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

FORM 10-K

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

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
- --- ACT OF 1934 For the fiscal year ended December 30, 2000

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

Commission file number 0-27078

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

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

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

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

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

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

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

YES: X NO:
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, computed by reference to the closing sales price as quoted on the NASDAQ National Market on March 23, 2001 was approximately $1,408,967,510.

As of March 23, 2001 42,216,255 shares of registrant's Common Stock, par value $.01 per share, were outstanding.

Documents Incorporated by Reference:
Portions of the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year (December 30, 2000) are incorporated by reference in Part III hereof.

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PART I

ITEM 1. Business

Recent Developments

Plan of Restructuring

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

Estimated annual cost savings from the restructuring plan are expected to be approximately $20.0 million on a pre-tax basis ($12.0 million after taxes), equating to approximately $0.29 per diluted share. The restructuring plan was implemented over the last five months of 2000 and was substantially completed at December 30, 2000.

For the year ended December 30, 2000, the Company has incurred one-time restructuring costs of approximately $14.4 million, $9.3 million after taxes, or approximately $0.22 per diluted share, consisting primarily of; employee severance costs, including severance pay and benefits of approximately $7.2 million, facility closing costs, primarily lease termination and asset write-off costs of approximately $4.4 million, and outside professional and consulting fees directly related to the restructuring plan of approximately $2.8 million.

Business Dispositions

On November 27, 2000, the Company announced that one of its United Kingdom subsidiaries had sold its software development business unit. In an ongoing effort to enhance the focus of the Company's core distribution business in Europe, certain practice management software systems were sold. The United Kingdom subsidiary will continue to distribute such practice management systems, but will no longer be responsible for development and technical support of the systems.

The sale of this software development business unit resulted in a non-recurring loss of approximately $1.6 million, or approximately $0.04 per diluted share.

On October 23, 2000, the Company announced the sale of its 50% interest in dental anesthetic manufacturer, HS Pharmaceutical Inc.("HS Pharmaceutical"), which owns Novocol Pharmaceutical of Canada, Inc. ("Novocol"), to the then current co-owner, Deproco, Inc. The Company incurred a non-recurring net charge of approximately $1.9 million, or approximately $0.05 per diluted share in connection with the sale. Novocol was an unconsolidated subsidiary and was the Company's only manufacturing business.

General

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

The Company sells products and services to over 400,000 customers, primarily dental practices and dental laboratories, as well as physician practices, veterinary clinics and institutions. In 2000, the Company's healthcare distribution business sold products to over 75% of the estimated 110,000 dental practices in the United States. The Company believes that there is a strong awareness of the "Henry Schein" name among office-based healthcare practitioners due to its more than 65 years of experience in distributing healthcare products. Through its comprehensive catalogs and other direct sales and marketing programs, the Company offers its customers a broad product selection of both branded and private brand products which includes in excess of 80,000 stock keeping units ("SKU's") in North America, approximately 63,000 SKU's in Europe and approximately 26,000 SKU's in Australia, at published prices that the Company believes are below those of many of its competitors. The Company, through its technology business unit, offers various value-added products and services such as practice management software. As of December 30, 2000, the Company sold over 36,000 dental practice management software systems, more than any of its competitors.

For further information on the Company's operating segments and operations by geographic area, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in ITEM 7 and Note 12 to the Consolidated Financial Statements.

During 2000, the Company distributed over 18.0 million pieces of direct marketing materials (such as catalogs, facsimiles, flyers and order stuffers) to approximately 650,000 office-based healthcare practitioners. The Company supports its direct marketing efforts with approximately 730 telesales representatives who facilitate order processing and generate sales through direct and frequent contact with customers and with approximately 1,200 field sales consultants, including equipment sales specialists. The Company utilizes database segmentation techniques to more effectively market its products and services to customers. The Company continues to expand its management information systems and has established strategically located distribution centers in the United States, Canada, Europe and Australia to enable it to better serve its customers and increase its operating efficiency. The Company believes that these investments, coupled with its broad product offerings, enable the Company to provide its customers with a single source of supply for substantially all their healthcare product needs and provide them with convenient ordering and rapid, accurate and complete order fulfillment. The Company estimates that approximately 99% of all orders in the United States and Canada received before 5:00 p.m. are shipped on the same day the order is received and approximately 99% of orders are received by the customer within two days of placing the order. In addition, the Company estimates that approximately 99% of all items ordered in the United States and Canada are shipped without back ordering.

Acquisition and Joint Venture Strategies

The Company believes that there has been consolidation among healthcare product distributors serving office-based healthcare practitioners in part to address significant changes in the healthcare industry, including potential national healthcare reform, trends toward managed care, cuts in Medicare, consolidation of healthcare distribution companies and collective purchasing arrangements and that this trend will continue to create opportunities for the Company to expand through acquisitions and joint ventures. In recent years, the Company has acquired a number of companies engaged in businesses that are complementary to those of the Company. The Company's acquisition and joint venture strategies include acquiring additional sales that will be channeled through the Company's existing infrastructure, acquiring access to additional product lines and acquiring regional distributors with networks of field sales consultants and international expansion.

During the year ended December 30, 2000, the Company completed three acquisitions, none of which were considered material either individually or in the aggregate. Of the three completed acquisitions, two were accounted for under the purchase method of accounting and the remaining acquisition was accounted for under the pooling of interests method of accounting. The Company issued 465,480 shares of its Common Stock, with an aggregate value of approximately $7.9 million, in connection with the pooling transaction.

During 1999, the Company completed nine acquisitions. These completed acquisitions, which had aggregate net sales for 1998 of approximately $324.0 million, included (a) four international companies, (b) four medical supply companies, and (c) one valued-added services company. Of the nine completed acquisitions, eight were accounted for under the purchase method of accounting and the remaining acquisition was accounted for under the pooling of interests method of accounting. The transactions completed under the purchase method of accounting have been included in the consolidated financial statements from their respective acquisition dates. The pooling transactions were not material and, accordingly, prior period financial statements have not been restated. Results of the pooled companies have been included in the consolidated financial statements from the beginning of the quarter in which the acquisition occurred.

Customers

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

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

Over the past several years the Company has expanded its customer base to include larger purchasing organizations, including certain dental laboratories, institutions, government agencies, hospitals and surgery centers. More recently, as cost-containment pressures have resulted in increased demand for low-cost products and value-added services, the Company has targeted specific groups of practices under common ownership, institutions and professional groups. For example, the Company has an exclusive direct marketing agreement with an American Medical Association ("AMA") sponsored service pursuant to which member practitioners have access to the services' lower prices for products. In 2000, the AMA-sponsored service accounted for net sales of approximately $31.0 million. These services, government institutions and agencies, hospitals and other large or collective purchasers, require low-cost pricing and detailed product and usage information and reporting. The Company believes it is well situated to meet the needs of these customers, given its broad, low-cost product offerings and its management information systems. No single customer accounted for more than 5.0% of net sales in 2000.

Sales and Marketing

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

Direct Marketing. During 2000, the Company distributed over 18.0 million pieces of direct marketing material, including catalogs, facsimiles, flyers, order stuffers and other promotional materials to approximately 650,000 office-based healthcare practitioners. The Company's principal U.S. dental consumable catalog, which is issued annually, contains an average of over 450 pages and includes approximately 39,000 SKU's. The number of catalogs and other materials received by each customer depends upon the market they serve as well as their purchasing history. The Company's catalogs include detailed descriptions and specifications of both branded and private brand products and are utilized by healthcare practitioners as a reference source. By evaluating its customers' purchasing patterns, area of specialty, past product selections and other criteria, the Company identifies customers who may respond better to specific promotions or products. To facilitate its direct marketing activities, the Company maintains an in-house advertising department, which performs many creative services, which the Company believes streamlines the production process, provides greater flexibility and creativity in catalog production and results in cost savings.

Telesales. The Company supports its direct marketing with approximately 730 inbound and outbound telesales representatives who facilitate order processing and generate new sales through direct and frequent contact with customers. Inbound telesales representatives are responsible for assisting customers in purchasing decisions as well as answering product pricing and availability questions. In addition to assisting customers, inbound telesales representatives also market complementary or promotional products. The Company's telesales representatives utilize on-line computer terminals to enter customer orders and to access information about products, product availability, pricing, promotions and customer buying history.

The Company utilizes outbound telesales representatives and programs to better market its services to those customer accounts identified by the Company as either being high volume or high order frequency accounts. The Company's U.S. dental outbound telesales representatives accounted for approximately $224.5 million of the Company's net sales in 2000. The Company has approximately 250 medical and veterinary telesales representatives, many of which make outbound calls in addition to handling inbound telesales. Outbound telesales representatives strive to manage long-term relationships with these customers through frequent and/or regularly scheduled phone contact and personalized service.

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

Field Sales Consultants. The Company has approximately 1,200 field sales consultants, including equipment sales specialists, covering certain major North American, European and Pacific Rim markets. These field sales consultants concentrate on attracting new customers and increasing sales to customers who do not currently order a high percentage of their total product needs from the Company. This strategy is designed to complement the Company's direct marketing and telesales strategies and to enable the Company to better market, service and support the sale of more sophisticated products and equipment. Once a field sales consultant has established a relationship with a customer, the consultant encourages the customer to use the Company's automated ordering process or its telesales representatives for its day-to-day needs. This simplifies the ordering process for the customer and increases the effectiveness of the field sales consultant.

Customer Service

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

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

Products

The following chart sets forth the principal categories of products offered by the Company's healthcare distribution and technology businesses and certain top selling types of products in each category, with the percentage of 2000 consolidated net sales in parenthesis:

HEALTHCARE DISTRIBUTION (97.2%)

Dental Products (56.2%)

Consumable Dental Products and Small Equipment (43.5%)	Dental Laboratory Products (3.0%)	Large Dental Equipment (9.7%)
X-Ray Products; Infection Control; Handpieces; Preventatives; Impression Materials; Composites; Anesthetics; and Financial Products	Teeth; Composites; Gypsum; Acrylics; Articulators; and Abrasives	Dental Chairs; Delivery Units and Lights; X-Rays; and Equipment Repair

Medical Products (36.9%)	Veterinary Products (4.1%)
Branded and Generic Pharmaceuticals; Surgical Products; Diagnostic Tests; Infection Control; and Vitamins	Branded and Generic Pharmaceuticals; Surgical Products; and Dental Products

TECHNOLOGY AND OTHER VALUE-ADDED PRODUCTS AND SERVICES (2.8%)

Software and Related Products; other Value-Added Products

The percentage of 1999 and 1998 net sales was as follows: consumable dental products and small equipment, 45.2% and 50.1%, respectively; dental laboratory products, 3.0% and 3.6%, respectively; large dental equipment, 9.7% and 12.9%, respectively; medical products, 35.2% and 28.5%, respectively; veterinary products, 4.0% and 2.7%, respectively; and technology and value-added products and services, 2.9% and 2.2%, respectively.

Consumable Supplies and Equipment

The Company offers in excess of 80,000 SKU's to its customers in North America, of which approximately 60,000 SKU's are offered to its dental customers, approximately 28,000 are offered to its medical customers and approximately 23,000 are offered to its veterinary customers. Over 35.0% of the Company's products are offered to all three types of the Company's customers in North America. The Company offers approximately 63,000 SKU's and 26,000 SKU's to its customers in Europe and Australia, respectively. Approximately 7.8% of the Company's net sales in 2000 were from sales of products offered under the Henry Schein private brand (i.e., products manufactured by various third parties for distribution by the Company under the Henry Schein(R) brand). The Company believes that the Henry Schein private brand line of over 7,500 SKU's offered in the United States and Canada is one of the most extensive in the industry. The Company updates its product offerings regularly to meet its customers' changing needs.

The Company offers a repair service, ProRepair(R), which provides one to two-day turnaround for hand pieces and certain small equipment. The Company also provides in-office installation and repair services for large equipment in certain markets in North America, Europe and the Pacific Rim. The Company had a total of 104 centers open at the end of 2000.

