period is a loss), plus

(C) the aggregate amount of Net Proceeds of Capital Stock for such period; and

(ii) no Default or Event of Default would exist.

(b) Time of Payment. The Company will not, nor will it permit any of its Restricted Subsidiaries to, authorize a Restricted Payment that is not payable within 90 days of authorization.

Section 10.7. Sale of Assets, Etc. Except as permitted under Section 10.2, the Company will not, and will not permit any of its Restricted Subsidiaries to, make any Asset Disposition unless:

(a) in the good faith opinion of the Company, the Asset Disposition is in exchange for consideration having a Fair Market Value at least equal to that of the property exchanged and is in the best interest of the Company or such Restricted Subsidiary; and

(b) immediately after giving effect to the Asset Disposition, no Default or Event of Default would exist; and

(c) immediately after giving effect to the Asset Disposition, the Disposition Value of all property that was the subject of any Asset Disposition occurring in the period of four fiscal quarters of the Company then next ending would not be equal to or greater than 15% of Consolidated Assets as of the end of the then most recently ended fiscal quarter of the Company.

If the Net Proceeds Amount for any Transfer is applied to a Debt Prepayment Application or a Property Reinvestment Application within 365 days of such Transfer, then such Transfer, only for the purpose of determining compliance with subsection (c) of this Section 10.7 as of any date, shall be deemed not to be an Asset Disposition.

SECTION 11. EVENTS OF DEFAULT.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole

Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Sections 10.1 through 10.7 or 7.1(d); or

(d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Section 11); or

(e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least $10,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least $10,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared (or one or more Persons are entitled to declare such Indebtedness to be), due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), (x) the Company or any Restricted Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least $10,000,000, or (y) one or more Persons have the right to require the Company or any Restricted Subsidiary so to purchase or repay such Indebtedness; or

(g) the Company or any Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with

respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Restricted Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Restricted Subsidiaries, or any such petition shall be filed against the Company or any of its Restricted Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money aggregating in excess of $10,000,000 are rendered against one or more of the Company and its Restricted Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA Section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan could reasonably be expected to become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of Section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed $10,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Restricted Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Restricted Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect; or

(k) Default shall occur in the observance or performance of any provisions of any Guaranty Agreement; or

(l) Except as otherwise permitted pursuant to Section 9.6, any Guaranty Agreement shall cease to be in full force and effect for any reason whatsoever, including, without limitation, a determination by any governmental body or court that any such Guaranty Agreement is invalid, void or unenforceable or any party thereto shall contest

or deny in writing the validity or enforceability of any of its obligations under any such Guaranty Agreement.

As used in Section 11(j), the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1. Acceleration. (a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 (other than an Event of Default described in clause (i) of paragraph (g) or described in clause (vi) of paragraph (g) by virtue of the fact that such clause encompasses clause (i) of paragraph (g)) has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 331/3% in principal amount of the Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Note's becoming due and payable under this Section 12.1, whether automatically or by declaration, such Note will forthwith mature and the entire unpaid principal amount of such Note, plus (i) all accrued and unpaid interest thereon and (ii) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for), and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3. Rescission. At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than 662/3% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal

and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1. Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes. (a) Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or its attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than $500,000, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes,

one Note may be in a denomination of less than $500,000. Any transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

(b) No holder of a Note shall transfer such Note or any portion thereof,

(i) if such transfer would be to a Competitor; or

(ii) if such transfer would not be in compliance with the Securities Act and the rules and regulations promulgated by the Securities and Exchange Commission thereunder.

Section 13.3. Replacement of Notes. Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least $10,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1. Place of Payment. Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in Melville, New York at the principal office of the Company in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 14.2. Home Office Payment. So long as you or your nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below your name in Schedule A, or by such other method or at such other address as you shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, you shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by you or your nominee you will, at your election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional

Investor that is the direct or indirect transferee of any Note purchased by you under this Agreement and that has made the same agreement relating to such Note as you have made in this Section 14.2.

SECTION 15. EXPENSES, ETC.

Section 15.1. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by you and each Other Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save you and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses, if any, of brokers and finders (other than those retained by you).

Section 15.2. Survival. The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by you of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between you and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 17. AMENDMENT AND WAIVER.

Section 17.1. Requirements. This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any

prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

Section 17.2. Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

Section 17.3. Binding Effect, Etc. Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4. Notes Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to you or your nominee, to you or it at the address specified for such communications in Schedule A, or at such other address as you or it shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Treasurer (Fax No.: (516) 8438784), or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "Confidential Information" means information delivered to you by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by you as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to you prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by you or any Person acting on your behalf, (c) otherwise becomes known to you other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to you under Section 7.1 that are otherwise publicly available. You will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by you in good faith to protect confidential information of third parties delivered to you, provided that you may deliver or disclose Confidential Information to (i) your directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by your Notes), (ii) your financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Person to which you

sell or offer to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which you offer to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over you, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about your investment portfolio or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to you, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which you are a party or (z) if an Event of Default has occurred and is continuing, to the extent you may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under your Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

SECTION 21. SUBSTITUTION OF PURCHASER.

You shall have the right to substitute any one of your Affiliates (that is not a Competitor) as the purchaser of the Notes that you have agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both you and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall be deemed to refer to such Affiliate in lieu of you. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to you all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "you" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to refer to such Affiliate, but shall refer to you, and you shall have all the rights of an original holder of the Notes under this Agreement.

SECTION 22. MISCELLANEOUS.

Section 22.1. Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the

interest payable on such next succeeding Business Day.

Section 22.3. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.4. Construction. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Section 22.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 22.6. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

HENRY SCHEIN, INC.

By /s/ Joel A. Geliebter
Its Treasurer

The foregoing is hereby agreed
to as of the date thereof.

NEW YORK LIFE INSURANCE COMPANY

By /s/ S. Thomas Knoff
Its Investment Manager

The foregoing is hereby agreed
to as of the date thereof.

