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

FORM 10-Q

(Mark One)

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

For the period ended June 26, 1999

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
(State or other
jurisdiction of
incorporation or
organization)

11-3136595
(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

No

As of August 6, 1999, there were 40,690,856 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)

	June 26, 1999	December 26, 1998
	----- (unaudited)	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 25,075	\$ 28,222
Accounts receivable, less reserves of \$21,763 and \$20,136, respectively..	361,340	338,121
Inventories	278,774	270,008
Deferred income taxes.....	14,011	14,532
Prepaid expenses and other	64,447	53,646
	-----	-----
Total current assets.....	743,647	704,529
Property and equipment, net of accumulated depreciation and amortization of \$60,229 and \$53,756, respectively.....	72,115	67,646
Goodwill and other intangibles, net of accumulated amortization of \$24,685 and \$18,123, respectively.....	286,565	148,428
Investments and other	43,382	41,437
	-----	-----
	\$1,145,709	\$ 962,040
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$165,705	\$169,860
Bank credit lines.....	40,458	19,372
Accruals:		
Salaries and related expenses.....	30,613	29,675
Merger and integration costs.....	13,901	21,992
Other.....	69,362	50,404
Current maturities of long-term debt.....	6,257	9,634
	-----	-----
Total current liabilities.....	326,296	300,937
Long-term debt.....	318,157	180,445
Other liabilities	9,153	11,720
	-----	-----
Total liabilities	653,606	493,102
	-----	-----
Minority interest.....	6,900	5,904
	-----	-----
Stockholders' equity:		
Common stock, \$.01 par value, authorized 120,000,000; issued 40,578,109 and 40,250,936, respectively	406	402
Additional paid-in capital	355,078	348,119
Retained earnings	140,746	119,064
Treasury stock, at cost (62,479 shares)	(1,156)	(1,156)
Accumulated comprehensive income	(8,533)	(2,057)
Deferred compensation.....	(1,338)	(1,338)
	-----	-----
Total stockholders' equity	485,203	463,034
	-----	-----
	\$1,145,709	\$962,040
	=====	=====

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		Six Months Ended	
	June 26, 1999	June 27, 1998	June 26, 1999	June 27, 1998
		(restated)		(restated)
Net sales.....	\$559,310	\$475,992	\$1,095,645	\$926,334
Cost of sales.....	385,260	326,409	758,178	640,044
Gross profit.....	174,050	149,583	337,467	286,290
Operating expenses:				
Selling, general and administrative.....	142,001	126,735	281,770	248,641
Merger and integration costs	5,271	8,536	7,474	12,400
Operating income	26,778	14,312	48,223	25,249
Other income (expense):.....				
Interest income	1,488	1,448	3,821	3,188
Interest expense	(5,316)	(3,165)	(11,040)	(5,950)
Other - net	297	227	108	561
Income before taxes on income, minority interest and equity in earnings (losses) of affiliates.....	23,247	12,822	41,112	23,048
Taxes on income	8,958	5,618	16,085	9,911
Minority interest in net income (loss) of subsidiaries	322	(144)	919	(143)
Equity in earnings (losses) of affiliates	(630)	474	(858)	655
Net income	\$ 13,337	\$ 7,822	\$ 23,250	\$ 13,935
Net income per common share:				
Basic	\$ 0.33	\$ 0.20	\$ 0.57	\$ 0.35
Diluted.....	\$ 0.32	\$ 0.19	\$ 0.56	\$ 0.34
Pro forma:				
Historical net income.....		\$ 7,822		\$ 13,935
Pro forma adjustment (provision for taxes on previously untaxed earnings of an acquisition)		(263)		(339)
Pro forma net income.....		\$ 7,559		\$ 13,596
Pro forma net income per common share:				
Basic.....		\$ 0.19		\$ 0.35
Diluted.....		\$ 0.18		\$ 0.33
Weighted average shares outstanding:				
Basic.....	40,491	39,738	40,456	39,299
Diluted.....	41,547	41,710	41,621	41,195

See accompanying notes to consolidated financial statements.

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

	Six Months Ended	
	June 26, 1999	June 27, 1998
	-----	-----
		(restated)
Cash flows from operating activities:		
Net income	\$ 23,250	\$ 13,935
Adjustments to reconcile net income to net cash provided by operating		
Activities:		
Depreciation and amortization.....	14,729	8,521
Provision for losses and allowances on accounts receivable	(530)	(130)
Provision for deferred income taxes	949	802
Undistributed losses (earnings) of affiliates.....	858	(655)
Minority interest in net income (loss) of subsidiaries.....	919	(143)
Other	(144)	201
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable.....	2,910	(22,878)
Decrease (increase) in inventories	19,200	(22,593)
Decrease (increase) in other current assets	10,071	(5,675)
(Decrease) increase in accounts payable and accruals	(66,953)	34,341
	-----	-----
Net cash provided by operating activities.....	5,259	5,726
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(11,731)	(16,206)
Business acquisitions, net of cash acquired.....	(127,319)	(5,946)
Proceeds from sale of fixed assets.....	6,402	--
Other	2,183	(7,503)
	-----	-----
Net cash used in investing activities	(130,465)	(29,655)
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	491	-----
Principal payments on long-term debt	(10,680)	(9,289)
Proceeds from issuance of stock	5,062	6,100
Proceeds from borrowings from banks.....	135,508	33,382
Payments on borrowings from banks	(2,211)	(181)
Other	(6,111)	(139)
	-----	-----
Net cash provided by financing activities	122,059	29,873
	-----	-----
Net (decrease) increase in cash and cash equivalents	(3,147)	5,944
Cash and cash equivalents, beginning of period	28,222	11,813
	-----	-----
Cash and cash equivalents, end of period	\$ 25,075	\$ 17,757
	=====	=====

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 for the three and six months ended June 27, 1998 have been restated and include adjustments to give effect to the acquisition of the H. Meer Dental Supply Co. ("Meer"), effective August 14, 1998, which was 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 for the year ended December 26, 1998. The Company follows the same accounting policies in preparation of interim reports. The results of operations for the six months ended June 26, 1999 are not necessarily indicative of the results to be expected for the fiscal year ending December 25, 1999 or any other period.