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

Technology and Other Value-Added Products and Services

The Company sells practice management software systems to its dental and veterinary customers. The Company sold over 25,000 and 11,500 units of its Easy Dental(R) and Dentrix software systems, including conversions, respectively, and over 4,500 units of its AVImark(R) veterinary software systems, as of the end of fiscal 2000. The Company's practice management software products provide practitioners with patient treatment history, billing and accounts receivable analysis and management, an appointment calendar, electronic claims processing and word processing programs. The Company provides technical support and conversion services from other software. In addition, the Easy Dental(R) and Dentrix software systems allow customers to connect with the Company's order entry management systems. The Dentrix system is one of the most comprehensive clinically-based dental practice management software packages in the United States. The Dentrix premium software product complements Easy Dental(R) , the Company's high-value practice management system. The Company believes the combined software product offerings enhance its ability to provide its customers with the widest array of system solutions to help manage their practices.

Information Systems

The Company's management information systems generally allow for centralized management of key functions, including inventory and accounts receivable management, purchasing, sales and distribution.

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

Distribution

The Company distributes its products in the United States primarily from its strategically located distribution centers in Eastern, Central, South Western and Western United States. Customers in Canada are serviced from distribution centers located in Eastern and Western Canada. The Company maintains significant inventory levels of certain products in order to satisfy customer demand for prompt delivery and complete order fulfillment of their product needs. These inventory levels are managed on a daily basis with the aid of the Company's sophisticated purchasing and stock status management information systems. Once a customer's order is entered, it is electronically transmitted to the distribution center nearest the customer's location and a packing slip for the entire order is printed for order fulfillment. The Company's automated freight manifesting and laser bar code scanning facilitates the speed of the order fulfillment. The Company currently ships substantially all of its orders in the United States by United Parcel Service. In certain areas of the United States, the Company delivers its orders via contract carriers. The Company's European and Pacific Rim distribution centers include locations in the United Kingdom, the Republic of Ireland, France, The Netherlands, Germany, Spain, Israel, Australia and New Zealand.

Purchasing

The Company believes that effective purchasing is a key element to maintaining and enhancing its position as a low-cost provider of healthcare products. The Company frequently evaluates its purchase requirements and suppliers' offerings and prices in order to obtain products at the best possible cost. The Company believes that its ability to make high volume purchases has enabled it to obtain favorable pricing and terms from its suppliers. The Company obtains its products for its North American distribution centers from over 5,000 suppliers of name brand products; in addition, the Company has established relationships with numerous local vendors to obtain products for its European and Pacific Rim distribution centers. In 2000, the Company's top 10 healthcare distribution vendors and the Company's single largest vendor, accounted for approximately 27.1% and 6.3%, respectively, of the Company's aggregate purchases.

Competition

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

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

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

Governmental Regulation

The Company's business is subject to requirements under various local, state, Federal and foreign governmental laws and regulations applicable to the manufacture and distribution of pharmaceuticals and medical devices. Among the Federal laws with which the Company must comply are the Federal Food, Drug, and Cosmetic Act, the Prescription Drug Marketing Act of 1987, and the Controlled Substances Act.

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

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

Proprietary Rights

The Company holds trademarks relating to the "Henry Schein" name and logo, as well as certain other trademarks. Pursuant to certain agreements executed in connection with a reorganization of the Company, both the Company and, Schein Pharmaceuticals, Inc. which was acquired by Watson Pharmaceutical, Inc. during 2000, a company engaged in the manufacture and distribution of multi-source pharmaceutical products, are entitled to use the "Schein" name in connection with their respective businesses, but Schein Pharmaceutical, Inc. is not entitled to use the name "Henry Schein". The Company intends to protect its trademarks to the fullest extent practicable.

Employees

As of December 30, 2000, the Company had over 6,250 full-time employees in North America, Europe and Australia, including approximately 730 telesales representatives, 1,200 field sales consultants, including equipment sales specialists, 1,320 warehouse employees, 150 computer programmers and technicians, 500 management employees and 2,350 office, clerical and administrative employees. None of the Company's employees are represented by a collective bargaining agreement. The Company believes that its relations with its employees are excellent.

Disclosure Regarding Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Certain information in ITEMS 1, 2, 3,5, 7, 7A and 8 of this Form 10-K include information that is forward looking, such as the Company's opportunities to increase sales through, among other things, acquisitions; its exposure to fluctuations in foreign currencies; its anticipated liquidity and capital requirements; competitive product and pricing pressures and the ability to gain or maintain share of sales in global markets as a result of actions by competitors; and the results of legal proceedings. The matters referred to in forward looking statements could be affected by the risks and uncertainties involved in the Company's business. These risks and uncertainties include, but are not limited to, the effect of economic and market conditions, the impact of the consolidation of healthcare practitioners, the impact of healthcare reform, opportunities for acquisitions and the Company's ability to effectively integrate acquired companies, the acceptance and quality of software products, acceptance and ability to manage operations in foreign markets, the ability to maintain favorable supplier arrangements and relationships, possible disruptions in the Company's computer systems or telephone systems, possible increases in shipping rates or interruptions in shipping service, the level and volatility of interest rates and currency values, economic and political conditions in international markets, including civil unrest, government changes and restriction on the ability to transfer capital across borders, the impact of current or pending legislation, regulation and changes in accounting standards and taxation requirements, environmental laws in domestic and foreign jurisdictions, as well as certain other risks described above in this ITEM 1 and below in ITEM 3, Legal Proceedings and in ITEM 7, Management's Discussion and Analysis of Financial Condition and Results of Operations. Subsequent written and oral forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere in this Form 10-K.

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

Available Information

The Company is subject to the informational requirements of the Securities Exchange Act of 1934. Accordingly, the Company files annual, quarterly, and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document filed by the Company at the SEC's public reference rooms located in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. The Company's SEC filings are also available to the public from the SEC's Website at http://www.sec.gov.

Executive Officers of the Registrant

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

Name	Age	Position
Stanley M. Bergman	51	Chairman, Chief Executive Officer, President and Director
Gerald A. Benjamin	48	Executive Vice President, Chief Administrative Officer and Director
James P. Breslawski	47	Executive Vice President, President US Dental and Director
Leonard A. David	52	Vice President - Human Resources and Special Counsel and Director
Larry M. Gibson	54	Chief Technology Officer and Executive Vice President
Michael Racioppi	46	President - Medical Group
Mark E. Mlotek	45	Senior Vice President - Corporate Business Development Group and Director
Steven Paladino	43	Executive Vice President, Chief Financial Officer and Director
Michael Zack	48	Senior Vice President - International Group

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

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

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

Leonard A. David has been Vice President of Human Resources and Special Counsel since January 1995. Mr. David held the office of Vice President, General Counsel and Secretary from 1990 to 1995 and practiced corporate and business law for eight years prior to joining the Company. Mr. David has been a director of the Company since September 1994.

Larry M. Gibson has been Chief Technology Officer and Executive Vice President since October 2000. Prior to holding his current position, Mr. Gibson joined the Company as President of the Practice Management Technologies Group in February 1997, concurrent with the acquisition of Dentrix. Before joining the Company, Mr. Gibson was founder, Chairman and CEO of Dentrix, started in 1980. Prior to his employment with Dentrix, Mr. Gibson was employed by Weidner Communication Systems from 1978.

Michael Racioppi has been President of the Medical Group since February 2000 and Interim President since September 1999. Prior to holding his current position, Mr. Racioppi was Vice President of the Company since 1994, with primary responsibility for the Medical Division, the marketing and merchandising groups. Mr. Racioppi served as Vice President and as Senior Director, Corporate Merchandising from 1992 to 1994. Before joining the Company in 1992, Mr. Racioppi was employed by Ketchum Distributors Inc. as the Vice President of Purchasing and Marketing.

Mark E. Mlotek has been Senior Vice President of Corporate Business Development Group since February 2000. Prior to holding his current position, Mr. Mlotek was Vice President, General Counsel and Secretary from 1994 to 1999, and became a director of the Company in September 1995. Prior to joining the Company, Mr. Mlotek was a partner in the law firm of Proskauer Rose LLP, counsel to the Company, specializing in mergers and acquisitions, corporate reorganizations and tax law from 1989 to 1994.

Steven Paladino has been Executive Vice President and Chief Financial Officer since February 2000. Prior to holding his current position, Mr. Paladino was Senior Vice President and Chief Financial Officer of the Company since 1993 and has been a director of the Company since 1992. From 1990 to 1992, Mr. Paladino served as Vice President and Treasurer and from 1987 to 1990 served as Corporate Controller of the Company. Before joining the Company, Mr. Paladino was employed as a public accountant for seven years and most recently was with the international accounting firm of BDO Seidman, LLP. Mr. Paladino is a certified public accountant.

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

ITEM 2. Properties

The Company owns or leases the following properties:

Property	Location	Own or Lease	Approximate Square Footage	Lease Expiration Date
Corporate Headquarters	Melville, NY	Lease	172,000	December 2005
Distribution Center	Denver, PA	Lease	413,000	December 2007
Distribution Center	Pelham, NY (1)	Lease	108,000	July 2007
Distribution Center	Syosset, NY (2)	Lease	120,000	April 2001
Distribution Center	Jacksonville, FL (2)	Lease	136,000	December 2009
Distribution Center	Secaucus, NJ	Lease	138,000	November 2008
Distribution Center	Indianapolis, IN	Lease	225,000	June 2001
Distribution Center	West Allis, WI	Lease	108,000	November 2011
Distribution Center	Grapevine, TX	Lease	132,000	July 2008
Distribution Center	Sparks, NV	Lease	115,000	June 2002
Distribution Center	United Kingdom	Lease	85,000	August 2005
Distribution Center	Gallin, Germany	Own	172,000	N/A

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

(2) The Company was not utilizing these locations at December 30, 2000.

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

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

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

ITEM 3. Legal Proceedings

The manufacture or distribution of certain products by the Company involves a risk of product liability claims, and from time to time the Company is named as a defendant in products liability cases as a result of its distribution of pharmaceutical and other healthcare products. As of the end of fiscal 2000, the Company was named a defendant in approximately 68 such cases. Of these product liability claims, 52 involve claims made by healthcare workers who claim allergic reaction relating to exposure to latex gloves. In each of these cases, the Company acted as a distributor of both brand name and "Henry Schein" private brand latex gloves, which were manufactured by third parties. To date, discovery in these cases has generally been limited to product identification issues. The manufacturers in these cases have withheld indemnification of the Company pending product identification; however, the Company is taking steps to implead those manufacturers into each case in which the Company is a defendant. The Company is also a named defendant in nine lawsuits involving the sale of phentermine and fenfluramin. Plaintiffs in the cases allege injuries from the combined use of the drugs known as "Phen/fen." The Company expects to obtain indemnification from the manufacturers of these products, although this is dependent upon, among other things, the financial viability of the manufacturer and their insurers.

In addition, the Company is subject to other claims, suits and complaints arising in the course of the Company business. In Texas District Court, Travis County, the Company and one of its subsidiaries are defendants in a matter entitled Shelly E. Stromboe & Jeanne N. Taylor, on Behalf of Themselves and All Other Similarly Situated vs. Henry Schein, Inc., Easy Dental Systems, Inc. and Dentisoft, Inc., Case No. 98-00886. This complaint alleges among other things, negligence, breach of contract, fraud and violations of certain Texas commercial statutes involving the sale of certain practice management software products sold prior to 1998 under the Easy Dental(R) name. In October 1999, the Court, on motion, certified both a Windows(R) Sub-Class and a DOS Sub-Class to proceed as a class action pursuant to Tex. R.Civ. P.42. It is estimated that 5,000 Windows(R) customers and 15,000 DOS customers could be covered by the judge's ruling. In November of 1999, the Company filed an interlocutory appeal of the District Court's determination to the Texas Court of Appeals on the issue of whether this case was properly certified as a class action. On September 14, 2000, the Court of Appeals affirmed the District Court"s certification order. On January 5, 2001, the Company filed a Petition for Review in the Texas Supreme Court asking this court to find "conflicts jurisdiction" to permit review of the District Court's certification order, which appeal is now pending. During the appeal of the class certification, a trial on the merits is stayed. The Company intends to vigorously defend itself against this claim, as well as all other claims, suits and complaints.

The Company has various insurance policies, including product liability insurance, covering risks and in amounts it considers adequate. In many cases the Company is provided indemnification by the manufacturer of the product. There can be no assurance that the coverage maintained by the Company is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide adequate protection for the Company. In the opinion of the Company, all pending matters are covered by insurance or will not otherwise have a material adverse effect on the Company's financial condition.