NEW YORK LIFE INSURANCE AND ANNUITY
CORPORATION

By NEW YORK LIFE INSURANCE COMPANY

By /s/ S. Thomas Knoff
Its Investment Manager

The foregoing is hereby agreed
to as of the date thereof.

JACKSON NATIONAL LIFE INSURANCE
COMPANY

By: PPM America, Inc., as
Attorney-in-Fact on behalf of
Jackson National Life Insurance
Company

By /s/ James D. Young
Its Managing Director

The foregoing is hereby agreed
to as of the date thereof.

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION

By /s/ Diane Hom
Its Director-Private Placements

The foregoing is hereby agreed
to as of the date thereof.

THE EQUITABLE LIFE ASSURANCE SOCIETY
OF THE UNITED STATES

By /s/ Joel Serebransky
Its Investment Officer

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
NEW YORK LIFE INSURANCE COMPANY 51 Madison Avenue New York, New York 10010-1603 Attention: Investment Department, Private Finance Group, Room 206 Telefacsimile Number: (212) 447-4122 Payments All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "Henry Schein, Inc., 6.66% Senior Notes due 2010, PPN, principal, interest or premium") to: Chase Manhattan Bank New York, New York 10019 ABA # For the account of New York Life Insurance Company General Account Number With sufficient information (including issuer, PPN number, interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds. Notices All notices with respect to payments and written confirmation of each such payment, to be addressed: New York Life Insurance Company 51 Madison Avenue New York, New York 10010-1603 Attention: Treasury Department, Securities Income Section, Room 209 Fax Number: (212) 447-4160 All other notices and communications to be addressed as first provided above, with a copy of any notices regarding Defaults or Events of Default under the operative documents to: Office of the General Counsel, Investment Section, Room 1104, Fax Number (212) 576-8340 Name of Nominee in which Notes are to be issued: None Taxpayer I.D. Number: 13-5582869	$22,500,000

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION c/o New York Life Insurance Company 51 Madison Avenue New York, New York 10010-1603 Attention: Investment Department, Private Finance Group, Room 206 Telefacsimile Number: (212) 447-4122	$10,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "Henry Schein, Inc., 6.66% Senior Notes due 2010, PPN, principal, interest or premium") to:

Chase Manhattan Bank
New York, New York 10019
ABA #
For the account of New York Life Insurance and Annuity Corporation
General Account Number

With sufficient information (including issuer, PPN number, interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

Notices

All notices with respect to payments and written confirmation of each such payment, to be addressed:

New York Life Insurance and Annuity Corporation
c/o New York Life Insurance Company
51 Madison Avenue
New York, New York 10010-1603
Attention: Treasury Department, Securities Income Section, Room 209
Fax Number: (212) 447-4160

All other notices and communications to be addressed as first provided above, with a copy of any notices regarding Defaults or Events of Default under the operative documents to: Office of the General Counsel, Investment Section, Room 1104, Fax Number (212) 576-8340

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 13-3044743

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
JACKSON NATIONAL LIFE INSURANCE COMPANY 5901 Executive Drive Lansing, Michigan 48909	$30,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "Henry Schein, Inc., 6.66% Senior Notes due 2010, PPN, principal, interest or premium") to:

NORTHERN TRUST CHGO
ABA #
Credit Account Number
For Further Credit to: Jackson National Life Insurance Company

Ref: (Name of Company) PVTPL, date of payment, principal and interest breakdown.
Attn: Oscell Owens/Marilyn Calpe

Notices

All notices and communications with respect to payment/rate notices, to be faxed to (Operations Contact):

Oscell Owens Northern Trust 801 S.Canal, Floor C1N Chicago, IL60607 Tel: (312) 444-5754 Fax: (312) 630-8179	Portfolio Admin, - Susan Perrino PPM America Inc. 225 West Wacker Drive Suite 1200 Chicago, IL 60606 Tel:(312) 634-1205 Fax: (312) 634-0054	Danette Ponce Jackson National Life PPM America Inc. 225 West Wacker Drive Suite 1200 Chicago, IL 60606 Tel: (312)634-5809 Fax: (312) 634-0050

All notices, waivers amendments, consents, financial information and COPIES of all original notes and credit documents should be sent to (Credit Contact):

PPM America, Inc.
225 West Wacker Drive, Suite 1200
Chicago, Illinois 60606-1228
Attention: Private Placements-Investment Grade
Telephone Number: (312) 634-2509/2561
Facsimile Number: (312) 634-0054

Facsimile Number: (312) 634-0054
Name of Nominee in which Notes are to be issued: None
Taxpayer I.D. Number: 38-1659835

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
TEACHERS INSURANCE AND ANNUITY ASSOCIATION 730 Third Avenue New York, New York 10017	$27,500,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "Henry Schein, Inc., 6.66% Senior Notes due 2010, PPN, principal, interest or premium") to:

Chase Manhattan Bank
ABA #
New York, New York
Account of: Teachers Insurance and Annuity Association
Account Number:
For Further Credit to TIAA Account
On order of: "Henry Schein, Inc."
Reference: PPN#/Issuer/Mat. Date/Coupon Rate/P&I Breakdown
General Ledger

Notices

All notices of payment on or in respect of the Notes and written confirmation of each such payment to:

Teachers Insurance and Annuity Association
730 Third Avenue
New York, New York 10017
Attention: Securities Division

All other notices and communications to be addressed to:

Ms. Susan Sanford
TIAA-CREF
730 Third Avenue, 8th Floor
New York, New York 10017

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 13-1624203N

NAME AND ADDRESS OF PURCHASER	PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED
THE EQUITABLE LIFE ASSURANCE SOCIETY OF THE UNITED STATES c/o Alliance Capital Management, L.P. 1345 Avenue of the Americas, 38th Floor New York, New York 10105 Attention: Fixed Income Research Group	$10,000,000

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as "Henry Schein, Inc., 6.66% Senior Notes due 2010, PPN, principal, interest or premium") to:

The Chase Manhattan Bank, N.A.
1251 Avenue of the Americas
New York, New York 10020
ABA #
Account of: The Equitable Life Assurance Society of the United States
Account