Note 2. Business Acquisitions

During the six months ended June 26, 1999, the Company completed eight acquisitions. The 1999 completed acquisitions included General Injectibles and Vaccines, Inc. ("GIV"), a leading direct marketer of vaccines and other injectibles serving 32,000 customers throughout the United States, with 1998 net sales of approximately \$120,000 and the Heiland Group GmbH ("Heiland"), a leading direct marketer of healthcare supplies to medical, dental and veterinary office-based practitioners, headquartered in Hamburg, Germany, with 1998 net sales of approximately \$130,000. Of the eight completed acquisitions, seven were accounted for under the purchase method of accounting and the remaining acquisition was accounted for under the pooling of interests method of accounting. Results of operations of the business acquisitions accounted for under the purchase method of accounting have been included in the consolidated financial statements commencing with the acquisition date. The pooling transaction was not material and has been included in the consolidated financial statements from the beginning of the first quarter of 1999.

The total cash purchase price for the seven acquisitions accounted for under the purchase method of accounting was approximately \$149,295. 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. The Company issued 231,304 shares of its Common Stock, with an aggregate value of approximately \$6,400 in connection with the pooling transaction.

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

Note 2. Business Acquisitions -- (Continued)

In connection with the 1999 and 1998 acquisitions accounted for under the pooling of interests method, the Company incurred certain merger and integration costs during the three and six months ended June 26, 1999 and June 27, 1998, of approximately \$5,300 and \$7,500, and \$8,500 and \$12,400, respectively. These costs consist primarily of compensation, rent and other costs in connection with the closure of distribution centers, as well as other integration costs associated with these mergers. Net of taxes, for the three and six months ended June 26, 1999 and June 27, 1998, merger and integration costs were approximately \$0.07 and \$0.11 per share, and \$0.15 and \$0.22 per share, respectively, on a diluted basis.

Estimated merger and integration costs accrued at December 26, 1998 were not in excess of actual amounts incurred. Amounts accrued at June 26, 1999 consist primarily of severance, stay-bonuses and rent, which the Company expects will be paid in 1999.

The summarized unaudited pro forma results of operations set forth below for the six months ended June 27, 1998 assume the acquisitions, completed during the second half of 1998 and the first six months of 1999, 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.

	Six Months Ended	
	June 26, 1999	June 27, 1998
	----	----
Net sales	\$ 1,099,215	\$ 1,074,131
Net income (1).....	\$ 27,596	\$ 8,414
Net income per common share:		
Basic	\$ 0.68	\$ 0.21
Diluted	\$ 0.66	\$ 0.20
Pro forma net income, reflecting adjustment for income taxes on previously untaxed earnings of Meer	\$ 27,596	\$ 8,075
Pro forma net income per common share:		
Basic	\$ 0.68	\$ 0.21
Diluted	\$ 0.66	\$ 0.20

(1) Includes merger and integration costs of approximately \$7,474 and \$12,400, and related tax benefits of \$3,022 and \$3,331, respectively.

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

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 of the Company and Meer were \$427,873 and \$7,213, and \$48,119, and \$346, respectively, for the three months ended June 27, 1998 and \$878,215 and \$13,177 and \$48,119 and \$419, respectively, for the six months ended June 27, 1998. The Meer net income for the three and six months ended June 27, 1998 includes a pro forma adjustment of \$76 and \$263, respectively. 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 adjustments are for taxes on previously untaxed earnings of Meer as an S Corporation.

Note 3. Comprehensive Income

Total comprehensive income for the three and six months ended June 26, 1999 and June 27, 1998 are as follows:

	Three Months Ended	
	June 26, 1999	June 27, 1998
	-----	-----
Net income.....	\$ 13,337	(restated) \$ 7,822
Pro forma net income, reflecting the Meer tax adjustment.....	\$ 13,337	\$ 7,559
Foreign currency translation adjustments	(2,792)	244
Pro forma comprehensive income.....	\$ 10,545	\$ 7,803
	=====	=====
	Six Months Ended	
	June 26, 1999	June 27, 1998
	-----	-----
Net income.....	\$ 23,250	(restated) \$ 13,935
Pro forma net income, reflecting the Meer tax adjustment.....	\$ 23,250	\$ 13,596
Foreign currency translation adjustments	(6,476)	(74)
Pro forma comprehensive income.....	\$ 16,774	\$ 13,522
	=====	=====

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

Note 4. Segment Data

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

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

	Three Months Ended		Six Months Ended	
	June 26, 1999	June 27, 1998	June 26, 1999	June 27, 1998
	-----	-----	-----	-----
		(restated)		(restated)
Net Sales:				
Healthcare distribution (1):				
Dental.....	\$260,632	\$281,702	\$ 513,885	\$ 543,952
Medical.....	162,530	119,188	320,605	233,683
Veterinary.....	13,508	12,296	26,197	24,119
International (2).....	104,113	53,378	202,431	105,656
	-----	-----	-----	-----
Total healthcare distribution.....	540,783	466,564	1,063,118	907,410
Technology (3).....	18,527	9,428	32,527	18,924
	-----	-----	-----	-----
	\$559,310	\$475,992	\$1,095,645	\$ 926,334
	=====	=====	=====	=====

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

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

Note 4. Segment Data -- (Continued)

	Three Months Ended		Six Months Ended	
	June 26, 1999	June 27, 1998 (restated)	June 26, 1999	June 27, 1998 (restated)
Operating income:				
Healthcare distribution (includes merger and integration costs of \$5,271 and \$8,536, \$7,474, and \$12,400, respectively).....	\$ 19,038	\$ 11,750	\$ 35,994	\$ 20,869
Technology.....	7,740	2,562	12,229	4,380
Total.....	\$ 26,778 =====	\$ 14,312 =====	\$ 48,223 =====	\$ 25,249 =====
			June 26, 1999	June 27, 1998 (restated)
Total Assets:				
Healthcare distribution.....			\$1,125,163	\$ 888,106
Technology.....			51,014	25,570
Total assets for reportable segments.....			1,176,177	913,676
Receivables due from healthcare distribution segment.....			(27,601)	(11,867)
Receivables due from technology segment.....			(2,867)	(1,027)
Consolidated total assets.....			\$1,145,709 =====	\$ 900,782 =====

Note 5. Earnings per Share

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

	Three Months Ended	
	June 26, 1999	June 27, 1998
	-----	-----
		(restated)
Basic.....	40,491	39,738
Effect of assumed conversion of employee stock options.....	1,056	1,972
	-----	-----
Diluted.....	41,547	41,710
	=====	=====

	Six Months Ended	
	June 26, 1999	June 27, 1998
	-----	-----
		(restated)
Basic.....	40,456	39,299
Effect of assumed conversion of employee stock options.....	1,165	1,896
	-----	-----
Diluted.....	41,621	41,195
	=====	=====

Note 6. Subsequent Events

Subsequent to June 26, 1999, the Company completed a private placement transaction under which it issued \$130,000, in Senior Notes, the proceeds of which were used for the permanent financing of its recent acquisitions GIV and Heiland, as well as repaying and retiring a portion of its four uncommitted bank lines. The notes come due on July 2, 2009 and bear interest at a rate of 6.94% per annum. Interest is payable semi-annually.