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

No matters were submitted to a vote of the Company's stockholders during the fourth quarter of fiscal 2000.

PART II

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

The following table sets forth, for the periods indicated, the high and low reported sales prices of the Common Stock of the Company as reported on the NASDAQ National Market System for each quarterly period in fiscal 1999 and 2000 and for the first quarter of fiscal 2001 through March 23, 2001.

	High	Low
Fiscal 1999:		
1st Quarter	$ 46.88	$ 24.00
2nd Quarter	$ 35.00	$ 19.56
3rd Quarter	$ 32.13	$ 13.25
4th Quarter	$ 15.38	$ 10.38
Fiscal 2000:		
1st Quarter	$ 18.81	$ 10.75
2nd Quarter	$ 18.50	$ 13.12
3rd Quarter	$ 20.63	$ 13.31
4th Quarter	$ 36.50	$ 18.59
Fiscal 2001:		
1st Quarter (Through March 23, 2001)	$ 34.27	$ 27.19

The Company's Common Stock is quoted through the NASDAQ National Market tier of the NASDAQ Stock Market under the symbol "HSIC." On March 23, 2001, there were approximately 870 holders of record of the Common Stock. On March 23, 2001, the last reported sales price was $33.38.

Dividend Policy

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

ITEM 6. Selected Financial Data

The following selected financial data with respect to the Company's financial position and its results of operations for each of the five years in the period ended December 30, 2000 set forth below has been derived from the Company's consolidated financial statements. The selected financial data presented below should be read in conjunction with the Consolidated Financial Statements and related notes thereto in ITEM 8 and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in ITEM 7. The Selected Operating Data and Net Sales By Market Data presented below have not been audited.

Certain prior year amounts have been reclassified to conform the current year's presentation as discussed in the Consolidated Financial Statements and related notes thereto in ITEM 8.

	Years Ended				
	December 30, 2000	December 25, 1999	December 26, 1998	December 27, 1997	December 28, 1996
	(In thousands, except per share and selected operating data)				
Statements of Operations Data:					
Net sales	$ 2,381,721	$ 2,284,544	$ 1,922,851	$ 1,698,862	$ 1,374,639
Gross profit	647,901	608,596	523,831	442,842	358,092
Selling, general and administrative expenses	520,288	489,364	427,635	380,233	314,979
Merger and integration costs (1)	585	13,467	56,666	50,779	-
Restructuring costs (2)	14,439	-	-	-	-
Operating income	112,589	105,765	39,530	11,830	43,113
Interest income	6,279	7,777	6,964	7,353	7,139
Interest expense	(20,409)	(23,593)	(12,050)	(7,643)	(5,487)
Other - net	(1,925)	(166)	1,570	1,375	1,177
Other income (expense) - net	(16,055)	(15,982)	(3,516)	1,085	2,829
Income before taxes on income, minority interest and equity in earnings (losses) of millions	96,534	89,783	36,014	12,915	45,942
Taxes on income	36,150	35,589	20,325	17,670	18,606
Minority interest in net income (loss) of subsidiaries	1,757	1,690	145	(430)	246
Equity in earnings (losses) of affiliates	(1,878)	(2,192)	783	2,141	1,595
Net income (loss)	56,749	50,312	16,327	(2,184)	28,685
Net income (loss) per common share:					
Basic	$ 1.38	$ 1.24	$ 0.42	$ (0.06)	$ 0.85
Diluted	$ 1.35	$ 1.21	$ 0.39	$ (0.06)	$ 0.81
Weighted average shares outstanding:					
Basic	41,244	40,585	39,305	37,531	33,714
Diluted	42,007	41,438	41,549	37,531	35,202

	Years Ended				
	December 30, 2000	December 25, 1999	December 26, 1998	December 27, 1997	December 28, 1996
	(In thousands, except per share and selected operating data)				
Pro Forma Data (3):					
Pro forma net income (loss)			$ 13,748	$ (1,778)	$ 29,023
Pro forma net income (loss) per common share					
Basic			$ 0.35	$ (0.05)	$ 0.86
Diluted			$ 0.33	$ (0.05)	$ 0.82
Pro forma average shares outstanding:					
Basic			39,305	37,531	33,714
Diluted			41,549	37,531	35,202
Selected Operating Data:					
Number of orders shipped	8,280,000	7,979,000	6,718,000	6,064,000	5,127,000
Average order size	$ 288	$ 286	$ 286	$ 280	$ 268
Net Sales by Market Data:					
Healthcare Distribution:					
Dental (4)	$ 1,073,889	$ 1,047,259	$ 1,085,717	$ 999,671	$ 819,898
Medical	794,880	715,210	515,276	441,110	341,403
Veterinary	56,421	52,050	48,492	40,852	35,336
International (5)	389,946	403,137	230,792	181,278	147,031
Total Healthcare Distribution	2,315,136	2,217,656	1,880,277	1,662,911	1,343,668
Technology (6)	66,585	66,888	42,574	35,951	30,971
	$ 2,381,721	$ 2,284,544	$ 1,922,851	$ 1,698,862	$ 1,374,639
Balance Sheet data:					
Working capital	$ 423,547	$ 428,429	$ 403,592	$ 312,916	$ 290,482
Total assets	1,231,068	1,204,102	962,040	803,946	668,239
Total debt	276,693	363,624	209,451	148,685	59,404
Minority interest	7,996	7,855	5,904	2,225	5,289
Stockholders' equity	579,060	517,867	463,034	424,223	408,877

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

(2) Restructuring costs consist primarily of employee severance costs, including severance pay and benefits of approximately $7.2 million, facility closing costs, primarily lease termination and asset write-off costs of approximately $4.4 million and professional and consulting fees directly related to the restructuring plan of approximately $2.8 million. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -Plan of Restructuring" in ITEM 7 and the Consolidated Financial Statements and related notes thereto in ITEM 8.

(3) Reflects the provision for income taxes on previously untaxed earnings of Dentrix as an S Corporation of $1.2 million for 1996, and provision for income tax (expense) recoveries on previously untaxed earnings of Meer as an S Corporation of $(0.6) million, $0.4 million, and $1.5 million for 1998, 1997 and 1996, respectively, and the pro forma elimination of a net deferred tax asset arising from Meer's conversion from an S Corporation to a C Corporation of $2.0 million in 1998. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Acquisition and Joint Ventures Strategies" in ITEM 7 herein.

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

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

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

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

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

Plan of Restructuring

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

Estimated annual cost savings from the restructuring plan are expected to be approximately $20.0 million on a pre-tax basis ($12.0 million after taxes), equating to approximately $0.29 per diluted share. The restructuring plan was implemented over the last five months of 2000 and was substantially completed at December 30, 2000.

For the year ended December 30, 2000, the Company has incurred one-time restructuring costs of approximately $14.4 million, $9.3 million after taxes, or approximately $0.22 per diluted share, consisting primarily of; employee severance costs, including severance pay and benefits of approximately $7.2 million, facility closing costs, primarily lease termination and asset write-off costs of approximately $4.4 million, and outside professional and consulting fees directly related to the restructuring plan of approximately $2.8 million.

Business Dispositions

On November 27, 2000, the Company announced that one of its United Kingdom subsidiaries had sold its software development business unit. In an ongoing effort to enhance the focus of the Company's core distribution business in Europe, certain practice management software systems were sold. The United Kingdom Subsidiary will continue to distribute such practice management systems, but will no longer be responsible for development and technical support of the systems.

The sale of this practice management software development business unit resulted in a non-recurring loss of approximately $1.6 million, or approximately $0.04 per diluted share.

On October 23, 2000, the Company announced the sale of its 50% interest in dental anesthetic manufacturer, HS Pharmaceutical Inc. ("HS Pharmaceutical"), which owns Novocol Pharmaceutical of Canada, Inc. ("Novocol"), to the then current co-owner, Deproco, Inc. The Company incurred a non-recurring net charge of approximately $1.9 million, or approximately $0.05 per diluted share, in connection with the sale. Novocol was an unconsolidated subsidiary and was the Company's only manufacturing business.

Acquisition and Joint Venture Strategies

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

During the year ended December 30, 2000, the Company completed the acquisition of two healthcare distribution and one technology business, none of which were considered material either individually or in the aggregate. Of the three completed acquisitions, two were accounted for under the purchase method of accounting and the remaining acquisition was accounted for under the pooling of interests method of accounting. The Company issued 465,480 shares of its Common Stock, with an aggregate value of approximately $7.9 million in connection with the pooling transaction. The transactions completed under the purchase method of accounting have been included in the consolidated financial statements from their respective acquisition dates. The pooling transaction was not material and, accordingly, prior period financial statements have not been restated. Results of the acquired company have been included in the consolidated financial statements from the beginning of the second quarter of 2000.

During the year ended December 25, 1999, the Company completed the acquisition of eight healthcare distribution and one technology business. The completed acquisitions included General Injectables and Vaccines, Inc. ("GIV"), through the purchase of all of the outstanding common stock of Biological & Popular Culture, Inc., and the international dental, medical and veterinary healthcare distribution businesses of Heiland Holding GmbH (the "Heiland Group"). GIV, which had 1998 net sales of approximately $120.0 million, is a leading independent direct marketer of vaccines and other injectable products to office-based practitioners in the United States. The Heiland Group, the largest direct marketer of healthcare supplies to office-based practitioners in Germany, had 1998 net sales of approximately $130.0 million. The acquisition agreements for GIV and the Heiland Group provide for additional cash consideration of up to $20.0 million per year through 2004, not to exceed $75.0 million in total, and $3.9 million per year through 2001, respectively, to be paid if certain sales and profitability targets are met. The GIV acquisition agreement also provided for additional cash consideration of $4.1 million based upon sales of new products, as defined; of which 1.2 million was paid during fiscal 2000. The remaining seven acquisitions had combined net sales of approximately $74.0 million for 1998. Six of the acquisitions were accounted for under the purchase method of accounting, while the remaining acquisition was accounted for under the pooling of interests method of accounting. Results of operations of the business acquisitions accounted for under the purchase method of accounting have been included in the consolidated financial statements commencing with the acquisition dates. The total cash purchase price paid for the acquisitions accounted for under the purchase method of accounting was approximately $137.2 million. The excess of the acquisition costs over the fair value of identifiable assets will be amortized on a straight-line basis over 30 years. The Company issued 189,833 shares of its Common Stock with an aggregate market value of $6.4 million in connection with the pooling transaction. The pooling transaction was not material and, accordingly, prior period financial statements have not been restated. Results of the acquired company have been included in the consolidated financial statements from the beginning of the quarter in which the acquisition occurred.

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

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

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

In connection with the 2000, 1999 and 1998 acquisitions, the Company incurred certain merger and integration costs of approximately $0.6 million, $13.5 million and $56.7 million, respectively. Net of taxes, merger and integration costs were approximately $0.01, $0.23, and $1.06 per share, on a diluted basis, respectively. Merger and integration costs for the healthcare distribution and technology segments were $0.0 million and $0.6 million for 2000, $13.5 million and $0.0 million for 1999 and $55.7 million and $1.0 million for 1998, respectively. Merger and integration costs consist primarily of investment banking, legal, accounting and advisory fees, severance, impairment of goodwill arising from acquired busineses integrated into the Company's medical and dental businesses, as well as certain other integration costs associated with these mergers.

Excluding the merger and integration costs and restructuring costs, and the losses on the disposals of HS Pharmaceutical and the United Kingdom software development business unit, and including pro forma adjustments, pro forma net income and pro forma net income per common share, on a diluted basis, would have been $70.1 million, and $1.67, respectively, for the year ended December 30, 2000, $59.8 million and $1.44, respectively, for the year ended December 25, 1999 and $57.8 million and $1.39, respectively, for the year ended December 26, 1998.

Results of Operations

The following table sets forth for the periods indicated Net Sales, Gross Profit and Adjusted Operating Profit, excluding merger and integration, and restructuring costs, (in thousands) by business segment for the years ended 2000, 1999 and 1998. Percentages are calculated on related net sales.

Certain prior year amounts have been reclassified to conform the current year's presentation as discussed in the Consolidated Financial Statements and related notes thereto in ITEM 8.