Notices

All notices of payment, on or in respect of the Notes, and written confirmation of each such payment to be addressed:

The Equitable Life Assurance Society of the United States
c/o Alliance Capital Management, L.P.
500 Plaza Drive
Secaucus, New Jersey 07094
Attention: Insurance Accounting

All notices and communications other than those in respect to payments to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 135570651

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

"Affiliate" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"Asset Disposition" means any Transfer except:

(a) any

(i) Transfer from a Subsidiary to the Company or a Wholly-Owned Subsidiary;

(ii) Transfer from the Company to a WhollyOwned Subsidiary; and

(iii) Transfer from the Company to a Subsidiary (other than a WhollyOwned Subsidiary) or from a Subsidiary to another Subsidiary (other than a WhollyOwned Subsidiary), which in either case is for Fair Market Value,

so long as immediately before and immediately after the consummation of any such Transfer and after giving effect thereto, no Default or Event of Default exists; and

(b) any Transfer made in the ordinary course of business and involving only property that is either (i) inventory held for sale or (ii) equipment, fixtures, supplies or materials no longer required in the operation of the business of the Company or any of its Subsidiaries or that is obsolete.

"Banks" means The Chase Manhattan Bank, Fleet Bank National Association , Cooperative Centrale Raiffeisen-Boerenleenbank, B.A., "Rabobank Nederland," New York Branch and European American Bank, and their successive successors and assigns as parties to that certain Revolving Credit Facility.

"Business Day" means any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed.

"Capital Lease" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"Capital Lease Obligation" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"Closing" is defined in Section 3.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the

rules and regulations promulgated thereunder from time to time.

"Company" means Henry Schein, Inc., a Delaware corporation.

"Competitor" means each of the corporations on Schedule B-1 hereto as supplemented from time to time by the Company pursuant to written notice to each holder of the Notes, provided that in no event shall any Institutional Investor within the meaning of clauses (a) and (c) of such term be deemed to be a Competitor for purposes of this Agreement.

"Confidential Information" is defined in Section 20.

"Consolidated Assets" means, at any time, the total assets of the Company and its Restricted Subsidiaries which would be shown as assets on a consolidated balance sheet of the Company and its Restricted Subsidiaries as of such time prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries.

"Consolidated Debt" means, as of any date of determination, the total of all Debt of the Company and its Restricted Subsidiaries outstanding on such date, after eliminating all offsetting debits and credits between the Company and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Restricted Subsidiaries in accordance with GAAP.

"Consolidated Net Income" means, with reference to any period, the net income (or loss) of the Company and its Restricted Subsidiaries for such period (taken as a cumulative whole), as determined in accordance with GAAP, after eliminating all offsetting debits and credits between the Company and its Restricted Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Restricted Subsidiaries in accordance with GAAP.

"Consolidated Net Worth" means, at any time,

(a) the sum of (i) the par value (or value stated on the books of the corporation) of the capital stock (but excluding treasury stock and capital stock subscribed and unissued) of the Company and its Restricted Subsidiaries plus (ii) the amount of the paid-in capital and retained earnings of the Company and its Restricted Subsidiaries, in each case as such amounts would be shown on a consolidated balance sheet of the Company and its Restricted Subsidiaries as of such time prepared in accordance with GAAP, minus

(b) to the extent included in clause (a), all amounts properly attributable to minority interests, if any, in the stock and surplus of Restricted Subsidiaries. "Consolidated Total Capitalization" means, at any time, the sum of Consolidated Net Worth and Consolidated Debt.

"Debt" means, with respect to any Person, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of Redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including, without limitation, all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) its Capital Lease Obligations;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities); and

(e) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (d) hereof.

Debt of any Person shall include all obligations of such Person of the character described in clauses (a) through (e) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"Debt Prepayment Application" means, with respect to any Transfer of property, the application by the Company or its Restricted Subsidiaries of cash in an amount equal to the Net Proceeds Amount with respect to such Transfer to pay Senior Funded Debt of the Company (other than Senior Funded Debt owing to the Company, any of its Subsidiaries or any Affiliate and Senior Funded Debt in respect of any revolving credit or similar credit facility providing the Company or any of its Subsidiaries with the right to obtain loans or other extensions of credit from time to time, except to the extent that in connection with such payment of Senior Funded Debt the availability of credit under such credit facility is permanently reduced by an amount not less than the amount of such proceeds applied to the payment of such Senior Funded Debt) provided that in the course of making such application the Company shall offer to prepay each outstanding Note in a principal amount which equals the Ratable Portion for such Note. The Company will give each holder of Notes written notice of the offer of prepayment under Section 10.7 not less than 30 days and not more than 60 days prior to the date fixed for such Debt Prepayment Application. Each such notice shall specify such date (the "Debt Prepayment Application Date"), the aggregate principal amount of the Notes offered to be prepaid on such date, the Ratable Portion for each Note held by such holder to be prepaid and the interest to be paid on the prepayment date with respect to such principal amount being prepaid. A holder of Notes may accept the offer to prepay made pursuant to Section 10.7 by causing a notice of such acceptance to be delivered to the Company at least fifteen (15) days prior to the Debt Prepayment Application Date. A failure by a holder of Notes to respond to an offer to prepay made pursuant to Section 10.7 shall be deemed to constitute a rejection of such offer by such holder. If any holder of a Note fails to accept such offer of prepayment, then, for purposes of the preceding sentence only, the Company nevertheless will be deemed to have paid Senior Funded Debt in an amount equal to the Ratable Portion for such Note. "Ratable Portion" for any Note means an amount equal to the product of (x) the Net Proceeds Amount being so applied to the payment of Senior Funded Debt multiplied by (y) a fraction the numerator of which is the outstanding principal amount of such Note and the denominator of which is the aggregate principal amount of Senior Funded Debt of the Company and its Restricted Subsidiaries.

"Default" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Default Rate" means that rate of interest that is the greater of (i) 2.00% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes or (ii) 2.00% over the rate of interest publicly announced by The Chase Manhattan Bank in New York, New York as its "base" or "prime" rate.