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

During the six months ended June 26, 1999, the Company completed eight acquisitions. The 1999 completed acquisitions included GIV, a leading direct marketer of vaccines and other injectibles serving 32,000 customers throughout the United States, with 1998 net sales of approximately \$120.0 million and Heiland, a leading direct marketer of healthcare supplies to medical, dental and veterinary office-based practitioners, headquartered in Hamburg, Germany, with 1998 net sales of approximately \$130.0 million. Of the eight completed acquisitions, seven were accounted for under the purchase method and the remaining acquisition was accounted for under the pooling of interests method of accounting. Results of operations of the business acquisitions accounted for under the purchase method of accounting have been included in the consolidated financial statements commencing with the acquisition date. The pooling transaction was not material and has been included in the consolidated financial statements from the beginning of the first quarter of 1999.

The total cash purchase price for the seven acquisitions accounted for under the purchase method of accounting was approximately \$149.3 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. The Company issued 231,304 shares of its Common Stock, with an aggregate value of approximately \$6.4 million, in connection with the pooling transaction.

In connection with the 1999 and 1998 acquisitions accounted for under the pooling of interests method, the Company incurred certain merger and integration costs during the three and six months ended June 26, 1999 and June 27, 1998, of approximately \$5.3 million and \$7.5 million for 1999 and \$8.5 million and \$12.4 million for 1998, respectively. These costs consist primarily of compensation, rent, and other costs associated with the closure of distribution centers, as well as other integration costs associated with these mergers. Net of taxes, for the three and six months ended June 26, 1999 and June 27, 1998, merger and integration costs were approximately \$0.07 and \$0.11 per share, and \$0.15 and \$0.22 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 \$16.4 million and \$0.40, and \$13.8 million and \$0.33, respectively, for the three months ended June 26, 1999 and June 27, 1998 and \$27.7 million and \$0.67 and \$22.7 million and \$0.55, respectively, for the six months ended June 26, 1999 and June 27, 1998.

RESULTS OF OPERATIONS

Three Months Ended June 26, 1999 compared to Three Months Ended June 27, 1998

Net sales increased \$83.3 million, or 17.5%, to \$559.3 million for the three months ended June 26, 1999 from \$476.0 million for the three months ended June 27, 1998. Of the \$83.3 million increase, approximately \$74.2 million, or 89.1%, represented a 15.9% increase in the Company's healthcare distribution business. As part of this increase approximately, \$50.7 million represented a 95.0% increase in the Company's international business, \$43.4 million represented a 36.4% increase in its medical business, \$1.2 million represented a 9.8% increase in its veterinary business, and \$(21.1) million represented a 7.5% decrease in its dental business. The increase in medical net sales is primarily attributable to sales to hospitals, acquisitions, and the continuing favorable impact

of a new telesales structure. In the veterinary market, the increase in net sales was primarily due to increased account penetration with core accounts and veterinary groups. In the international market, the increase in net sales was primarily due to acquisitions in Germany and the United Kingdom and increased account penetration in Belgium, France and Spain. The decrease in dental net sales was primarily due to sales erosion related to integration of acquisitions and a reduction in dental equipment sales resulting from the Company's disposal of its equipment manufacturing subsidiary, Marus Dental International ("Marus") in August 1998. The remaining increase in second quarter 1999 net sales was due to the technology business, which increased \$9.1 million, or 96.8%, to \$18.5 million for the three months ended June 26, 1999, from \$9.4 million for the three months ended June 27, 1998. The increase in technology and value-added product net sales was primarily due to increased practice management software sales and an acquisition.

Gross profit increased by \$24.5 million, or 16.4%, to \$174.1 million for the three months ended June 26, 1999, from \$149.6 million for the three months ended June 27, 1998. Gross profit margin decreased 0.3% to 31.1% from 31.4% last year. Healthcare distribution gross profit increased \$19.8 million, or 13.9%, to \$161.8 million for the three months ended June 26, 1999, from \$142.0 for the three months ended June 27, 1998. Healthcare distribution gross profit margin decreased by 0.5% to 29.9% for the three months ended June 26, 1999, from 30.4% for the three months ended June 27, 1998, primarily due to sales mix. Technology gross profit increased by \$4.7 million or 62.7% to \$12.2 million for the three months ended June 26, 1999 from \$7.5 million for the three months ended June 27, 1998. Technology gross profit margins decreased by 13.7% to 66.0% for three months ended June 26, 1999 from 79.7% for the three months ended June 27, 1998, which was primarily due to increased support and training costs and changes in sales mix.

Selling, general and administrative expenses increased by \$15.3 million, or 12.1%, to \$142.0 million for the three months ended June 26, 1999 from \$126.7 million for the three months ended June 27, 1998. Selling and shipping expenses increased by \$8.2 million, or 9.4%, to \$95.8 million for the three months ended June 26, 1999 from \$87.6 million for the three months ended June 27, 1998. As a percentage of net sales, selling and shipping expenses decreased 1.3% to 17.1% for the three months ended June 26, 1999, from 18.4% for the three months ended June 27, 1998. The decrease was primarily due to improvements in the Company's distribution efficiencies. General and administrative expenses increased \$7.1 million, or 18.2%, to \$46.2 million for the three months ended June 26, 1999, from \$39.1 million for the three months ended June 27, 1998, was primarily due to acquisitions. As a percentage of net sales, general and administrative expenses remained relatively constant at 8.3% for the three months ended June 26, 1999 versus 8.2% for the three months ended June 27, 1998.

Other income (expense) - net decreased by \$2.0 million, to \$(3.5) million for the three months ended June 26, 1999, compared to \$(1.5) million for the three months ended June 27, 1998, due to an increase in interest expense resulting from an increase in average borrowings and an increase in interest rates, offset by higher interest income on notes receivable and accounts receivable balances.

Equity in earnings of affiliates decreased \$1.1 million to \$(0.6) million for the three months ended June 26, 1999 from \$0.5 million for the three months ended June 27, 1998. The decline was due to reduced earnings resulting from temporary suspension of manufacturing operations in connection with a voluntary recall of anesthetic products sold by Novocol Pharmaceutical of Canada, Inc. ("Novocol") an affiliate which the Company owns a non-controlling interest. The U.S. Food and Drug Administration (FDA) has completed an inspection of Novocol's manufacturing facility.