	2000		1999		1998	
Net Sales by Segment Data:						
Healthcare distribution:						
Dental (1)	$ 1,073,889	45.1 %	$1,047,259	45.8 %	$1,085,717	56.5 %
Medical	794,880	33.4	715,210	31.3	515,276	26.8
Veterinary	56,421	2.4	52,050	2.3	48,492	2.5
International (2)	389,946	16.4	403,137	17.6	230,792	12.0
Total healthcare distribution	2,315,136	97.2	2,217,656	97.1	1,880,277	97.8
Technology (3)	66,585	2.8	66,888	2.9	42,574	2.2
Total	$ 2,381,721	100.0 %	$2,284,544	100.0 %	$1,922,851	100.0 %
Gross Profit by Segment Data:						
Healthcare distribution	$ 601,036	26.0 %	$ 563,107	25.4 %	$ 490,442	26.1 %
Technology	46,865	70.4 %	45,489	68.0 %	33,389	78.4 %
Total	$ 647,901	27.2 %	$ 608,596	26.6 %	$ 523,831	27.2 %
Adjusted Operating Profit (excluding merger and integration, and restructuring costs) by Segment Data:						
Healthcare distribution (4)	$ 102,953	4.4 %	$ 93,934	4.2 %	$ 79,871	4.3 %
Technology (5)	24,660	37.0 %	25,298	37.8 %	16,325	38.3 %
Total	$ 127,613	5.4 %	$ 119,232	5.2 %	$ 96,196	5.0 %

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

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

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

(4) Excludes merger and integration, and restructuring costs of $14.1 million, $13.5 million and $55.7 million in 2000, 1999 and 1998, respectively.

(5) Excludes merger and integration, and restructuring costs of $1.0 million, $0.0 million and $1.0 million in 2000, 1999, and 1998 respectively.

2000 Compared to 1999

Net sales increased $97.2 million, or 4.3%, to $2,381.7 million in 2000 from $2,284.5 million in 1999. Of the $97.2 million increase, approximately $97.5 million, or 100.3%, represented a 4.4% increase in the Company's healthcare distribution business. As part of this increase, approximately $79.7 million represented a 11.1% increase in its medical business, $26.6 million represented a 2.5% increase in its dental business, $4.4 million represented a 8.4% increase in the Company's veterinary business, and $(13.2) million represented a 3.3% decrease in the Company's international business. The increase in medical net sales was primarily attributable to increased sales to core physicians office and alternate care markets. In the dental market, the increase in net sales was primarily due to increased account penetration. In the veterinary market, the increase in net sales was primarily due to increased account penetration. In the international market, the decrease in net sales was primarily due to unfavorable exchange rate translation adjustments. Had net sales for the international market been translated at the same exchange rates in 1999, net sales would have increased by 8.4%. The remaining decrease in 2000 net sales was due to the technology business, which decreased $(0.3) million, or 0.3%, to $66.6 million for 2000, from $66.9 million for 1999. The decrease in technology and value-added product net sales was primarily due to a decrease in practice management software sales, which was exceptionally strong in 1999 primarily due to Year 2000 conversions.

Gross profit increased by $39.3 million, or 6.5%, to $647.9 million in 2000, from $608.6 million in 1999. Gross profit margin increased by 0.6% to 27.2% from 26.6% last year. Healthcare distribution gross profit increased by $37.9 million, or 6.7%, to $601.0 million in 2000, from $563.1 million in 1999. Healthcare distribution gross profit margin increased by 0.6%, to 26.0%, from 25.4% last year primarily due to changes in sales mix. Technology gross profit increased by $1.4 million, or 3.0%, to $46.9 million in 2000, from $45.5 million in 1999. Technology gross profit margin increased by 2.4%, to 70.4%, from 68.0% last year also primarily due to changes in sales mix.

Selling, general and administrative expenses increased by $30.9 million, or 6.3%, to $520.3 million in 2000 from $489.4 million in 1999. Selling and shipping expenses increased by $9.7 million, or 3.2%, to $310.6 million in 2000 from $300.9 million in 1999. As a percentage of net sales, selling and shipping expenses decreased 0.2% to 13.0% in 2000 from 13.2% in 1999. This decrease was primarily due to improvement in the Company's distribution efficiencies resulting from the leveraging of the Company's distribution infrastructure. General and administrative expenses increased $21.2 million, or 11.2%, to $209.7 million in 2000 from $188.5 million in 1999, primarily as a result of acquisitions. As a percentage of net sales, general and administrative expenses increased 0.5% to 8.8% in 2000 from 8.3% in 1999.

Other income (expense) - net changed by $(0.1) million, to $(16.1) million for the year ended December 30, 2000 from $(16.0) million for 1999 primarily due to the non-recurring loss of approximately $1.6 million or approximately $0.04 per diluted share from the sale of the Company's software development unit in the United Kingdom and lower interest income on accounts receivable balances, offset by a decrease in interest expense resulting from a decrease in average borrowings.

Equity in losses of affiliates decreased $0.3 million or 13.6%, to $(1.9) million in 2000 from $(2.2) million in 1999. The net increase is primarily due to increased earnings from an affiliate offset by a non-recurring net loss of approximately $1.9 million, or approximately $0.05 per diluted share from the sale of the Company's interest in the HS Pharmaceutical during the fourth quarter of 2000.

For 2000, the Company's effective tax rate was 37.4%. Excluding merger and integration costs, the majority of which are not deductible for income tax purposes, the Company's effective tax rate would have been 37.3%. The difference between the Company's effective tax rate, excluding merger and integration costs, and the Federal statutory rate relates primarily to state income taxes.

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

1999 Compared to 1998

Net sales increased $361.7 million, or 18.8%, to $2,284.5 million in 1999 from $1,922.8 million in 1998. Of the $361.7 million increase, approximately $337.4 million, or 93.3%, represented a 17.9% increase in the Company's healthcare distribution business. As part of this increase, approximately $200.0 million represented a 38.8% increase in its medical business, $172.3 million represented a 74.7%

increase in its international business, $3.5 million represented a 7.3% increase in the Company's veterinary business, and $(38.4) million represented a 3.5% decrease in the Company's dental business. The increase in medical net sales was primarily attributable to telesales and direct marketing activities, acquisitions, and increased sales to hospitals. In the international market, the increase in net sales was primarily due to acquisitions in Germany and the United Kingdom, and increased account penetration in the United Kingdom, Belgium, Spain and France. In the veterinary market, the increase in net sales was primarily due to increased account penetration. The decrease in dental net sales was primarily due to sales erosion related to the Meer acquisition and a reduction in dental equipment sales. The remaining increase in 1999 net sales was due to the technology business, which increased $24.3 million, or 57.0%, to $66.9 million for 1999, from $42.6 million for 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 $84.8 million, or 16.2%, to $608.6 million in 1999, from $523.8 million in 1998. Gross profit margin decreased by 0.6% to 26.6% from 27.2% last year. Healthcare distribution gross profit increased by $72.7 million, or 14.8%, to $563.1 million in 1999, from $490.4 million in 1998. Healthcare distribution gross profit margin decreased by 0.7%, to 25.4%, from 26.1% last year primarily due to changes in sales mix and lower manufacturers rebates as a result of reduced annual sales. Technology gross profit increased by $12.1 million, or 36.2%, to $45.5 million in 1999, from $33.4 million in 1998. Technology gross profit margin decreased by 10.4%, to 68.0%, from 78.4% last year primarily due to changes in sales mix.

Selling, general and administrative expenses increased by $61.8 million, or 14.4%, to $489.4 million in 1999 from $427.6 million in 1998. Selling and shipping expenses increased by $30.4 million, or 11.2%, to $300.9 million in 1999 from $270.5 million in 1998. As a percentage of net sales, selling and shipping expenses decreased 0.9% to 13.2% in 1999 from 14.1% in 1998. This decrease was primarily due to improvement in the Company's distribution efficiencies resulting from the leveraging of the Company's distribution infrastructure. General and administrative expenses increased $31.4 million, or 20.0%, to $188.5 million in 1999 from $157.1 million in 1998, primarily as a result of acquisitions. As a percentage of net sales, general and administrative expenses increased 0.1% to 8.3% in 1999 from 8.2% in 1998.

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

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

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

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

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 Euro, 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.

Beginning on January 1, 2002, Euro banknotes and coins will be put into circulation. There will be a changeover period of two months where there will be dual circulation - where both Euro and national currencies will be used together. Following the changeover period, the national currencies will be completely replaced by the Euro.

The Company is currently addressing the impact of the Euro on its information systems, as well as, 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.

E-Commerce

Traditional healthcare supply and distribution relationships are being challenged by electronic on-line commerce solutions. The Company's distribution business is characterized by rapid technological developments and intense competition. The rapid evolution of on-line commerce will require continuous improvement in performance, features and reliability of Internet content and technology by the Company, particularly in response to competitive offerings. Through the Company's proprietary technologically based suite of products, customers are offered a variety of competitive alternatives. The Company's tradition of reliable service, proven name recognition, and large customer base built on solid customer relationships makes it well situated to participate fully in this rapidly growing aspect of the distribution business. The Company is exploring ways and means of improving and expanding its Internet presence and will continue to do so. In January 2001, the Company announced the unveiling of a new website (http://www.henryschein.com) which includes an array of value-added features. As part of this effort, the Company also launched www.SullivanSchein.com for its office-based dental practitioner customers.

Inflation

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

Effect of Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("FAS 133"), "Accounting for Derivative Instruments and Hedging Activities." FAS 133 is required for transactions entered into by the Company after December 30, 2000. FAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of the hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings.

In June 2000, the FASB issued Statement of Financial Accounting Standards No. 138 ("FAS 138"), "Accounting for Certain Derivative Instruments and Certain Hedging Activities" which amended FAS 133. The amendments in FAS 138 address certain implementation issues and relate to such matters as the normal purchases and normal sales exception, the definition of interest rate risk, hedging recognized foreign currency denominated assets and liabilities, and intercompany derivatives.

Effective December 31, 2000, the Company will adopt FAS 133 and FAS 138. The initial impact of adoption on the Company's financial statements will be recorded in the first quarter of 2001 and will not be material. The ongoing effect of adoption on the Company's consolidated financial statements will be determined each quarter by several factors, including the specific hedging instruments in place and their relationships to hedged items, as well as market conditions at the end of each period.

Risk Management

The Company has operations in the United States, Canada, Mexico, the United Kingdom, The Netherlands, Belgium, Germany, France, the Republic of Ireland, Austria, Spain, Israel, Australia and New Zealand. Substantially all of the Company's operations endeavor to protect their financial results by using foreign currency forward contracts to hedge intercompany debt and foreign currency payments to foreign vendors. The total U.S. dollar equivalent of all foreign currency forward contracts hedging debt and the purchase of merchandise from foreign vendors was $51.2 million and $6.8 million, respectively, as of the end of fiscal 2000. The contracts expire at various dates through 2001.

The Company considers its investment in foreign operations to be both long-term and strategic. As a result, the Company does not hedge the long-term translation exposure to its balance sheet. The Company has experienced negative translation adjustments of approximately $7.8 million and $8.3 million in 2000 and 1999, respectively, which adjustments were reflected in the balance sheet as a component of stockholders' equity. The cumulative translation adjustment at the end of 2000 showed a net negative translation adjustment of $18.2 million.

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

Interest Rate Swaps and Cap

As of December 30, 2000, the Company had approximately $17.8 million outstanding in interest rate swaps. These swaps are used to convert $13.0 million of floating rate debt relating to the Company's revolving credit agreement and $4.8 million relating to a Deutsche Mark floating rate debt of DM10.0 million, to fixed rate debt to reduce the Company's exposure to interest rate fluctuations. The net result was to substitute a weighted average fixed interest rate of 7.2% for the variable LIBOR rate on $13.0 million and a 5.3% fixed interest rate for the variable EURIBOR for the Deutsche Mark loan of the Company's debt. The swaps expire in December 2003, December 2004 and April 2005. Under the interest rate environment during the year ended December 30, 2000, the Company's interest rate swap agreements resulted in additional interest expense of approximately $0.1 million. In addition, the Company has an interest rate cap of 5.5% on a Deutsche Mark floating rate debt of DM6.3 million (approximately $3.0 million).