"Disposition Value" means, at any time, with respect to any property

(a) in the case of property that does not constitute Subsidiary Stock, the book value thereof, valued at the time of such disposition in good faith by the Company, and

(b) in the case of property that constitutes Subsidiary Stock, an amount equal to that percentage of book value of the assets of the Subsidiary that issued such stock as is equal to the percentage that the book value of such Subsidiary Stock represents of the book value of all of the outstanding capital stock of such Subsidiary (assuming, in making such calculations, that all Securities convertible into such capital stock are so converted and giving full effect to all transactions that would occur or be required in connection with such conversion) determined at the time of the disposition thereof, in good faith by the Company. "Distribution" means, in respect of any corporation, association or other business entity:

(a) dividends or other distributions or payments on capital stock or other equity interest of such corporation, association or other business entity (except distributions in such stock or other equity interest); and

(b) the redemption or acquisition of such stock or other equity interests or of warrants, rights or other options to purchase such stock or other equity interests (except when solely in exchange for such stock or other equity interests) unless made, contemporaneously, from the net proceeds of a sale of such stock or other equity interests. "Environmental Laws" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

"Event of Default" is defined in Section 11.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Fair Market Value" means, at any time and with respect to any property, the sale value of such property that would be realized in an arm's-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"Funded Debt" means, with respect to any Person, all Debt of such Person which by its terms or by the terms of any instrument or agreement relating thereto matures, or which is otherwise payable or unpaid, one year or more from, or is directly or indirectly renewable or extendible at the option of the obligor in respect thereof to a date one year or more (including, without limitation, an option of such obligor under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more) from, the date of the creation thereof.

"GAAP" means generally accepted accounting principles as in effect from time to time in the United States of America.

"Governmental Authority" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"Guaranty" means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

(a) to purchase such Indebtedness or obligation or any property constituting security therefor;

(b) to advance or supply funds (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation;

(c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of any other Person to make payment of the Indebtedness or obligation; or

(d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

In any computation of the Indebtedness or other liabilities of the obligor under any Guaranty, the Indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

Guarantors" shall mean and include Zahn Holding, Inc., Sullivan Dental Products, Inc., Roane Barker, Inc., Dentrix Dental Systems, Inc., H.Meer Dental Supply Company, HSI Service Corp. and Micro Bio-Medics, Inc.

"Guaranty Agreements" shall mean those certain Guaranty Agreements each dated as of September 24, 1998 by the Guarantors for the benefit of the holders of the Notes from time to time, as amended from time to time and any additional Guaranty Agreements issued pursuant to Section 9.6.

"Hazardous Material" means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including, without

limitation, petroleum, petroleum derived substances, asbestos, asbestos containing materials, urea formaldehyde foam insulation and polychlorinated biphenyls).

"holder" means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

"Indebtedness" with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money);

(f) Swaps of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

"Institutional Investor" means (a) any original purchaser of a Note, (b) any holder of a Note holding more than 10% of the aggregate principal amount of the Notes then outstanding, and (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"Intercreditor Agreement" shall mean that certain Intercreditor Agreement dated September 25, 1998 between the Banks and each holder of Notes, as amended from time to time.

"Investment" means any investment, made in cash or by delivery of property, by the Company or any of its Restricted Subsidiaries (i) in any Person, whether by acquisition of stock, Indebtedness or other obligation or Security, or by loan, Guaranty, advance, capital contribution or otherwise, or (ii) in any property.

"Lien" means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

"Make-Whole Amount" is defined in Section 8.7.

"Material" means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Restricted Subsidiaries taken as a whole.

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Restricted Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

"Material Restricted Subsidiary" means any Restricted Subsidiary of the Company which is also a "Significant Subsidiary" as such term is defined in the rules and regulations promulgated under Rule 405 of the Securities Act.

"Memorandum" is defined in Section 5.3.

"Multiemployer Plan" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"Net Proceeds Amount" means, with respect to any Transfer of any Property by any Person, an amount equal to the difference of

(a) the aggregate amount of the consideration (valued at the Fair Market Value of such consideration at the time of the consummation of such Transfer) received by such Person in respect of such Transfer, minus

(b) the sum of (i) all ordinary and reasonable out-of-pocket costs and expenses actually incurred by such Person in connection with such Transfer and (ii) all taxes payable as a consequence of such Transfer. "Net Proceeds of Capital Stock" means, with respect to any period, cash proceeds (net of all costs and out-of-pocket expenses in connection therewith, including, without limitation, placement, underwriting and brokerage fees and expenses), received by the Company and its Restricted Subsidiaries during such period, from the sale of all capital stock (other than Redeemable capital stock) of the Company, including in such net proceeds:

(a) the net amount paid upon issuance and exercise during such period of any right to acquire any capital stock, or paid during such period to convert a convertible debt Security to capital stock (but excluding any amount paid to the Company upon issuance of such convertible debt Security); and

(b) any amount paid to the Company upon issuance of any convertible debt Security issued after the date of Closing and thereafter converted to capital stock during such period.

"Notes" is defined in Section 1.

"Officer's Certificate" means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

"Other Agreements" is defined in Section 2.

"Other Purchasers" is defined in Section 2.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"Person" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision

thereof.

"Plan" means an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

"Preferred Stock" means any class of capital stock of a corporation that is preferred over any other class of capital stock of such corporation as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such corporation.

"Priority Debt" means and includes, at any time, (i) all Debt of the Company secured by a Lien other than a Lien permitted by subparagraphs (a) through (d) and subparagraphs (f) through (h) of Section 10.3, and (but without duplication) (ii) all Debt of Restricted Subsidiaries (except Debt of a Restricted Subsidiary held by the Company or a WhollyOwned Restricted Subsidiary); provided, however, in no event shall "Priority Debt" include the Guaranty Agreements or any guaranty of a Subsidiary of the Company guaranteeing the Company's obligations under the Revolving Credit Facility to the extent that such Subsidiary has also agreed to guaranty the obligations of the Company under the Note Agreements and the Notes pursuant to a Guaranty Agreement.