While Novocol believes that the inspection report will conclude that Novocol has adequately addressed the issues previously raised, they are still awaiting final authorization from the FDA to begin shipping product to the United States. Assuming the final report on the inspection is favorable, Novocol will then resume full production.

For the three months ended June 26, 1999 the Company's effective tax rate was 38.5%. The difference between the Company's effective tax rate and the Federal statutory rate relates primarily to state income taxes and non-deductible goodwill associated with certain stock acquisitions. For the three months ended June 27, 1998, the Company's effective tax rate was 43.8%. Excluding merger and integration costs and including a pro forma adjustment for assumed tax expenses arising from the previously untaxed earnings of Meer, the Company's effective tax rate for the three months ended June 27, 1998 would have been 38.3%. The difference between the Company's effective tax rate, excluding certain non-deductible merger and integration costs and the Meer tax adjustment, and the Federal statutory rate relates primarily to state income taxes.

Six Months Ended June 26, 1999 compared to Six Months Ended June 27, 1998

Net sales increased \$169.3 million, or 18.3%, to \$1,095.6 million for the six months ended June 26, 1999 from \$926.3 million for the six months ended June 27, 1998. Of the \$169.3 million increase, approximately \$155.7 million, or 92.0%, represented a 17.2% increase in the Company's healthcare distribution business. As part of this increase, approximately \$96.8 million represented a 91.6% increase in the Company's international business, \$86.9 million represented a 37.2% increase in its medical business, \$2.1 million represented a 8.7% increase in its veterinary business, and \$(30.1) million represented a 5.5% decrease in its dental business. The increase in medical net sales is primarily attributable to sales to hospitals, acquisitions and the continuing favorable impact 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"). In the international market, the increase in net sales was primarily due to acquisitions in Germany and the United Kingdom and increased account penetration in France, Belgium and the United Kingdom. In the veterinary market, the increase in net sales was primarily due to increased account penetration with core accounts and veterinary groups. The decrease in dental net sales was primarily due to sales erosion related to the Meer acquisition and a reduction in dental equipment sales resulting from the Company's disposal of Marus in August 1998. The remaining increase in 1999 net sales was due to the technology business, which increased \$13.6 million, or 72.0%, to \$32.5 for the six months ended June 26, 1999, from \$18.9 million for the six months ended June 27, 1998. The increase in technology and value-added product net sales was primarily due to increased practice management software sales and an acquisition.

Gross profit increased by \$51.2 million, or 17.9%, to \$337.5 million for the six months ended June 26, 1999, from \$286.3 million for the six months ended June 27, 1998. Gross profit margin decreased by 0.1% to 30.8% from 30.9% last year. Healthcare distribution gross profit increased \$43.5 million, or 16.0%, to \$315.8 million for the six months ended June 26, 1999, from \$272.3 for the six months ended June 27, 1998. Healthcare distribution gross profit margin decreased by 0.3% to 29.7% for the six months ended June 26, 1999, from 30.0% for the six months ended June 27, 1998, primarily due to sales mix. Technology gross profit increased by \$7.7 million or 55.0% to \$21.7 million for the six months ended June 26, 1999 from \$14.0 million for the six months ended June 27, 1998. Technology gross profit margins decreased by 7.1% to 66.7% for six months ended

June 26, 1999 from 73.8% for the six months ended June 27, 1998, which was primarily due to increased support and training costs and changes in sales mix.

Selling, general and administrative expenses increased by \$33.2 million, or 13.4%, to \$281.8 million for the six months ended June 26, 1999 from \$248.6 million for the six months ended June 27, 1998. Selling and shipping expenses increased by \$20.3 million, or 11.9%, to \$190.5 million for the six months ended June 26, 1999 from \$170.2 million for the six months ended June 27, 1998. As a percentage of net sales, selling and shipping expenses decreased 1.0% to 17.4% for the six months ended June 26, 1999, from 18.4% for the six months ended June 27, 1998. General and administrative expenses increased \$12.9 million, or 16.5%, to \$91.3 million for the six months ended June 26, 1999, from \$78.4 million for the six months ended June 27, 1998, primarily due to acquisitions. As a percentage of net sales, general and administrative expenses decreased 0.2% to 8.3% for the six months ended June 26, 1999, from 8.5% for the six months ended June 27, 1998. The decrease was primarily due to improvements in the Company's distribution efficiencies, resulting from the leveraging of the Company's distribution infrastructure.

Other income (expense) - net decreased by \$4.9 million, to \$(7.1) million for the six months ended June 26, 1999, compared to \$(2.2) million for the six months ended June 27, 1998, due to an increase in interest expense resulting from an increase in average borrowings and an increase in interest rates, offset by higher interest income on notes receivable and accounts receivable balances.

Equity in earnings of affiliates decreased \$1.6 million to \$(0.9) million for the six months ended June 26, 1999 from \$0.7 million for the six months ended June 27, 1998. The decline was due to reduced earnings resulting from temporary suspension of manufacturing operations in connection with a voluntary recall of anesthetic products sold by Novocol. The FDA has completed an inspection of Novocol's manufacturing facility. While Novocol believes that the inspection report will conclude that Novocol has adequately addressed the issues previously raised, they are still awaiting final authorization from the FDA to begin shipping product to the United States. Assuming the final report on the inspection is favorable, Novocol will then resume full production.

For the six months ended June 26, 1999 the Company's effective tax rate was 39.1%. The difference between the Company's effective tax rate and the Federal statutory rate relates primarily to state income taxes and non-deductible goodwill associated with certain stock acquisitions. For the six months ended June 27, 1998, the Company's effective tax rate was 43.0%. Excluding merger and integration costs and including a pro forma adjustment for assumed tax expenses arising from the previously untaxed earnings of Meer, the Company's effective tax rate for the six months ended June 27, 1998 would have been 38.3%. The difference between the Company's effective tax rate, excluding certain non-deductible merger and integration costs and the Meer tax adjustment, and the Federal statutory rate relates primarily to state income taxes.

Year 2000

Management continued to conduct 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 inability of computer programs worldwide to correctly process data after December 31, 1999 can have grave consequences for governments, businesses and consumers alike.