Liquidity and Capital Resources

Historically, the Company's principal capital requirements have been to fund capital expenditures acquisitions, and working capital needs resulting from increased sales, special inventory forward buy-in opportunities and to fund initial start-up inventory requirements for new distribution centers. Since sales tend to be strongest during the fourth quarter and special inventory forward buy-in opportunities are most prevalent just before the end of the year, 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. In 2000, the Company's operating cash flow has increase significantly due to increased profitability and better management of networking capital. The Company has financed its business primarily through its revolving credit facilities, private placement loans and stock issuances. The Company continues to make capital expenditures as it invests in its infrastructure, however debt reduction has also been a major use of cash.

Net cash provided by operating activities for the year ended December 30, 2000 of $153.0 million resulted primarily from net income of $56.7 million, increased by non-cash charges, relating primarily to depreciation and amortization of $33.8 million, and net cash flow from working capital of approximately $50.1 million. The increase of working capital was primarily due to an increase in accounts payable and other accrued expenses of $44.9 million, a $5.2 million decrease in accounts receivable, and a $4.6 million decrease in inventories, offset by a $4.6 million increase in other current assets.

Net cash used in investing activities for the year ended December 30, 2000 of $46.2 million resulted primarily from cash used for capital expenditures and acquisitions (primarily contingent consideration arising from acquisition completed in prior periods) of $29.7 million and $6.8 million, respectively. During the past three years, the Company has invested $97.8 million in the development of new computer systems, and for new and existing operating facilities. In the coming year, the Company expects to invest in excess of $45.0 million in capital projects to modernize and expand its facilities and infrastructure systems, and integrate operations.

Net cash used in financing activities for the year ended December 30, 2000 of $77.9 million resulted primarily from net debt repayments of $84.5 million, offset primarily by proceeds from the issuance of stock upon exercise of stock options of $6.3 million.

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

The Company's cash and cash equivalents as of December 30, 2000 of $58.4 million consist of bank balances and investments in commercial paper rated AAA by Moody's (or an equivalent rating). These investments have staggered maturity dates, none of which exceed three months, and have a high degree of liquidity since the securities are actively traded in public markets.

The Company entered into an amended revolving credit facility on August 15, 1997 that increased its main credit facility to $150.0 million and extended the facility termination date to August 15, 2002. Borrowings under the credit facility were $10.7 million at December 30, 2000. The Company also has two uncommitted bank lines totaling $30.0 million, none of which had been borrowed against at December 30, 2000. On June 30, 1999 and September 25, 1998, the Company completed private placement transactions under which it issued $130.0 million and $100.0 million, respectively, in Senior Notes, the proceeds of which were used respectively, for the permanent financing of its acquisitions of GIV and The Heiland Group, as well as repaying and retiring a portion of four uncommitted bank lines and to pay down amounts owed under its revolving credit facility. The $130.0 million notes come due on June 30, 2009 and bear interest at a rate of 6.94% per annum. Principal payments totaling $20.0 million are due annually starting September 25, 2006 on the $100.0 million notes and bear interest at a rate of 6.66% per annum. Interest is payable semi-annually. Certain of the Company's subsidiaries have credit facilities that totaled $52.3 million at December 30, 2000 under which $4.4 million had been borrowed.

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

The Company believes that its cash and cash equivalents of $58.4 million as of December 30, 2000, its ability to access public and private debt and equity markets, and the availability of funds under its existing credit agreements will provide it with sufficient liquidity to meet its currently foreseeable short-term and long-term capital needs.

ITEM 7A. Market Risks

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

Forward Foreign Currency Contracts

The value of certain foreign currencies as compared to the U.S. dollar may affect the Company's financial results. Changes in exchange rates may positively or negatively affect the Company's revenues (as expressed in U.S. dollars), gross margins, operating expenses, and retained earnings. Where the Company deems it prudent, it engages in hedging programs aimed at limiting, in part, the impact of currency fluctuations. Using primarily forward exchange contracts, the Company hedges those transactions that, when remeasured according to accounting principles generally accepted in the United States, may impact its statement of operations. From time to time, the Company purchases short-term forward exchange contracts to protect against currency exchange risks associated with the ultimate repayment of intercompany loans due from the Company's international subsidiaries and the payment of merchandise purchases to foreign vendors. As of December 30, 2000, the Company had outstanding foreign currency forward contracts aggregating $58.0 million, of which $51.2 million related to intercompany debt and $6.8 million related to the purchase of merchandise from foreign vendors. The contracts hedge against currency fluctuations of Australian dollars ($0.4 million), Canadian dollars ($13.9 million), Deutsche Mark ($11.9 million), Euro ($0.1 million), French Francs ($9.2 million) British Pounds ($14.2 million), Netherland Guilders ($2.5 million), Swiss Francs ($0.7 million), Belgium Francs ($2.0 million) and Spanish Pesetas ($3.1 million). At December 30, 2000, the Company had net deferred losses from foreign currency forward contracts of approximately $0.4 million. The contracts expire at various dates through 2001.

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

Interest Rate Swaps and Cap

As of December 30, 2000, the Company had approximately $17.8 million outstanding in interest rate swaps. These swaps are used to convert $13.0 million of floating rate debt relating to the Company's revolving credit agreement and $4.8 million relating to a Deutsche Mark floating rate debt of DM10.0 million to fixed rate debt to reduce the Company's exposure to interest rate fluctuations. The net result was to substitute a weighted average fixed interest rate of 7.2% for the variable LIBOR rate on $13.0 million and 5.3% fixed interest rate for the variable EURIBOR for the Deutsche Mark loan of the Company's debt. The swaps expire in December 2003, December 2004 and April 2005. Under the interest rate environment during the year ended December 30, 2000, the Company's interest rate swap agreements resulted in additional expense of approximately $0.1 million.

In addition, the Company has an interest rate cap of 5.5% on a Deutsche Mark floating rate debt of DM 6.3 million (approximately $3.0 million).

The Company is exposed to risk from changes in interest rates from borrowings under certain variable bank credit lines and loan agreements. If the outstanding balance at December 30, 2000 of $46.7 million was the average balance for the following twelve month period and the Company experienced a 1% increase in average interest rates, the interest expense for that period would have increased by $0.5 million. Based upon current economic conditions, the Company does not believe interest rates will increase substantially in the near future. As a result, the Company does not believe it is necessary to hedge its exposure against potential future interest rate increases.

ITEM 8. Financial Statements and Supplementary Data

INDEX TO FINANCIAL STATEMENTS
HENRY SCHEIN, INC. AND SUBSIDIARIES

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

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated balance sheets of Henry Schein, Inc. and Subsidiaries as of December 30, 2000 and December 25, 1999, and the related consolidated statements of operations and comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 30, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Henry Schein, Inc. and Subsidiaries at December 30, 2000 and December 25, 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

BDO SEIDMAN, LLP

New York, New York
March 1, 2001

HENRY SCHEIN, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	December 30, 2000	December 25, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 58,362	$ 26,019
Accounts receivable, less reserves of $27,556 and $20,391, respectively	371,668	388,063
Inventories	276,473	285,590
Deferred income taxes	21,001	15,520
Prepaid expenses and other	60,900	63,617
Total current assets	788,404	778,809
Property and equipment, net	94,663	86,627
Goodwill and other intangibles, net	292,018	295,113
Investments and other	55,983	43,553
	$ 1,231,068	$ 1,204,102
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 216,535	$ 198,983
Bank credit lines	4,390	41,527
Accruals:		
Salaries and related expenses	39,830	31,188
Merger and integration, and restructuring costs	13,735	10,093
Other	84,288	64,710
Current maturities of long-term debt	6,079	3,879
Total current liabilities	364,857	350,380
Long-term debt	266,224	318,218
Other liabilities	12,931	9,782
Total liabilities	644,012	678,380
Minority interest	7,996	7,855
Commitments and contingencies		
Stockholders' equity:		
Common stock, $.01 par value, authorized 120,000,000, issued: 41,946,284 and 40,768,306, respectively	419	407
Additional paid-in capital	373,413	361,757
Retained earnings	225,029	167,809
Treasury stock, at cost, 62,479 shares	(1,156)	(1,156)
Accumulated comprehensive loss	(18,179)	(10,359)
Deferred compensation	(466)	(591)
Total stockholders' equity	579,060	517,867
	$ 1,231,068	$ 1,204,102

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME
(In thousands, except per share data)

	Years Ended		
	December 30, 2000	December 25, 1999	December 26, 1998
Net sales	$ 2,381,721	$ 2,284,544	$ 1,922,851
Cost of sales	1,733,820	1,675,948	1,399,020
Gross profit	647,901	608,596	523,831
Operating expenses:			
Selling, general and administrative	520,288	489,364	427,635
Merger and integration costs	585	13,467	56,666
Restructuring costs	14,439	-	-
Operating income	112,589	105,765	39,530
Other income (expense):			
Interest income	6,279	7,777	6,964
Interest expense	(20,409)	(23,593)	(12,050)
Other - net	(1,925)	(166)	1,570
Income before taxes on income, minority interest and equity in earnings (losses) of affiliates	96,534	89,783	36,014
Taxes on income	36,150	35,589	20,325
Minority interest in net income of subsidiaries	1,757	1,690	145
Equity in earnings (losses) of affiliates	(1,878)	(2,192)	783
Net income	$ 56,749	$ 50,312	$ 16,327
Net income	$ 56,749	$ 50,312	$ 16,327
Other comprehensive income:			
Foreign currency translation adjustment	(7,820)	(8,302)	(448)
Other comprehensive income	$ 48,929	$ 42,010	$ 15,879
Net income per common share:			
Basic	$ 1.38	$ 1.24	$ 0.42
Diluted	$ 1.35	$ 1.21	$ 0.39
Weighted average common shares outstanding:			
Basic	41,244	40,585	39,305
Diluted	42,007	41,438	41,549
Pro forma:			
Historical net income			$ 16,327
Pro forma adjustment:			
Elimination of deferred tax benefit arising from conversion of an acquisition from S Corporation to a C Corporation			(2,000)
Income tax expense related to acquired S Corporation			(579)
Pro forma net income			$ 13,748
Pro forma net income per common share:			
Basic			$ 0.35
Diluted			$ 0.33

See accompanying notes to consolidated financial statements.

HENRY SCHEIN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands, except share data)

	Common Stock $.01 Par Value Shares	Common Stock $.01 Par Value Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock
Balance, December 27, 1997	38,120,572	$ 381	$ 328,644	$ 99,588	$ (1,156)
Retained earnings of three companies aquired under the pooling of interests method, not deemed material individually or in the aggregate	--	--	--	5,161	--
Net income	--	--	--	16,327	--
Dividends paid by pooled companies	--	--	--	(2,012)	--
Shares issued for acquisitions	1,124,469	11	2,110	--	--
Shares issued to ESOP trust	34,720	__	1,311	--	--
Amortization of restricted stock	--	--	--	--	--
Accumulated comprehensive loss	--	--	--	--	--
Shares issued upon exercise of stock options by employees, including tax benefit of $5,098	971,175	10	16,054	--	--
Balance, December 26, 1998	40,250,936	402	348,119	119,064	(1,156)
Deficit of one company aquired under the pooling of interests method, not deemed material	--	--	--	(1,567)	--
Net income	--	--	--	50,312	--
Shares issued for acquisitions	189,833	2	1,900	--	--
Shares issued to ESOP trust	101,233	1	1,766	--	--
Amortization of restricted stock	--	--	--	--	--
Accumulated comprehensive loss	--	--	--	--	--
Shares issued upon exercise of stock options by employees, including tax benefit of $5,974	226,304	2	9,972	--	--
Balance, December 25, 1999	40,768,306	407	361,757	167,809	(1,156)
Retained earnings of one company aquired under the pooling of interests method, not deemed material	--	--	--	471	--
Net income	--	--	--	56,749	--
Shares issued for acquisitions	465,480	5	423	--	--
Shares issued to ESOP trust	121,253	1	2,192	--	--
Amortization of restricted stock	--	--	--	--	--
Accumulated comprehensive loss	--	--	--	--	--
Shares issued upon exercise of stock options by employees, including tax benefit of $2,758	591,245	6	9,041	--	--
Balance, December 30, 2000	41,946,284	$ 419	$ 373,413	225,029	$ (1,156)