"property" or "properties" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"Property Reinvestment Application" means, with respect to any Transfer of property, the application of an amount equal to the Net Proceeds Amount with respect to such Transfer to the acquisition by the Company or any Subsidiary of operating assets of the Company or any Restricted Subsidiary to be used in the ordinary course of business of such Person.

"QPAM Exemption" means Prohibited Transaction Class Exemption 8414 issued by the United States Department of Labor.

"Redeemable" means, with respect to the capital stock of any Person, each share of such Person's capital stock that is:

(a) redeemable, payable or required to be purchased or otherwise retired or extinguished, or convertible into Debt of such Person (i) at a fixed or determinable date, whether by operation of sinking fund or otherwise, (ii) at the option of any Person other than such Person, or (iii) upon the occurrence of a condition not solely within the control of such Person; or

(b) convertible into other Redeemable capital stock.

"Required Holders" means, at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates).

"Responsible Officer" means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

"Restricted Investments" means all Investments except the following:

(a) property to be used in the ordinary course of business of the Company and its Restricted Subsidiaries;

(b) current assets arising from the sale of goods and services in the ordinary course of business of the Company and its Restricted Subsidiaries;

(c) Investments in one or more Restricted Subsidiaries or any Person that concurrently with such Investment becomes a Restricted Subsidiary;

(d) Investments existing on the date of the Closing and disclosed in Schedule 5.15; (e) Investments in United States Governmental Securities, provided that such obligations mature within 365 days from the date of acquisition thereof;

(f) Investments in certificates of deposit or banker's acceptances issued by an Acceptable Bank, provided that such obligations mature within 365 days from the date of acquisition thereof;

(g) Investments in commercial paper given one of the two highest ratings by a credit rating agency of recognized national standing and maturing not more than 270 days from the date of creation thereof;

(h) guaranteed obligations of Unrestricted Subsidiaries provided that such guarantees would be permitted under Section 10.4;

(i) advances to employees for expenses incurred in the ordinary course of business; (j) Investments by the Company constituting treasury stock of the Company which treasury stock is, substantially simultaneously with the acquisition thereof, contributed to employee benefit plans maintained by the Company; and

(k) other Investments, provided that (i) all such other Investments shall have been made out of funds available for Restricted Payments which the Company or any Restricted Subsidiary would then be permitted to make in accordance with the provisions of Section 10.6 and (ii) after giving effect to such other Investments, no Event of Default shall have occurred and be continuing.

As of any date of determination, each Restricted Investment shall be valued at the greater of:

(x) the amount at which such Restricted Investment is shown on the books of the Company or any of its Restricted Subsidiaries (or zero if such Restricted Investment is not shown on any such books); and

(y) either

(i) in the case of any Guaranty of the obligation of any Person, the amount which the Company or any of its Restricted Subsidiaries has paid on account of such obligation less any recoupment by the Company or such Restricted Subsidiary of any such payments, or

(ii) in the case of any other Restricted Investment, the excess of (x) the greater of (A) the amount originally entered on the books of the Company or any of its Restricted Subsidiaries with respect thereto and (B) the cost thereof to the Company or its Restricted Subsidiary over (y) any return of capital (after income taxes applicable thereto) upon such Restricted Investment through the sale or other liquidation thereof or part thereof or otherwise.

As used in this definition of "Restricted Investments":

"Acceptable Bank" means any bank or trust company (i) which is organized under the laws of the United States of America or any State thereof, (ii) which has capital, surplus and undivided profits aggregating at least $500,000,000, and (iii) whose long-term unsecured debt obligations (or the long-term unsecured debt obligations of the bank holding company owning all of the capital stock of such bank or trust company) shall have been given a rating of "A" or better by S&P, "A2" or better by Moody's or an equivalent rating by any other credit rating agency of recognized national standing.

"Acceptable Broker-Dealer" means any Person other than a natural person (i) which is registered as a broker or dealer pursuant to the Exchange Act and (ii) whose long-term unsecured debt obligations shall have been given a rating of "A" or better by S&P, "A2" or better by Moody's or an equivalent rating by any other credit rating agency of recognized national standing.

"Moody's" means Moody's Investors Service, Inc.

"S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, Inc.

"United States Governmental Security" means any direct obligation of, or obligation guaranteed by, the United States of America, or any agency controlled or supervised by or acting as an instrumentality of the United States of America pursuant to authority granted by the Congress of the United States of America, so long as such obligation or guarantee shall have the benefit of the full faith and credit of the United States of America which shall have been pledged pursuant to authority granted by the Congress of the United States of America.

"Restricted Payment" means

(a) any Distribution in respect of the Company or any Restricted Subsidiary of the Company (other than on account of capital stock or other equity interests of a Restricted Subsidiary of the Company owned legally and beneficially by the Company or another Restricted Subsidiary of the Company), including, without limitation, any Distribution resulting in the acquisition by the Company of Securities which would constitute treasury stock, and

(b) any payment, repayment, redemption, retirement, repurchase or other acquisition, direct or indirect, by the Company or any Restricted Subsidiary of, on account of, or in respect of, the principal of any Subordinated Debt (or any installment thereof) prior to the regularly scheduled maturity date thereof (as in effect on the date such Subordinated Debt was originally incurred).

For purposes of this Agreement, the amount of any Restricted Payment made in property shall be the greater of (x) the Fair Market Value of such property (as determined in good faith by the board of directors (or equivalent governing body) of the Person making such Restricted Payment) and (y) the net book value thereof on the books of such Person, in each case determined as of the date on which such Restricted Payment is made.

"Restricted Subsidiary" shall mean any Subsidiary that is designated a Restricted Subsidiary in accordance with Section 7.4 so long as it remains a Subsidiary.

"Revolving Credit Facility" means that certain Revolving Credit Agreement, dated as of January 31, 1997, as amended, among the Company and The Chase Manhattan Bank ("Chase"),

Fleet Bank, National Association, Cooperative Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland," New York Branch, and European American Bank, and Chase, as agent.