The Company has created a Year 2000 Task Force (the "Task Force") to assess the business risks associated with all phases of the Company's operations and to prioritize corrective actions to avoid or mitigate the consequences of each of the Company's and its critical vendors' and third parties' non-compliant systems, applications and products so as to minimize potential disruptions to its business and service to its customers. Consequently, the Task Force's efforts are divided into three main categories; (i) internal business systems and products and services, (ii) critical vendor and other third party business systems and products and services, and (iii) customer business system interfaces.

The Company has completed an inventory of all major business systems and has made modifications to many of these business critical systems. This process is expected to continue through the third quarter of 1999 as systems continue to be modified and tested. At this time all of the Company's software products currently offered for sale are year 2000 compliant. The Company continues to work with vendors to remedy products or services considered to be at-risk with the objective to either correct any potential issues by the end of the third quarter of 1999, or seek alternative sources. There can be no assurance that the Company will be able to identify sufficient alternative supply sources of products and services such that disruption to the Company's business would not be material. The Company currently ships substantially all of its orders in the United States by United Parcel Service ("UPS"). UPS has advised the Company that their systems are year 2000 compliant, including those systems used by the Company in its distribution centers.

The Company expects to incur internal payroll costs as well as consulting costs and other expenses related to customer and vendor relations, infrastructure, facility enhancements and software upgrades necessary to prepare the Company's products, services and 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. This cost does not include normal upgrading of business and financial systems that would be year 2000 compliant already.

Business disruptions in the form of floods, blizzards, hurricanes, earthquakes and power failures are a normal part of the Company's contingency planning. In an effort to reduce the risks associated with Year 2000 problems, the Company has established and is currently continuing to develop Year 2000 contingency plans that build upon existing disaster recovery and contingency plans. Examples of the Company's existing contingency plans include alternative electronic means for placing and receiving orders, rerouting orders to alternative warehouses if necessary and alternative communication lines.

The Company's contingency planning methodology attempts to identify, explore and document potential failure points, internal and external in each of the Company's businesses. Failure points are then prioritized based on likelihood and criticality. Contingency plans are then developed for each of the potential failure points deemed likely and/or critical. Included in the Company's

contingency plan are preparations that need to be completed currently (such as identifying the triggers for shifting into contingency mode and appointing and training resource response teams), identification of alternate processes to be used in the event of contingencies, as well as design of the process for exiting contingency mode.

Contingency planning for possible Year 2000 disruptions will continue to be defined, improved and implemented.

Euro Conversion

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

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

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal capital requirements have been to fund (a) acquisitions, (b) working capital needs resulting from increased sales, extended payment terms on various products, special inventory forward buy-in opportunities, and initial start-up inventory requirements for new distribution centers 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, private placement loans, and stock issuances.

Net cash provided by operating activities for the six months ended June 26, 1999 of \$5.3 million resulted primarily from net income of \$23.3 million, adjusted for non-cash charges of \$16.8 million, offset by an increase in operating items of working capital of \$34.8 million. The increase in working capital was primarily due to a decrease in accounts payable and other accrued expenses of \$67.0 million primarily due to payments made to vendors for year-end inventory buy-ins, offset by a \$19.2 million decrease in inventory, a \$10.1 million decrease in other current assets, and a \$2.9 million decrease in accounts receivable. The Company anticipates future increases in working capital requirements as a result of its continued sales growth, extended payment terms and special inventory forward buy-in opportunities.

Net cash used in investing activities for the six months ended June 26, 1999 of \$130.5 million resulted primarily from cash used to make acquisitions of \$127.3 million and capital expenditures

of \$11.7 million, offset primarily by the sale of certain equipment at one of the Company's distribution facilities that was subsequently leased back. The Company expects that it will invest in excess of \$25.0 million during the year ending December 25, 1999, in capital projects to modernize and expand its facilities and infrastructure systems and integrate operations.

Net cash provided by financing activities for the six months ended June 26, 1999 of \$122.1 million resulted primarily from borrowings under the Company's revolving credit facilities of approximately \$135.5, offset by debt repayments of \$12.9 million.

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

The Company's cash and cash equivalents as of June 26, 1999 of \$25.1 million consist of bank balances and money market funds.

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 \$136.8 million at June 26, 1999. The Company also has four uncommitted bank lines totaling \$90.0 million under which \$59.7 million has been borrowed at June 26, 1999. Certain of the Company's subsidiaries have revolving credit facilities that total approximately \$52.5 million at June 26, 1999 under which \$40.5 million has been borrowed.

Subsequent to June 26, 1999, the Company completed a private placement transaction under which it issued \$130.0 million in Senior Notes, the proceeds of which were used for the permanent financing of its recent acquisitions, GIV and Heiland, as well as repaying and retiring a portion of the four uncommitted bank lines referred to above. The notes come due on July 2, 2009 and bear interest at a rate of 6.94% 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There were no material changes to the disclosures made in our report 10-K for the year ended December 26, 1998, on this matter.

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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Company's Annual Meeting of Stockholders held on May 26, 1999, the stockholders of the Company took the following actions:

(i) Re-elected the following individuals to the Company's Board of Directors:

Stanley M. Bergman	(33,414,626 shares voting for; 328,968 shares withheld)
James P. Breslawski	(33,414,626 shares voting for; 328,968 shares withheld)
Bruce J. Haber	(33,413,446 shares voting for; 329,848 shares withheld)
Gerald A. Benjamin	(33,414,626 shares voting for; 328,968 shares withheld)
Steven Paladino	(33,414,626 shares voting for; 328,968 shares withheld)
Leonard A. David	(33,414,626 shares voting for; 328,968 shares withheld)
Mark E. Mlotek	(33,414,626 shares voting for; 328,968 shares withheld)
Barry J. Alperin	(33,414,626 shares voting for; 328,968 shares withheld)
Pamela Joseph	(33,414,626 shares voting for; 328,968 shares withheld)
Donald J. Kabat	(33,414,626 shares voting for; 328,968 shares withheld)
Marvin H. Schein	(33,414,626 shares voting for; 328,968 shares withheld)
Irving Shafran	(33,414,626 shares voting for; 328,968 shares withheld)

(ii) Amended the Company's 1994 Stock Option Plan to (a) increase the number of shares issuable under the Plan by 1,250,000 shares, and (b) permit the grant of options to Consultants (as defined) to the Company and its subsidiaries. (32,032,130 shares voting for; 1,355,687 shares voting against; 356,571 shares abstaining).

(iii) Ratified the selection of BDO Seidman, LLP as the Company's independent auditors for the year ended December 25, 1999 (33,512,131 shares voting for; 207,232 shares voting against; 24,985 shares abstaining).