	Accumulated Comprehensive Loss	Deferred Compensation	Total Stockholders Equity
Balance, December 27, 1997	$ (1,609)	$ (1,625)	$ 424,223
Retained earnings of three companies aquired under the pooling of interests method, not deemed material individually or in the aggregate	--	--	5,161
Net income	--	--	16,327
Dividends paid by pooled companies	--	--	(2,012)
Shares issued for acquisitions	--	--	2,121
Shares issued to ESOP trust	--	--	1,311
Amortization of restricted stock	--	287	287
Accumulated comprehensive loss	(448)	--	(448)
Shares issued upon exercise of stock options by employees, including tax benefit of $5,098	--	--	16,064
Balance, December 26, 1998	(2,057)	(1,338)	463,034
Deficit of one company aquired under the pooling of interests method, not deemed material	--	--	(1,567)
Net income	--	--	50,312
Shares issued for acquisitions	--	--	1,902
Shares issued to ESOP trust	--	--	1,767
Amortization of restricted stock	--	747	747
Accumulated comprehensive loss	(8,302)	--	(8,302)
Shares issued upon exercise of stock options by employees, including tax benefit of $5,974	--	--	9,974
Balance, December 25, 1999	(10,359)	(591)	517,867
Retained earnings of one company aquired under the pooling of interests method, not deemed material	--	--	471
Net income	--	--	56,749
Shares issued for acquisitions	--	--	428
Shares issued to ESOP trust	--	--	2,193
Amortization of restricted stock	--	125	125
Accumulated comprehensive loss	(7,820)	--	(7,820)
Shares issued upon exercise of stock options by employees, including tax benefit of $2,758	--	--	9,047
Balance, December 30, 2000	(18,179)	$ (466)	$ 579,060

See accompanying notes to consolidated financial statements.

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

	Years ended		
	December 30, 2000	December 25, 1999	December 26, 1998
Cash flows from operating activities:			
Net income	$ 56,749	$ 50,312	$ 16,327
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	33,762	28,273	19,984
Provision for losses and allowances on accounts receivable	7,165	255	4,379
Stock issued to ESOP trust	2,193	1,767	1,311
Provision (benefit) for deferred income taxes	(1,335)	13	185
Write-off of equipment and intangibles	464	415	13,500
Undistributed (earnings) losses of affiliates	1,878	2,192	(783)
Minority interest in net income of subsidiaries	1,757	1,690	145
Other	237	(129)	178
Changes in operating assets and liabilities (net of purchase acquisitions):			
Decrease (increase) in accounts receivable	5,186	(22,258)	(48,947)
Decrease (increase) in inventories	4,630	12,102	(34,533)
(Increase) decrease in other current assets	(4,628)	6,786	(12,143)
Increase (decrease) in accounts payable and accruals	44,936	(24,925)	43,090
Net cash provided by operating activities	152,994	56,493	2,693
Cash flows from investing activities:			
Capital expenditures	(29,743)	(34,549)	(33,521)
Business acquisitions, net of cash acquired of $0, $11,092, and $0	(6,838)	(132,552)	(13,883)
Proceeds from sale of fixed assets	-	8,583	8,121
Other	(9,645)	(5,557)	(9,416)
Net cash used in investing activities	(46,226)	(164,075)	(48,699)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	-	131,211	129,717
Principal payments on long-term debt	(5,147)	(14,873)	(49,192)
Proceeds from issuance of stock upon exercise of stock options by employees	6,283	3,998	10,956
Proceeds from borrowing from banks	9,714	139,924	112,344
Payments on borrowings from banks	(89,047)	(146,877)	(139,503)
Distributions to stockholders	-	-	(2,012)
Other	346	40	105
Net cash (used in) provided by financing activities	(77,851)	113,423	62,415
Net increase in cash and cash equivalents	28,917	5,841	16,409
Effect of exchange rate changes on cash and cash equivalents	3,426	(8,044)	-
Cash and cash equivalents, beginning of year	26,019	28,222	11,813
Cash and cash equivalents, end of year	$ 58,362	$ 26,019	$ 28,222

See accompanying notes to consolidated financial statements.

Note 1--Significant Accounting Policies

Principles of Consolidation

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

The consolidated financial statements reflect, for all periods presented, the adoption of the classification requirements pursuant to Emerging Issues Task Force ("EITF") 00-10, Accounting for Shipping and Handling Fees and Costs, EITF 00-14, Accounting for Certain Sales Incentives, and EITF 00-22, Accounting for "Points" and Certain Other Time Based or Volume Based Sales Incentive Offers, and Offers for Free Products to be Delivered in the Future, which were effective in the Company's fourth quarter of 2000. Accordingly, the Company reclassified certain costs for the periods presented (including the quarterly information included in Note 16) for freight incurred on delivered merchandise, merchandise and other products provided to customers pursuant to promotional incentive programs and other costs which were historically included in "Selling, general and administrative" expenses to "Cost of sales". In addition, the Company reclassified to "Net sales" income from freight charged to customers, and the cost of rebates and refunds provided to customers pursuant to promotional incentive programs, which were historically included in "Selling, general and administrative" expenses.

Use of Estimates

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

Fiscal Year

The Company reports its operations and cash flows on a 52-53 week basis ending on the last Saturday of December. The fiscal year ended December 30, 2000 consisted of 53 weeks. The fiscal years ended December 25, 1999 and December 26, 1998 consisted of 52 weeks.

Revenue Recognition

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

(In thousands, except share data)

Note 1--Significant Accounting Policies-(Continued)

Direct Handling Fees

Direct handling fees, which represent primarily direct compensation costs of employees who pick, pack and otherwise prepare, if necessary, merchandise for shipment to the Company's customers are reflected in "Selling, general and administrative" expenses. These costs were approximately $17,700, $15,700 and $15,000 for the years ended 2000, 1999 and 1998, respectively.

Inventories

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

Property and Equipment and Depreciation and Amortization

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

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

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

Taxes on Income

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

Statement of Cash Flows

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

Note 1--Significant Accounting Policies-(Continued)

Foreign Currency Translation and Transactions

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

Financial Instruments

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

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

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

Acquisitions

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

Long-Lived Assets

Long-lived assets, such as goodwill and property and equipment, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be written down to fair value. In connection with certain acquisitions, the Company determined in 1999 and 1998, respectively, that certain long-lived assets had been impaired (see Note 6). No impairment losses have been deemed necessary for the year ended December 30, 2000.

Note 1--Significant Accounting Policies--(Continued)

Stock-Based Compensation

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

Earnings Per Share

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

Comprehensive Income

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

Reclassifications

Certain amounts as previously reported have been reclassified to conform to current year classifications (see Principles of Consolidation).

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("FAS 133"), "Accounting for Derivative Instruments and Hedging Activities." FAS 133 is required for transactions entered into by the Company after December 30, 2000. FAS 133 requires that all derivative instruments be recorded on the balance sheet at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of the hedge transaction and the type of hedge transaction. The ineffective portion of all hedges will be recognized in earnings.

In June 2000, the FASB issued Statement of Financial Accounting Standards No. 138 ("FAS 138"), "Accounting for Certain Derivative Instruments and Certain Hedging Activities" which amended FAS 133. The amendments in FAS 138 address certain implementation issues and relate to such matters as the normal purchases and normal sales exception, the definition of interest rate risk, hedging recognized foreign currency denominated assets and liabilities, and intercompany derivatives.

Note 1--Significant Accounting Policies--(Continued)

Effective December 31, 2000, the Company will adopt FAS 133 and FAS 138. The initial impact of adoption on the Company's financial statements will be recorded in the first quarter of 2001 and will not be material. The ongoing effect of adoption on the Company's consolidated financial statements will be determined each quarter by several factors, including the specific hedging instruments in place and their relationships to hedged items, as well as market conditions at the end of each period.

Note 2--Earnings Per Share

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

	Years ended		
	December 30, 2000	December 25, 1999	December 26, 1998
Basic	41,244	40,585	39,305
Effect of assumed conversion of employee stock options	763	853	2,244
Diluted	42,007	41,438	41,549

Options to purchase approximately 3,011,000, 2,485,000 and 772,000 shares of common stock at prices ranging from $19.73 to $46.00, $24.56 to $46.00 and $39.88 to $46.00 per share were outstanding during portions of 2000, 1999, and 1998, respectively, but were not included in the computation of diluted earnings per share for each of the respective years because the options' exercise prices exceeded the fair market value of the Company's common stock.

Note 3--Property and Equipment, Net

Major classes of property and equipment consist of the following:

	December 30, 2000	December 25, 1999
Land	$ 1,257	$ 1,257
Buildings and leasehold improvements	42,744	37,543
Machinery and warehouse equipment	21,909	24,117
Furniture, fixtures and other	24,888	25,430
Computer equipment and software	76,999	58,982
	167,797	147,329
Less accumulated depreciation and amortization	73,134	60,702
Net property and equipment	$ 94,663	$ 86,627

The net book value of equipment held under capital leases amounted to approximately $2,165 and $2,541 as of December 30, 2000 and December 25, 1999, respectively (See Note 14(b)).

(In thousands, except share data)

Note 4--Goodwill and Other Intangibles, Net

Goodwill and other intangibles consist of the following:

	Estimated Lives	December 30, 2000	December 25, 1999
Goodwill	30 years	$ 319,625	$ 314,353
Other	3- 5 years	16,812	12,116
		336,437	326,469
Less accumulated amortization		44,419	31,356
		$ 292,018	$ 295,113

Goodwill represents the excess of the purchase price of acquisitions over the fair value of identifiable net assets acquired. During 2000, the increase in goodwill was primarily due to additional purchase price consideration for a prior year acquisition. Other intangibles include covenants not-to-compete, computer programming costs, customer lists and deferred acquisition costs.

Note 5--Investments and Other

Investments and other consist of:

	December 30, 2000	December 25, 1999
Investments in unconsolidated affiliates	$ 4,791	$ 12,852
Long-term notes receivables(1)	39,028	19,770
Other	12,164	10,931
	$ 55,983	$ 43,553

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(1) Long-term notes receivables include various notes due arising from the sale of certain businesses of approximately $21,700.

The Company's investments are predominately 50% owned unconsolidated affiliates consisting of various companies involved in the healthcare distribution business. In the fourth quarter of fiscal 2000, the Company sold its 50% interest in HS Pharmaceutical Inc. ("HS Pharmaceutical"), a manufacturer and distributor of generic pharmaceuticals, which resulted in a non-recurring net loss of $1,925 which is included in "Equity in earnings (losses) of affiliates".

As of December 30, 2000, the Company's investments in unconsolidated affiliates were $1,933 more than the Company's proportionate share of the underlying equity of these affiliates. This amount, which has been treated as goodwill, is being amortized over 30 years and charged to Equity in earnings (losses) of affiliates. As of December 30, 2000, approximately $2,706 of the Company's retained earnings represented undistributed earnings of affiliates. Combined financial data for substantially all of these companies are as follows:

(In thousands, except share data)

Note 5--Investments and Other-(Continued)

	December 30, 2000	December 25, 1999
Current assets	$ 30,789	$ 46,233
Total assets	33,563	71,619
Liabilities	28,451	56,154
Stockholders' equity	5,112	15,465

	Years ended		
	December 30, 2000	December 25, 1999	December 26, 1998
Net sales	$ 86,536	$ 112,746	$ 114,788
Operating income (loss)	2,559	(3,530)	2,589
Net income (loss)	860	(5,230)	541

Note 6--Business Acquisitions

During the year ended December 30, 2000, the Company completed the acquisition of two healthcare distribution and one technology business, none of which were considered material either individually or in the aggregate. Of the three completed acquisitions, two were accounted for under the purchase method of accounting and the remaining acquisition was accounted for under the pooling of interests method of accounting. The Company issued 465,480 shares of its Common Stock, with an aggregate value of approximately $7,900 in connection with the pooling transaction. The transactions completed under the purchase method of accounting have been included in the consolidated financial statements from their respective acquisition dates. The pooling transaction was not material and accordingly prior period financial statements have not been restated. Results of the acquired company have been included in the consolidated financial statements from the beginning of the second quarter of 2000.