"Securities Act" means the Securities Act of 1933, as amended from time to time.

"Security" has the meaning set forth in section 2(1) of the Securities Act of 1933, as amended.

"Senior Financial Officer" means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

"Senior Funded Debt" means any Funded Debt of the Company (other than Subordinated Debt).

"Significant Subsidiary" means (a) any wholly owned Subsidiary or other entity, formed or acquired by the Company, Zahn Holdings, Inc. or any subsidiary of the Company or Zahn Holdings, Inc. after the date of Closing with total assets located in the United Stated of America of $25,000,000 or greater, and (b) any Subsidiary or entity formed or acquired after the date of Closing in which the Company or any Guarantor has a 66.67% or greater but less than 100% ownership interest which becomes or is a Subsidiary which must have its financial operations and results consolidated with the Company under GAAP, if such subsidiary or entity, after giving effect to the acquisition, has total assets located in the United States that exceed 5% of the Consolidated Assets of the Company and its Subsidiaries, taken as a whole, valued as of the closing of such acquisition or as of the last day of any fiscal year thereafter; providing such partially owned subsidiary or entity is not a party to an agreement prohibiting it from becoming a Guarantor hereunder.

"Subordinated Debt" means any Debt that is in any manner subordinated in right of payment or security in any respect to Debt evidenced by the Notes.

"Subsidiary" means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a "Subsidiary" is a reference to a Subsidiary of the Company.

"Subsidiary Stock" means, with respect to any Person, the stock (or any options or warrants to purchase stock or other Securities exchangeable for or convertible into stock) of any Subsidiary of such Person.

"Swaps" means, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination,

if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

"Transfer" means, with respect to any Person, any transaction in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including, without limitation, Subsidiary Stock. For purposes of determining the application of the Net Proceeds Amount in respect of any Transfer, the Company may designate any Transfer as one or more separate Transfers each yielding a separate Net Proceeds Amount. In any such case, (a) the Disposition Value of any property subject to each such separate Transfer and (b) the amount of Consolidated Assets attributable to any property subject to each such separate Transfer shall be determined by ratably allocating the aggregate Disposition Value of, and the aggregate Consolidated Assets attributable to, all property subject to all such separate Transfers to each such separate Transfer on a proportionate basis.

"Unrestricted Subsidiary" shall mean any Subsidiary of the Company which is not a Restricted Subsidiary.

"Wholly-Owned Subsidiary" means, at any time, any Subsidiary one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company's other Wholly-Owned Subsidiaries at such time.

[FORM OF NOTE]

HENRY SCHEIN, INC.

6.66% SENIOR NOTE DUE September 25, 2010

No. [_____] September 25, 1998$[_____]

PPN[_____]

FOR VALUE RECEIVED, the undersigned, HENRY SCHEIN, INC. (herein called the "Company"), a corporation organized and existing under the laws of the State of Delaware, hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS on September 25, 2010, with interest (computed on the basis of a 360-day year of twelve 30day months) (a) on the unpaid balance thereof at the rate of 6.66% per annum from the date hereof, payable semiannually, on the twenty-fifth day of March and September in each year, commencing with the March 25 or September 25 next succeeding the date hereof, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law on any overdue payment (including any overdue prepayment) of principal, any overdue payment of interest and any overdue payment of any Make-Whole Amount (as defined in the Note Purchase Agreements referred to below), payable semiannually as aforesaid (or, at the option of the registered holder hereof, on demand), at a rate per annum from time to time equal to the greater of (i) 8.66% or (ii) 2.00% over the rate of interest publicly announced by The Chase Manhattan Bank from time to time in New York, New York as its "base" or "prime" rate.

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of the Company or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreements referred to below.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to separate Note Purchase Agreements, dated as of September 25, 1998 (as from time to time amended, the "Note Purchase Agreements"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, (i) to have agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreements and (ii) to have made the representation set forth in Section 6.2 of the Note Purchase Agreements.

This Note is a registered Note and, as provided in the Note Purchase Agreements, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary. This Note has not been registered under the Securities Act of 1933, as amended, or otherwise, and is subject to certain restrictions on transfer or exchange, all as provided in Section 13 of the Note Purchase Agreements.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreements. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreements, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreements, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price

(including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreements.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York, excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

HENRY SCHEIN, INC.

By

Its

EX-10.112

CORPORATE GUARANTEE

In order to induce New York Life Insurance Company, New York Life Insurance and Annuity Corporation, Jackson Life Insurance Company, Teachers Insurance and Annuity Association and Equitable Life Assurance Society of the United States (herein, together with any successors and assigns, the "Noteholders") to purchase $100,000,000 in aggregate principal amount of the 6.66% Senior Notes due September 25, 2010 (herein the "Notes"), of Henry Schein, Inc. (the "Company"), and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned (hereinafter called the "Guarantor") hereby absolutely and unconditionally guarantees to the Noteholders the punctual payment when due, whether by acceleration or otherwise (including amounts which, but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, or any successor statute, would become due) in accordance with the terms thereof, of the principal of, interest on and make-whole amount as well as all other sums payable with respect to, claims of every nature and description of the Noteholders against the Company , including but not limited to, the Notes, dated September 25, 1998 made by the Company in favor of the Noteholders, pursuant to the separate Note Purchase Agreements each dated as of September 25, 1998 between and the Noteholders, as same has been and may be amended from time to time (the "Note Purchase Agreements"), and all other sums now or which may become payable by the Company to the Noteholders pursuant to the terms of the Note Purchase Agreements and pursuant to the terms of any and all documents executed by the Company in favor of the Noteholders in furtherance of and with respect to the Note Purchase Agreements and the punctual performance of all indebtedness and obligations, joint or several, direct or indirect, matured or unmatured, liquidated or unliquidated, primary or secondary, absolute or contingent, of the Company to the Noteholders, now or hereafter owing or incurred (such amounts, sums, indebtedness and obligations (including, without limitation, those amounts payable under any of the Notes) being hereinafter collectively called the "Obligations"), (the "Guarantee").