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

10.1 Form of the Note Purchase Agreements between the Company and the Purchasers listed on Schedule A thereto relating to an aggregate of \$130,000,000 with principal amount of the Company's 6.94% Senior Notes due June 30, 2009.

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: August 10, 1999

EXHIBIT INDEX

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

10.1 Form of the Note Purchase Agreements between the Company and the Purchasers listed on Schedule A thereto relating to an aggregate of \$130,000,000 with principal amount of the Company's 6.94% Senior Notes due June 30, 2009.

27.1 Financial Data Schedule

(b) Reports on Form 8-K.

None.

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HENRY SCHEIN, INC.

\$130,000,000

6.94% Senior Notes due June 30, 2009

NOTE PURCHASE AGREEMENT

Dated as of June 30, 1999

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

6.94% Senior Notes due June 30, 2009

Dated as of
June 30, 1999

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 \$130,000,000 aggregate principal amount of its 6.94% Senior Notes due June 30, 2009 (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 June 30, 1999 or on such other Business Day thereafter on or prior to June 30, 1999 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 309-240-0096 at Chase Manhattan Bank, N.A., Melville, 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 and the Prior Noteholders, 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 April 1999 (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, the documents, certificates or other writings identified therein, or in the financial statements listed in Schedule 5.5, since December 26, 1998, 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 28, 1991.

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.

(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 by approximately \$80,000,000 and to repay the approximately \$50,000,000 outstanding under the Bridge Facility. 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 March 27, 1999, 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 5.19. Computer 2000 Compliant. The Company and its Restricted Subsidiaries have implemented measures to have all critical business and computer systems year 2000 compliant in a timely manner and the advent of the year 2000 and its impact on said business and computer systems is not expected to have 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 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (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 1(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) pursuant to this Section (g) 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) pursuant to this Section (g) 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 in writing 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 and a copy of such writing is provided to the Required Holders.

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. Prepayment Generally. No prepayment of the outstanding Notes may be made except to the extent permitted by this Agreement.

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 8.4), 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, (i) 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 or (ii) acquire after the date of the Closing all or substantially all of the properties and assets of the Company.

(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. 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 (a) the Banks are no longer the beneficiary of any Guaranty guaranteeing the Revolving Credit Facility and (b) no other holder of Debt of the Company is the beneficiary of any Guaranty excluded from the definition of Priority Debt, 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.

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, 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 owning 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;

(i) Liens attaching solely to the Company's leasehold interest in the real property located at 135 Duryea Road, Melville, New York, pursuant to a lease in substantially the form of that certain draft Lease, Security Agreement and Open End Mortgage draft dated as of May 25, 1999 among the Company as lessee and Wilmington Trust Company as Lessor, securing the Company's obligations therein in an aggregate amount not to exceed \$10,000,000, plus the implied interest charges with respect thereto.

(j) other Liens, not otherwise permitted by paragraphs (a) through (i) 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.

For the purposes of this Section 10.6, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have made all of its then outstanding Restricted Investments at the time it becomes a Restricted Subsidiary.

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 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 33-1/3% 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 66-2/3% 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) 843-8784), 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
Its

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

USAA LIFE INSURANCE COMPANY

By

Name:
Title:

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

THE LINCOLN NATIONAL LIFE INSURANCE
COMPANY

By: Lincoln Investment Management, Inc.,
Its Attorney-In-Fact

By _____
Name:
Title:

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

LINCOLN LIFE & ANNUITY COMPANY OF NEW
YORK

By: Lincoln Investment Management, Inc.,
Its Attorney-In-Fact

By

Name:
Title:

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

JEFFERSON-PILOT LIFE INSURANCE COMPANY

By
Name:
Title:

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

THE GUARDIAN LIFE INSURANCE COMPANY OF
AMERICA

By
Name:
Title:

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

NATIONWIDE LIFE INSURANCE COMPANY

By
Name:
Title:

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

NATIONWIDE MUTUAL FIRE INSURANCE
COMPANY

By
Name:
Title:

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

NATIONWIDE INDEMNITY COMPANY

By
Name:
Title:

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

AID ASSOCIATION FOR LUTHERANS

By
Name:
Title:

By
Name:
Title:

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

ALLSTATE LIFE INSURANCE COMPANY

By

By
Authorized Signatories

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

NEW YORK LIFE INSURANCE COMPANY

By
Name:
Title:

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

TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By
Name:
Title:

INFORMATION RELATING TO PURCHASERS

AMOUNT OF NAME AND ADDRESS OF PURCHASER PURCHASED	PRINCIPAL NOTES TO BE
USAA LIFE INSURANCE COMPANY USAA IMCO USAA Building, BK D04N 9800 Fredericksburg Road San Antonio, Texas 78288	\$24,000,000

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., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, principal, premium or interest") to:

Bankers Trust Company/USAA
ABA #021 001 033
Private Placement Processing
AC #99 911 145
for credit to: USAA Life Insurance Company
Account Number 99717

Notices

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

USAA Life Insurance Company
Insurance Portfolio Analysis & Support, BK-A04-N
9800 Fredericksburg
San Antonio, Texas 78288

All other communications to be addressed to:

Insurance Company Portfolios
USAA IMCO
USAA Building, BK D04N
9800 Fredericksburg Road
San Antonio, Texas 78288

Name of Nominee in which Notes are to be issued: Salkeld & Co.

PRINCIPAL

AMOUNT OF
NAME AND ADDRESS OF PURCHASER
PURCHASED

NOTES TO BE

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY
c/o Lincoln Investment Management, Inc.
200 East Berry Street
Renaissance Square
Fort Wayne, Indiana 46802
Attention: Investments/Private Placements
Telefacsimile: (219) 455-5499 Private Placements

\$13,000,000*

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., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, principal, premium or interest") to:

Bankers Trust Company
New York, New York
ABA #021001033
Private Placement Processing
A/C #99-911-145
For further credit to the account(s) listed below:

*PRINCIPAL AMOUNT OF NOTES	ACCOUNT NAME	BANK CUSTODY NUMBER
\$1,000,000	Lincoln National Life Insurance Co. (LNL76)	98705
\$2,000,000	Lincoln National Life Insurance Co. (LFP)	98185
\$10,000,000	Lincoln National Life Insurance Co. (IAL)	98194

Notices

All notices and communications, including notices with respect to payments and written confirmation of each such payment, to be addressed as first provided above with duplicate notices with respect to payments to:

Bankers Trust Company
P. O. Box 998
Bowling Green Station
New York, New York 10274
Attention: Private Placement Unit
Telefacsimile: (615) 835-2493 Crystal Jones, Private Placements