In 1999, the Company completed the acquisition of eight healthcare distribution and one technology business, the most significant of which were transactions accounted for under the purchase method of accounting; General Injectables and Vaccines, Inc. ("GIV") through the purchase of all of the outstanding common stock of Biological and Popular Culture, Inc., (on December 30, 1998) a leading independent direct marketer of vaccines and other injectables to office based practitioners throughout the United States; and the Heiland Group GmbH ("Heiland"), (on December 31, 1998), the largest direct marketer of healthcare supplies to the medical, dental, and veterinarian office-based practitioners, in Germany.

GIV and Heiland had 1998 net sales of approximately $120,000 and $130,000, respectively. The purchase price and resultant goodwill, which is being amortized over 30 years, for these acquisitions was approximately $65,000 and $47,400, and $60,400 and $55,800, respectively (see Note 9 (a)). The acquisition agreements for GIV and Heiland provide for additional cash consideration of up to $20,000 per year through 2004, not to exceed $75,000 in total, and $3,900 per year through 2001, respectively to be paid if certain sales and profitability targets are met. The GIV acquisition agreement also provided for additional cash consideration of $4,125 based upon sales of new products, as defined; of which $1,238 was paid during fiscal 2000.

Note 6--Business Acquisitions-(Continued)

Additionally, during 1999, the Company acquired six other companies, which had total sales in 1998 of approximately $74,000, that were accounted for under the purchase method of accounting. Results of operations of the business acquisitions accounted for under the purchase method of accounting have been included in the financial statements commencing with the acquisition dates. The total purchase price of the six companies acquired was approximately, $11,800 and the resulting goodwill of $8,266 is being amortized over 30 years. The Company also acquired one company, which is being accounted for under the pooling of interests method of accounting, which was not material. In connection with this acquisition, the Company issued 189,833 shares of its Common Stock with an aggregate market value of $6,400. The pooling transaction was not material and accordingly prior period financial statements have not been restated. Results of the pooling transaction acquisition have been included in the consolidated financial statements from the beginning of the quarter in which the acquisition occurred.

In 1998, the Company completed the acquisition of five healthcare distribution businesses, the most significant of which was a transaction accounted for under the pooling of interests method of accounting , H. Meer Dental Supply Co., Inc, ("Meer") a distributor of consumable dental supplies. The historical financial statements were restated to give retroactive effect to the Meer transaction.

Pursuant to the respective merger agreement for Meer, which was completed on August 14, 1998, the Company issued approximately 2,974,000 shares of its Common Stock with aggregate market values (on their respective closing dates) of approximately $132,700. Prior to its acquisition by the Company, Meer elected to be taxed as an S Corporation under the Internal Revenue Code. Accordingly, the current taxable income or loss of Meer was attributable to its shareholders. Since its acquisition, Meer has been taxed as a regular corporation. For the year ended December 26, 1998, pro forma adjustments have been made to the restated statements of operations to reflect the income tax provisions and recoveries that would have been provided for had Meer been subject to income taxes in prior years.

Additionally, during 1998, the Company acquired four other businesses with aggregate net sales for 1997 of approximately $85,000, three of which were accounted for under the pooling of interests method of accounting, with the remaining acquisition of a 50.1% ownership interest being accounted for under the purchase method of accounting. The total amount of cash paid (for the purchased business) and the value of the Company's Common Stock issued in connection with three of these acquisitions was approximately $6,800 and approximately $18,400, respectively. In connection with one of the pooling acquisitions, the Company issued shares of a subsidiary, with rights equivalent to those of the Company's Common Stock, which are exchangeable into 603,500 shares of the Company's Common Stock, at each shareholders' option, and had an aggregate value of approximately $24,000. In connection with the other two pooling acquisitions, the Company issued approximately 347,000 and 121,000 shares of its Common Stock. The three pooling transactions were not material individually or in the aggregate, and their results were included in the consolidated financial statements from the beginning of the quarter in which the acquisitions occurred. Results of operations of the business acquisition accounted for under the purchase method of accounting have been included in the consolidated financial statements commencing with the acquisition date.

Summarized unaudited pro forma results of operations for the acquisitions completed during fiscal 2000 and 1999, which were accounted for under the purchase method of accounting, are not presented as the impact of reflecting the Company's results of operations which assumed the acquisitions occurred as of the beginning of the fiscal 2000 and 1999, respectively, is not material.

(In thousands, except share data)

Note 6--Business Acquisitions-(Continued)

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

	Years ended December 30, 2000	Years ended December 25, 1999	Years ended December 26, 1998
Direct transaction / merger costs (1)	$ 585	$ 4,032	$ 7,100
Integration costs:			
Severance and other direct costs	-	3,437	12,366
Costs associated with the closure of distribution centers (2)	-	5,583	15,400
Long-lived asset write-off and impairment (3)	-	415	13,500
Signing bonuses (4)	-	-	8,300
Total integration costs	-	9,435	49,566
Total merger and integration costs	$ 585	$ 13,467	$ 56,666

(1) Primarily investment banking and professional fees, including $3,533 related to Meer in 1999 (primarily legal fees resulting from the acquisition).

(2) Primarily rent and consulting fees.

(3) Consists of write-offs of duplicate management information systems, other assets and goodwill of $3,724 in 1998.

(4) Signing bonuses and stay pay packages to sales force and certain senior management directly related to the mergers.

(In thousands, except share data)

Note 6--Business Acquisitions-(Continued)

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

	Balance at Beginning of Year	Provision	Payments	Applied Against Long-Lived Assets
Year ended December 26, 1998:				
Severance and other direct costs	$ 6,871	$ 12,366	$ (11,294)	$ -
Direct transaction and other integration costs	10,185	44,300	(31,185)	(9,251)
	$ 17,056	$ 56,666	$ (42,479)	$ (9,251)
Year ended December 25, 1999:				
Severance and other direct costs	$ 7,943	$ 4,721	$ (9,686)	$ -
Direct transaction and other integration costs	14,049	8,340	(9,156)	(6,524)
	$ 21,992	$ 13,061	$ (18,842)	$ (6,524)
Year ended December 30, 2000:				
Severance and other direct costs	$ 1,694	$ -	$ (947)	$ -
Direct transaction and other integration costs	8,399	585	(4,844)	-
	$ 10,093	$ 585	$ (5,791)	$ -

	Adjustments to Reflect Actual Cost	Balance at End of Year
Year ended December 26, 1998:		
Severance and other direct costs	$ -	$ 7,943
Direct transaction and other integration costs	-	14,049
	$ -	$ 21,992
Year ended December 25, 1999:		
Severance and other direct costs	$ (1,284)	$ 1,694
Direct transaction and other integration costs	1,690	8,399
	$ 406	$ 10,093
Year ended December 30, 2000:		
Severance and other direct costs	$ -	$ 747
Direct transaction and other integration costs	-	4,140
	$ -	$ 4,887

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

As a result of the acquisitions and integration of these and certain other businesses into the Company's infrastructure, 870 employees were terminated though December 30, 2000. Of the 870 terminated employees, 502 received severance payments during 1998, 206 received severance during 1999, 37 received severance during 2000 and 11 were owed severance at December 30, 2000.

Note 7--Plan of Restructuring

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

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

(In thousands, except share data)

Note 7--Plan of Restructuring-(Continued)

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

	Provision	Payments	Balance at December 30, 2000
Severance costs (1)	$ 7,198	$ 3,191	$ 4,007
Facility closing costs (2)	4,406	722	3,684
Other professional and consulting costs	2,835	1,678	1,157
	$ 14,439	$ 5,591	$ 8,848

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(1) Represents salaries and related benefits for employees separated from the Company.

(2) Represents costs associated with the closing of certain equipment branches (primarily lease termination costs) and property and equipment write-offs.

For the year ended December 30, 2000, 284 employees separated from the Company and received severance, and 104 were owed severance pay and benefits at December 30, 2000. These employees were from nearly all functional areas of the Company's operations.

Note 8--Bank Credit Lines

At December 30, 2000, certain subsidiaries of the Company had available various short-term bank credit lines totaling approximately $52,343, expiring through June 2004. Borrowings of $4,390 under these credit lines, bear interest rates ranging from 4.25% to 8.0%, and were collateralized by accounts receivable, inventory and property and equipment with an aggregate net book value of $74,642 at December 30, 2000.

(In thousands, except share data)

Note 9--Long-Term Debt

Long-term debt consists of:

	December 30, 2000	December 25, 1999
Private Placement Loans (a)	$ 230,000	$ 230,000
Borrowings under Revolving Credit Agreement (b)	10,660	53,664
Notes payable for business acquisitions (c)	1,984	2,436
Notes payable to banks, interest at 5.98% to 7.00%, payable in quarterly installments ranging from $59 to $62 through 2019, semi-annual installments of $952 through 2003 and a lump sum payment of $5,709 on January 1, 2002 secured by inventory and accounts receivable in the amount of $32,579 at December 30,2000	21,517	25,208
Various loans payable with interest, in varying installments through 2007, uncollateralized	5,682	7,338
Capital lease obligations in various installments through fiscal 2010; interest at 6.0% to 10.0% or varies with prime rate (see Note 14 b)	2,460	3,451
Total	272,303	322,097
Less current maturities	6,079	3,879
Total long-term debt	$ 266,224	$ 318,218

(a) Private Placement Loans

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

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

(In thousands, except share data)

Note 9--Long-Term Debt--(Continued)

(b) Revolving Credit Agreement

On August 15, 1997, the Company entered into an amended revolving credit agreement which, among other things, increased the maximum available borrowings to $150,000 from $100,000 and extended the term of the agreement to August 15, 2002. The interest rate on any borrowings under the agreement is based on prime, or LIBOR, as defined in the agreement, which were 9.50%, and 6.40%, respectively, at December 30, 2000. The borrowings outstanding at December 30, 2000 bear an interest rate of 7.07%. The agreement provides for a sliding scale fee ranging from 0.1% to 0.3%, based upon certain financial ratios, on any unused portion of the commitment. The agreement also provides, among other things, that the Company will maintain, on a consolidated basis, as defined, a minimum tangible net worth, current, cash flow, and interest coverage ratios, a maximum leverage ratio, and contains restrictions relating to annual dividends in excess of $500, guarantees of subsidiary debt, investments in subsidiaries, mergers and acquisitions, liens, capital expenditures, certain changes in ownership and employee and shareholder loans.

(c) Notes Payable for Business Acquisitions

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

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

As of December 30, 2000, the aggregate amounts of long-term debt maturing in each of the next five years are as follows: 2001 - $6,079; 2002 - $13,010; 2003 - $12,591; 2004 - $1,011; 2005 - $934.

Note 10--Taxes on Income

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

	Years ended		
	December 30, 2000	December 25, 1999	December 26, 1998
Domestic	$ 102,777	$ 84,877	$ 31,959
Foreign	(6,243)	4,906	4,055
Total	$ 96,534	$ 89,783	$ 36,014

(In thousands, except share data)

Note 10--Taxes on Income--(Continued)

The provision for taxes on income was as follows:

	Years ended		
	December 30, 2000	December 25, 1999	December 26, 1998
Current tax expense:			
U.S. Federal	$ 33,989	$ 28,137	$ 15,339
State and local	2,882	5,579	1,412
Foreign	614	1,860	3,389
Total current	37,485	35,576	20,140
Deferred tax expense (benefit):			
U.S. Federal	(1,046)	954	657
State and local	90	(1,338)	304
Foreign	(379)	397	(776)
Total deferred	(1,335)	13	185
Total provision	$ 36,150	$ 35,589	$ 20,325

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

	December 30, 2000	December 25, 1999
Current deferred tax assets:		
Inventory, premium coupon redemptions and accounts receivable valuation allowances	$ 11,824	$ 8,062
Uniform capitalization adjustments to inventories	3,750	3,979
Other accrued liabilities	5,427	3,479
Total current deferred tax asset	21,001	15,520
Non-current deferred tax asset (liability):		
Property and equipment	(8,459)	(4,659)
Provision for other long-term liabilities	(3,001)	(2,769)
Net operating loss carryforward	156	91
Net operating losses of foreign subsidiaries	2,863	3,672
Total non-current deferred tax liability	(8,441)	(3,665)
Valuation allowance for non-current deferred tax assets	(2,686)	(3,697)
Net non-current deferred tax liabilities	(11,127)	(7,362)
Net deferred tax asset	$ 9,874	$ 8,158

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

(In thousands, except share data)

Note 10--Taxes on Income--(Continued)

At December 30, 2000, the Company has net operating loss carryforwards for Federal income tax purposes of $389, which are available to offset future Federal taxable income through 2010. Foreign net operating losses totaled $8,009 at December 30, 2000. Such losses can be utilized against future foreign income. These losses expire between 2001 and 2006, with $1,500 expiring in 2001.