The Guarantor hereby grants to the Noteholders, full power, without notice to the Guarantor or to the Company , and without in any way affecting the joint and several obligations of any other Guarantor, to deal in any manner with the Company, the Obligations, the Guarantor, and any other guarantor of the Obligations including, without limitation, the following powers: (a) to modify or otherwise change any terms of all or any part of the Obligations, to grant any extension or renewal thereof and any other indulgence with respect thereto, to accept any partial payment or to effect any release, subordination, compromise or settlement with respect to the Company , the Obligations or the obligations of the Guarantor; (b) to enter into any agreement of forbearance with respect to all or any part of the Obligations of the Company or the obligations of any Guarantor or to change the terms of any such agreement; (c) to forebear from calling for collateral to secure any of the Obligations; and (d) to consent to the substitution, exchange or release by the Noteholders, upon any substitution, exchange or release, whether or not the new collateral shall be of the same or a different character or value than the collateral, if any, surrendered by the Noteholders. This is a continuing guaranty of payment and not of collection.

This Guarantee shall remain in full force and effect without regard to, and, to the extent permitted by applicable law, shall not be released, discharged or in any way affected by any circumstance or condition (whether or not the Guarantor shall have any knowledge or notice thereof) whatsoever which might constitute a legal or equitable discharge or defense.

The Guarantor waives any notice of the acceptance of this Guarantee, or of the creation, renewal or accrual of any of the Obligations, present or future, or of the reliance of any of the Noteholders upon this Guarantee. The Obligations shall conclusively be presumed to have been created, contracted for, incurred or suffered to exist in reliance upon this Guarantee, and all dealings between the Company and the Noteholders, shall likewise be presumed to be in reliance upon this Guarantee. The Guarantor waives protest, presentment, demand for payment (except to the extent provided to the contrary in the immediately succeeding paragraph), notice of default or nonpayment, and notice of dishonor to or upon the Guarantor, the Company or any other party liable for any of the Obligations.

Upon the occurrence of an Event of Default (as defined in the Note Purchase Agreements), the Obligations of the Company and the obligations of the Guarantor to the Noteholders, whether direct or contingent, and of every description, shall, upon demand by the Noteholders, become immediately due and payable and shall be paid forthwith by the Guarantor, in like manner as if such amount constituted the direct and primary obligation of the Guarantor. The Noteholders shall have their remedy under this Guarantee without being obliged to resort first to any collateral, other guarantee or security or to any other remedy or remedies to enforce payment or collection of the Obligations, and may pursue all or any of its remedies at one or at different times.

In the event that any Noteholder shall receive any payments on account of any of the Obligations, whether directly or indirectly, and it shall subsequently be determined that such payments were for any reason improper, or a claim shall be made against the Noteholders that the same were improper, and any Noteholder pursuant to court order shall return the same, the Guarantor shall be liable, with the same effect as if the said payments had never been paid to, or received by, any such Noteholder, for the amount of such repaid or returned payments, notwithstanding the fact that they may theretofore have been credited on account of the Obligations or any of them. Moreover, this Guarantee shall remain in full force and effect and continue to be effective should any petition be filed by or against the Guarantor for liquidation or reorganization, should the Guarantor become insolvent or make an assignment for the benefit of creditors or should a receiver or trustee be appointed for all or any significant part of the Guarantor's assets, and shall continue to be effective or be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference", "fraudulent conveyance", or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned. The Guarantor assumes all risks of a bankruptcy or reorganization with respect to the Company.

No delay on the part of the Noteholders, in exercising any power or right hereunder or under any of the Financing Agreements or any other documents executed by the Company shall operate as a waiver thereof; nor shall any single or partial exercise of any power or right hereunder or under any of the Financing Agreements (as defined below) or the failure to exercise same in any instance preclude any other or further exercise thereof or the exercise of any other power or right; nor shall the Noteholders, be liable for exercising or failing to exercise any such power or right; the right and remedies hereunder, or under any of the Financing Agreements expressly specified are cumulative and not exclusive of any rights or remedies which the Noteholders or any one in whose behalf either has acted or shall act as herein provided, or its or

his or their transferee, may or will otherwise have.

The Guarantor hereby waives and agrees not to exercise any rights against the Company arising as a result of payment by the Guarantor hereunder, by way of subrogation or otherwise, and will not prove any claim in competition with the Noteholders in respect of any payment hereunder in bankruptcy or insolvency proceedings of any nature; the Guarantor will not claim any setoff or counterclaim against the Company in respect of any liability of the Guarantor to the Company , and the Guarantor waives any benefit of and any right to participate in any collateral which may be held by any of the Noteholders. The payment of any amount due with respect to any indebtedness of the Company now or hereafter held by the Guarantor is hereby subordinated to the prior payment in full of the Obligations. The Guarantor agrees that after the occurrence of any default in the payment or performance of the Obligations, the Guarantor will not demand, sue for or otherwise attempt to collect any such indebtedness of the Company to the Guarantor until the Obligations shall have been paid in full. Notwithstanding the foregoing sentence, if the Guarantor shall collect, enforce or receive any amount in respect of such indebtedness, such amount shall be collected, enforced and received by the Guarantor as trustee for the Noteholders, and paid over to the Noteholders (as same is defined in the Note Purchase Agreements) on account of the Obligations without affecting in any manner the liability of the Guarantor under any other provision of this Guarantee.

The term the "Company" as used throughout this instrument shall include the individual or individuals, association, partnership, or corporation named herein as Henry Schein, Inc., and (a) any successor, individual or individuals, association, partnership or corporation to which all or substantially all of the business or assets of the Company shall have been transferred, (b) in the case of such successor which is a partnership, any new partnership which shall have been created by reason of the admission of any new partner or partners therein or the dissolution of the existing partnership by the death, resignation or other withdrawal of any partner, and (c) in the case of a such successor which is a corporation, any other corporation into or with which the Company shall have been merged, consolidated, reorganized, purchased or absorbed.