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

Taxpayer I.D. Number: 35-0472300

PRINCIPAL

AMOUNT OF
NAME AND ADDRESS OF PURCHASER
PURCHASED

NOTES TO BE

THE LINCOLN NATIONAL LIFE INSURANCE COMPANY
c/o Lincoln Investment Management, Inc.
200 East Berry Street
Renaissance Square
Fort Wayne, Indiana 46802
Attention: Investments/Private Placements
Telefacsimile: (219) 455-5499 Private Placements

\$6,000,000

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., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, principal, premium or interest") to:

Chase Manhattan Bank
New York, New York
ABA #021 00 0021
CHASE NYC/ CTR / BNF
A/C #900-9-000200
For further credit to the account(s) listed below:

PRINCIPAL AMOUNT OF NOTES	ACCOUNT NAME	BANK CUSTODY NUMBER
\$6,000,000	Lincoln National Life Insurance Company (CUIN)	G07175

Notices

All notices and communications, including notices with respect to payments and written confirmation of each such payment, to be addressed as first provided above with duplicate notices with respect to payments to:

Chase Manhattan Bank, N.A.
Private Placement Servicing
P. O. Box 1508
Church Street Station
New York, New York 10081
Telefacsimile: (212) 623-6422 Private Placements

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

Taxpayer I.D. Number: 35-0472300

PRINCIPAL

AMOUNT OF NAME AND ADDRESS OF PURCHASER PURCHASED	NOTES TO BE
LINCOLN LIFE & ANNUITY COMPANY OF NEW YORK c/o Lincoln Investment Management, Inc. 200 East Berry Street Renaissance Square Fort Wayne, Indiana 46802 Attention: Investments/Private Placements Telefacsimile: (219) 455-5499	\$1,000,000

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., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, principal, premium or interest") to:

Bankers Trust Company
New York, New York
ABA #021001033
Private Placement Processing
A/C #99-911-145
For further credit to A/C: Linc Life & Annty Co of New York
Custody Account Number 98698

Notices

All notices and communications, including notices with respect to payments and written confirmation of each such payment, to be addressed as first provided above with duplicate notices with respect to payments to:

Bankers Trust Company
P. O. Box 998
Bowling Green Station
New York, New York 10274
Attention: Private Placement Unit
Telefacsimile: (615) 835-2493 Private Placements

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

Taxpayer I.D. Number: 16-1505436

PRINCIPAL

AMOUNT OF
NAME AND ADDRESS OF PURCHASER
PURCHASED

NOTES TO BE

JEFFERSON-PILOT LIFE INSURANCE COMPANY
P. O. Box 21008

\$15,000,000

Greensboro, North Carolina 27420
Attention: Securities Administration - 3630
Telefacsimile: (336) 691-3025
Overnight Mail Address:
100 North Greene Street
Greensboro, North Carolina 27401

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., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, principal, premium or interest") to:

Jefferson-Pilot Life Insurance Company
c/o The Bank of New York
ABA #021 000 018 BNF: IOC566
Attention: P&I Department

Notices

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

Jefferson-Pilot Life Insurance Company
c/o The Bank of New York
P. O. Box 19266
Newark, New Jersey 07195
Attention: P&I Department

with duplicate notice to Jefferson-Pilot Life Insurance Company at the address first provided above.

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: 56-0359860

PRINCIPAL

AMOUNT OF NAME AND ADDRESS OF PURCHASER PURCHASED	NOTES TO BE
THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA 7 Hanover Square New York, New York 10004-2616 Attention: Mr. Raymond Henry, Investment Department 20A Fax Number: (212) 919-2656/2658	\$14,500,000

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., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, principal, premium or interest") to:

The Chase Manhattan Bank
FED ABA #021000021
CHASE/NYC/CTR/BNF
A/C 900-9-000200
Reference A/C #G05978 The Guardian

Notices

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

The Guardian Life Insurance Company of America
7 Hanover Square
New York, New York 10004-2616
Attention: Investment Accounting 17-B
Fax Number: (212) 598-7011

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: CUDD & CO.

Taxpayer I.D. Number: 13-6022143

PRINCIPAL

AMOUNT OF
NAME AND ADDRESS OF PURCHASER
PURCHASED

NOTES TO BE

NATIONWIDE LIFE INSURANCE COMPANY \$8,800,000
One Nationwide Plaza (1-33-07)
Columbus, Ohio 43215-2220
Attention: Corporate Fixed-Income Securities
Telefacsimile: (614) 249-4553
Confirmation: (614) 249-7882

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., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, principal, premium or interest") to:

The Bank of New York
ABA #021-000-018
BNF: IOC566
F/A/O Nationwide Life Insurance Company
Attention: P&I Department

Notices

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

Nationwide Life Insurance Company
c/o The Bank of New York
P. O. Box 19266
Newark, New Jersey 07195
Attention: P&I Department

With a copy to:

Nationwide Life Insurance Company
One Nationwide Plaza (1-32-05)
Columbus, Ohio 43215-2220
Attention: Investment 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: 31-4156830

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PRINCIPAL

AMOUNT OF
NAME AND ADDRESS OF PURCHASER
PURCHASED

NOTES TO BE

NATIONWIDE INDEMNITY COMPANY
One Nationwide Plaza (1-33-07)
Columbus, Ohio 43215-2220
Attention: Corporate Fixed-Income Securities
Telefacsimile: (614) 249-4553
Confirmation: (614) 249-7882

\$4,200,000

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., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, principal, premium or interest") to:

The Bank of New York
ABA #021-000-018
BNF: IOC566
F/A/O Nationwide Indemnity Company
Attention: P&I Department

Notices

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

Nationwide Indemnity Company
c/o The Bank of New York
P. O. Box 19266
Newark, New Jersey 07195
Attention: P&I Department

With a copy to:

Nationwide Indemnity Company
One Nationwide Plaza (1-32-05)
Columbus, Ohio 43215-2220
Attention: Investment 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: 31-1399201

PRINCIPAL

AMOUNT OF NAME AND ADDRESS OF PURCHASER PURCHASED	NOTES TO BE
NATIONWIDE MUTUAL FIRE INSURANCE COMPANY One Nationwide Plaza (1-33-07) Columbus, Ohio 43215-2220 Attention: Corporate Fixed-Income Securities Telefacsimile: (614) 249-4553 Confirmation: (614) 249-7882	\$1,500,000

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., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, principal, premium or interest") to:

The Bank of New York
ABA #021-000-018
BNF: IOC566
F/A/O Nationwide Mutual Fire Insurance Company
Attention: P&I Department

Notices

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

Nationwide Mutual Fire Insurance Company
c/o The Bank of New York
P. O. Box 19266
Newark, New Jersey 07195
Attention: P&I Department

With a copy to:

Nationwide Mutual Fire Insurance Company
One Nationwide Plaza (1-32-05)
Columbus, Ohio 43215-2220
Attention: Investment 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: 31-4177110

PRINCIPAL

AMOUNT OF
NAME AND ADDRESS OF PURCHASER
PURCHASED

NOTES TO BE

AID ASSOCIATION FOR LUTHERANS
4321 North Ballard Road
Appleton, Wisconsin 54919
Attention: Investment Department

\$12,000,000

Payments

All payments of principal, interest and premium on the account of the Notes shall be made by bank wire transfer (in immediately available funds) to:

Citibank, N.A.
ABA #021-000-089
DDA #36126473
Attn: Judy Rock
Ref Account #846647
Aid Association for Lutherans Custody Account
(identifying each payment as "Henry Schein, Inc., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, principal, premium or interest")

Notices

All notices on or in respect to the Notes and written confirmation of each such payment to be addressed as first provided above and to:

Income Collection and Disbursement
Ref Account #846647
Aid Association for Lutherans Custody Account
3800 Citibank Center Tampa
Bldg. B, Flr. 1, Zone 7
Tampa, FL 33610-9122
Attn: Income Collection/Judith Rock

All other notices and communications to be addressed as first provided above.

Name of Nominee in which Notes are to be issued: Nimer & Co.

Taxpayer I.D. Number: 13-6020733

PRINCIPAL

AMOUNT OF
NAME AND ADDRESS OF PURCHASER
PURCHASED

NOTES TO BE

ALLSTATE LIFE INSURANCE COMPANY
3075 Sanders Road, Suite G3A
Northbrook, Illinois 60062-7127
Attention: Private Placements Department
Telephone Number: (847) 402-4394
Telecopier Number: (847) 402-3092

\$10,000,000

Payments

All payments on or in respect of the Notes to be made by Fedwire transfer of immediately available funds (identifying each payment as "Henry Schein, Inc., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, principal, premium or interest") in the exact format as follows:

BBK = Harris Trust and Savings Bank
ABA #071000288
BNF = Allstate Life Insurance Company
Collection Account #168-114-7
ORG = [Name of Issuer]
OBI = [DPP - [Insert Private Placement Number] --
Payment Due Date (MM/DD/YY) --
P _____ (enter "P" and the amount of principal being remitted,
for example, P5000000.00) --
I _____ (enter "I" and the amount of interest being remitted,
for example, I225000.00)

Notices

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

Allstate Life Insurance Company
Investment Operations--Private Placements
3075 Sanders Road, Suite G4A
Northbrook, Illinois 60062-7127
Telephone: (847) 402-2769
Telecopy: (847) 326-5040

All financial reports, compliance certificates and all other written communications, including notice of prepayments to be addressed as first provided above.

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

Taxpayer I.D. Number: 36-0719665

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PRINCIPAL

AMOUNT OF NAME AND ADDRESS OF PURCHASER PURCHASED	NOTES TO BE
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 wire or intrabank transfer of immediately available funds to:

Chase Manhattan Bank
New York, New York 10019
ABA #021000021
For the account of New York Life Insurance Company
General Account Number 008-9-00687

With sufficient information (including "Henry Schein, Inc., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, 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

PRINCIPAL

AMOUNT OF NAME AND ADDRESS OF PURCHASER PURCHASED	NOTES TO BE
TEACHERS INSURANCE AND ANNUITY ASSOCIATION OF AMERICA 730 Third Avenue New York, New York 10017-3263	\$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., 6.94% Senior Notes due June 30, 2009, PPN 806407 A@ 1, principal, premium or interest") to:

The Chase Manhattan Bank
ABA #021000021
New York, New York
Account of: Teachers Insurance and Annuity Association of America
Account Number 900-9000200

For further credit to: Account Number G07040
On order of: Henry Schein, Inc. PPN 806407 A @ 1

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 of America
730 Third Avenue
New York, New York 10017-3206
Attention: Securities Accounting Division
Telephone: (212) 916-6004
Telefacsimile: (212) 916-6955

All other notices and communications to be addressed to:

TIAA-CREF
730 Third Avenue, 4th Floor
New York, New York 10017-3206
Attention: Securities Division, Archibald Team, Adrian de Lagarde
Telephone: (212) 916-5792 (Adrian de Lagarde) or (212) 490-9000
(General Number)
Telefacsimile: (212) 916-6582 (Team Fax Number)

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

Taxpayer I.D. Number: 13-1624203

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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 Wholly-Owned Subsidiary; and

(iii) Transfer from the Company to a Subsidiary (other than a Wholly-Owned Subsidiary) or from a Subsidiary to another Subsidiary (other than a Wholly-Owned 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.

"Bridge Facility" means that certain Short Term Line of Credit between Chase Manhattan Bank, N.A. and the Company, dated March 31, 1999.

"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.

"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., Micro Bio-Medics, Inc. and GIV Holdings, Inc.

"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.

"Guaranty Agreements" shall mean those certain Guaranty Agreements each dated as of June 30, 1999 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 Amended and Restated Intercreditor Agreement dated June 30, 1999 among the Banks, the Prior Noteholders 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 Wholly-Owned Restricted Subsidiary); provided, however, in no event shall "Priority Debt" include the Guaranty Agreements or any guaranty of a Subsidiary of the Company guaranteeing Debt of the Company otherwise permitted hereunder 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 and the holder or holders of such Debt shall have entered into the Intercreditor Agreement.

"Prior Noteholders" means 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, and their successive successors and assigns as holders of those certain Prior Notes.

"Prior Notes" means those certain notes, issued by the Company pursuant to a Note Agreement dated September 25, 1998.

"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 84-14 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 States 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.

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

	6-MOS	
	DEC-25-1999	
	DEC-27-1998	
	JUN-26-1999	
	25,075	
	0	
	361,340	
	(16,560)	
	278,774	
	74,3647	
	132,344	
	(60,229)	
	1,145,709	
326,296		
	324,414	
0		
	0	
	406	
	484,797	
1,145,709		
	1,095,645	
	1,095,645	
	758,178	
	758,178	
	289,244	
	0	
	11,040	
	41,112	
	16,085	
23,250		
	0	
	0	
	0	
	23,250	
	0.57	
	0.56	