This Guarantee shall, without further reference, pass to and may be relied on and enforced by any successor or assignee of any Noteholder, and any transferee or subsequent holder of any of the Obligations and the Company .

THE GUARANTOR HEREBY IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY NEW YORK STATE OR UNITED STATES FEDERAL COURT SITTING IN NEW YORK OR SUFFOLK COUNTIES OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE NOTES, AND THE GUARANTOR HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR FEDERAL COURT. THE GUARANTOR IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING (BY CERTIFIED OR REGISTERED MAIL) OF COPIES OF SUCH PROCESS TO THE GUARANTOR AT THE ADDRESS SPECIFIED BELOW THE SIGNATURE LINE HEREOF. THE GUARANTOR AGREES THAT A FINAL JUDGMENT (INCLUDING ANY APPLICABLE APPEALS) IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. THE GUARANTOR FURTHER WAIVES ANY OBJECTION TO VENUE IN SUCH STATE AND ANY OBJECTION TO AN ACTION OR PROCEEDING IN SUCH STATE ON THE BASIS OF FORUM NON CONVENIENS. THE GUARANTOR FURTHER AGREES THAT ANY ACTION OR PROCEEDING BROUGHT AGAINST ANY NOTEHOLDER SHALL BE BROUGHT ONLY IN NEW YORK STATE OR UNITED STATES FEDERAL COURT

SITTING IN NEW YORK COUNTY. THE GUARANTOR WAIVES ANY RIGHT IT MAY HAVE TO JURY TRIAL WITH RESPECT TO THIS AGREEMENT AND THE NOTE PURCHASE AGREEMENTS AND ALL SCHEDULES ATTACHED TO THE NOTE PURCHASE AGREEMENTS (THE "FINANCING AGREEMENTS").

NOTHING IN THIS GUARANTEE SHALL AFFECT THE RIGHT OF ANY NOTEHOLDER TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF ANY NOTEHOLDER TO BRING ANY ACTION OR PROCEEDING AGAINST THE GUARANTOR, OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTIONS.

TO THE EXTENT THAT THE GUARANTOR HAS OR HEREAFTER MAY ACQUIRE ANY IMMUNITY FROM JURISDICTION OF ANY COURT OR FROM ANY LEGAL PROCESS (WHETHER FROM SERVICE OR NOTICE, ATTACHMENT PRIOR TO JUDGMENT, ATTACHMENT IN AID OF EXECUTION, EXECUTION OR OTHERWISE) WITH RESPECT TO ITSELF OR ITS PROPERTY, IT HEREBY IRREVOCABLY WAIVES SUCH IMMUNITY IN RESPECT OF ITS OBLIGATIONS UNDER THIS AGREEMENT.

The Guarantor has made an independent investigation of the Company and of the financial condition of the Company . The Noteholders have not made and do not make any representations as to the income, expense, operation, finances or any other matter or thing affecting the Company nor have the Noteholders made any representation as to the amount or nature of the Obligations of the Company to which this Guarantee applies as specifically herein set forth, and the Guarantor hereby expressly acknowledges that no such representations have been made. It is agreed that all understandings and agreements heretofore had between the parties hereto with respect to the subject matter hereof, including any agreements or documents referenced herein, are merged in this Guarantee, which alone, fully and completely, expresses their understanding.

The Guarantor waives the right to interpose counterclaims or setoffs of any kind and description in any litigation arising hereunder with respect to any matter other than the subject matter hereof; and each of the Guarantor, the Company and the Noteholders waives the right in any litigation with the other (whether or not arising out of or relating to any Note) to trial by jury.

All payments hereunder shall be made without any counterclaim or setoff, free and clear of, and without reduction by reason of, any taxes, levies, imposts, charges and withholdings, restrictions or conditions of any nature, which are now or may hereafter be imposed, levied or assessed by any country, political subdivision or taxing or other authority therein (excluding in the case of each Noteholder, net income and profit and franchise taxes imposed on such Noteholders by the jurisdiction under the laws of which such Noteholder is organized or any subdivision or taxing authority thereof or therein or by the United States or Canada or any taxing authority thereof) ("Taxes"), all of which will be for the account of and paid by the Guarantor. If for any reason, any such reduction is made or any Taxes are paid by any Noteholder, the Guarantor will pay to such Noteholder such additional amounts as may be necessary to ensure that such Noteholder receives the same net amount which it would have received had no reduction been made or Taxes paid.

The Guarantor shall, upon demand, pay to each Noteholder the amount of any and all expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, which it may reasonably incur in connection with enforcement of this Guarantee or the failure by the Guarantor to perform or observe any of the provisions hereof. The Guarantor agrees to indemnify and hold harmless each Noteholder from and against any and all claims, demands, losses, judgments and liabilities (including liabilities for penalties) of whatsoever kind or nature, growing out of or resulting from this Guarantee or the exercise by any Noteholder of any right or remedy granted to it hereunder or under the other Financing Agreements, other than such items arising out of the gross negligence or willful misconduct on the part of such Noteholder or breach of this Guarantee by the Noteholder. If and to the extent that the aforesaid expense obligations of the Guarantor are unenforceable for any reason, the Guarantor hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under applicable law.

Capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Note Purchase Agreements.

IN WITNESS WHEREOF, this instrument has been duly executed by the undersigned as of the _____ day of September, 1998.

GUARANTOR:

_____.

By:_____
Name:
Title:

STATE OF NEW YORK)
) SS.:
COUNTY OF NASSAU)

On the day of September, 1998, before me personally came , to me known, who, being duly sworn, did depose and say that he resides at _____, that he is the of , the corporation described in and which executed the foregoing instrument; and that he signed his name thereto by order of the board of directors of such corporation.

Notary Public

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

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9-MOS
DEC-26-1998
DEC-27-1997
SEP-26-1998
16,076
0
353,772
(10,850)
264,781
693,977
135,047
(66,560)
950,400
300,572
188,274
0
0
398
456,798
950,400
1,418,968
1,418,968
978,979
978,979
409,912
0
8,556
27,197
12,483
16,241
0
0
0
16,241
0.41
0.39