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

	Years ended		
	December 30, 2000	December 25, 1999	December 26, 1998
Provision at Federal statutory rate	$ 33,785	$ 31,425	$ 12,741
State income taxes, net of Federal income tax effect	1,874	2,757	1,109
Net foreign losses for which no tax benefits are available	1,009	196	386
Foreign income taxed at other than the Federal statutory rate	448	38	17
Reduction in valuation allowance	(1,011)	-	-
Deferred tax benefit arising from termination of S Corporation election of an acquired company	-	-	(2,000)
Tax effect of S Corporation	-	-	(579)
Non-deductible merger and integration costs	205	1,329	8,814
Other	(160)	(156)	(163)
Income tax provision	$ 36,150	$ 35,589	$ 20,325

Provision has not been made for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries. Those earnings have been and will continue to be reinvested. These earnings could become subject to additional tax if they were remitted as dividends, if foreign earnings were loaned to the Company or a U.S. affiliate, or if the Company should sell its stock in the foreign subsidiaries. It is not practicable to determine the amount of additional tax, if any, that might be payable on the foreign earnings; however, the Company believes that foreign tax credits would substantially offset any U.S. tax. At December 30, 2000, the cumulative amount of reinvested earnings was approximately $3,951.

Note 11--Financial Instruments and Credit Risk Concentrations

(a) Financial Instruments

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

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

Note 11--Financial Instruments and Credit Risk Concentrations--(Continued)

As of December 30, 2000, the Company had outstanding foreign currency forward contracts aggregating $57,996 of which $51,203 related to intercompany debt and $6,793 related to the purchase and sale of merchandise from foreign vendors. The contracts hedge against currency fluctuations of Australian dollars ($391), Canadian dollars ($13,930), Deutsche Mark ($11,974), Euro ($65), French Francs ($9,166) British Pounds ($14,235), Netherland Guilders ($2,517), Swiss Francs ($686), Belgium Francs ($1,982) and Spanish Pesetas ($3,050) At December 30, 2000, the Company had net deferred gains from foreign currency forward contracts of $416. The contracts expire at various dates through 2001.

As of December 30, 2000, the Company had approximately $17,800 outstanding in interest rate swaps. These swaps are used to convert $13,000 of floating rate debt relating to the Company's revolving credit agreement and $4,800 relating to a Deutsche Mark floating rate debt of DM 10,000, to fixed rate debt to reduce the Company's exposure to interest rate fluctuations. The net result was to substitute a weighted average fixed interest rate of 7.2% for the variable LIBOR rate on $13,000 and a 5.3% fixed interest rate for the variable EURIBOR for the Deutsche Mark loan of the Company's debt. The swaps expire in December 2003, December 2004 and April 2005, respectively. Under the interest rate environment during the year ended December 30, 2000, the Company's interest rate swap agreements resulted in additional interest expense of approximately $118. In addition, the Company has an interest rate cap of 5.5% on a Deutsche Mark floating rate debt of DM 6,250 (approximately $3,000).

(b) Concentrations of Credit Risk

Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of trade receivables and short-term cash investments. The Company places its short-term cash investments with high credit quality financial institutions and, by policy, limits the amount of credit exposure to any one financial institution. Concentrations of credit risk with respect to trade receivables are limited due to a large customer base and its dispersion across different types of healthcare professionals and geographic areas. The Company maintains an allowance for losses based on the expected collectability of all receivables.

Note 12--Segment and Geographic Data

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

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

(In thousands, except share data)

Note 12--Segment and Geographic Data--(Continued)

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

	Years ended		
	December 30, 2000	December 25, 1999	December 26, 1998
Net Sales:			
Healthcare distribution (1):			
Dental	$ 1,073,889	$ 1,047,259	$ 1,085,717
Medical	794,880	715,210	515,276
Veterinary	56,421	52,050	48,492
International (2)	389,946	403,137	230,792
Total healthcare distribution	2,315,136	2,217,656	1,880,277
Technology (3)	66,585	66,888	42,574
	$ 2,381,721	$ 2,284,544	$ 1,922,851

(1) Consists of consumable products, small equipment, laboratory products, large dental equipment, branded and generic pharmaceuticals, surgical products, diagnostic tests, infection control and vitamins.

(2) Consists of products sold in Dental, Medical and Veterinary groups in European and Pacific Rim markets.

(3) Consists of practice management software and other value-added products and services.

(In thousands, except share data)

Note 12--Segment and Geographic Data--(Continued)

	Years ended		
	December 30, 2000	December 25, 1999	December 26, 1998
Operating Income:			
Healthcare distribution (includes merger and integration and restructuring costs of $14,081, $13,467 and $55,688, respectively)	$ 88,872	$ 80,467	$ 24,183
Technology (includes merger and integration and restructuring costs of $943, $0 and $978, respectively)	23,717	25,298	15,347
Total	$ 112,589	$ 105,765	$ 39,530
Interest Income:			
Healthcare distribution	$ 5,231	$ 7,811	$ 6,198
Technology	4,424	1,534	1,373
Total	$ 9,655	$ 9,345	$ 7,571
Interest Expense:			
Healthcare distribution	$ 22,611	$ 24,785	$ 12,585
Technology	1,174	376	72
Total	$ 23,785	$ 25,161	$ 12,657

	December 30, 2000	December 25, 1999	December 26, 1998
Total Assets:			
Healthcare distribution	$ 1,188,098	$ 1,134,312	$ 935,573
Technology	97,058	110,563	42,371
Total	$ 1,285,156	$ 1,244,875	$ 977,944
Depreciation and Amortization:			
Healthcare distribution	$ 32,465	$ 26,355	$ 19,341
Technology	1,297	1,918	643
Total	$ 33,762	$ 28,273	$ 19,984
Capital Expenditures:			
Healthcare distribution	$ 28,344	$ 32,639	$ 32,664
Technology	1,399	1,910	857
Total	$ 29,743	$ 34,549	$ 33,521

(In thousands, except share data)

Note 12--Segment and Geographic Data--(Continued)

The following table reconciles segment totals to consolidated totals as of, and for the years ended December 30, 2000, December 25, 1999 and December 26, 1998:

	2000	1999	1998
Total Assets:			
Total assets for reportable segments	$ 1,285,156	$ 1,244,875	$ 977,944
Receivables due from healthcare distribution segment	(46,494)	(36,593)	(13,742)
Receivables due from technology segment	(7,594)	(4,180)	(2,162)
Consolidated total assets	$ 1,231,068	$ 1,204,102	$ 962,040
Interest Income:			
Total interest income for reportable segments	$ 9,655	$ 9,345	$ 7,571
Interest on receivables due from healthcare distribution segment	(2,887)	(1,369)	(566)
Interest on receivables due from technology segment	(489)	(199)	(41)
Total consolidated interest income	$ 6,279	$ 7,777	$ 6,964
Interest Expense:			
Total interest expense for reportable segments	$ 23,785	$ 25,161	$ 12,657
Interest on payables due to healthcare distribution segment	(489)	(199)	(41)
Interest on payables due to technology segment	(2,887)	(1,369)	(566)
Total consolidated interest expense	$ 20,409	$ 23,593	$ 12,050

The following table presents information about the Company by geographic area as of, and for the years ended December 30, 2000, December 25, 1999 and December 26, 1998. There were no material amounts of sales or transfers among geographic areas and there were no material amounts of United States export sales.

	2000		1999	
	Net Sales	Long-Lived Assets	Net Sales	Long-Lived Assets
North America	$ 2,010,398	$ 271,188	$ 1,899,188	$ 249,524
Europe	340,520	108,902	356,868	124,664
Pacific Rim	30,803	6,591	28,488	7,552
Consolidated Total	$ 2,381,721	$ 386,681	$ 2,284,544	$ 381,740

	1998	
	Net Sales	Long-Lived Assets
North America	$ 1,711,945	$ 174,917
Europe	200,240	34,021
Pacific Rim	10,666	7,136
Consolidated Total	$ 1,922,851	$ 216,074

The Company's subsidiary located in Germany had long-lived assets of $77,995, $88,050 and $4,952 at December 30, 2000 December 25, 1999 and December 26, 1998, respectively.

Note 13--Employee Benefit Plans

(a) Stock Compensation Plans

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

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

On May 8, 1996, the Company's stockholders approved the 1996 Non-Employee Director Stock Option Plan, under which the Company may grant options to each director who is not also an officer or employee of the Company, for up to 50,000 shares of the Company's Common Stock. The exercise price and term, not to exceed 10 years, of each option is determined by the plan committee at the time of the grant. During, 1999 and 1998, 13,000, and 3,000 options, respectively, were granted to certain non-employee directors at exercise prices, which were equal to the market price on the date of grant. There were no options granted to non-employee directors during 2000.

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

(In thousands, except share data)

Note 13--Employee Benefit Plans--(Continued)

A summary of the status of the Company's two fixed stock option plans and the Assumed Plans, and the related transactions for the years ended December 30, 2000, December 25, 1999, and December 26, 1998 is presented below:

	2000		1999	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	5,439,340	$ 23.53	4,434,173	$ 25.89
Granted	93,500	14.77	1,447,935	17.35
Exercised	(591,245)	11.00	(226,304)	36.22
Forfeited	(290,873)	29.39	(216,464)	36.76
Outstanding at end of year	4,650,722	$ 24.59	5,439,340	$ 23.53
Options exercisable at year end	3,708,213	$ 25.98	3,593,439	$ 23.62
Weighted-average fair value of options granted during the year ...		$ 8.85		9.85

	1998	
	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	4,134,577	$ 18.19
Granted	1,339,362	39.01
Exercised	(971,175)	10.95
Forfeited	(68,591)	30.80
Outstanding at end of year	4,434,173	$ 25.89
Options exercisable at year end	2,725,828	$ 19.63
Weighted-average fair value of options granted during the year ...		$ 17.17

The following table summarizes information about stock options outstanding at December 30, 2000:

	Options Outstanding		
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
$ 4.21 to $ 9.97	167,889	1.2	$ 4.56
$10.89 to $ 16.00	1,312,187	5.7	$ 13.19
$16.13 to $ 27.00	1,477,706	6.5	$ 22.39
$29.00 to $ 46.00	1,692,940	7.0	$ 37.32
	4,650,722	6.0	$ 24.59

Options Exercisable	
Number Exercisable	Weighted Average Exercise Price

Range of Exercise Prices		
$ 4.21 to $ 9.97	167,889	$ 4.56
$10.89 to $ 16.00	799,263	$ 13.85
$16.13 to $ 27.00	1,190,587	$ 22.51
$29.00 to $ 46.00	1,550,474	$ 37.21
	3,708,213	$ 25.98

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

(In thousands, except share data)

Note 13--Employee Benefit Plans--(Continued)

Pro forma information regarding net income and earnings per share is required by FAS 123, and has been determined as if the Company and its acquired subsidiaries had accounted for its employee stock options under the fair value method of FAS 123. The weighted average fair value of options granted during 2000, 1999 and 1998 was $8.85, $9.85 and $17.17, respectively. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2000, 1999 and 1998, risk-free interest rates of 6.3% for 2000, 5.6% for 1999 and 5.5% for 1998; volatility factor of the expected market price of the Company's Common Stock of 45.1% for 2000, 45.8% for 1999 and 30% for 1998, assumed dividend yield of 0% for all years and a weighted-average expected life of the option of 10 years.

Under the accounting provisions of FAS 123, the Company's net income and income per common share for the years ended December 30, 2000, December 25, 1999 and December 26, 1998 would have been adjusted to the pro forma amounts indicated below:

	2000	1999	1998
Net income	$ 48,630	$ 43,012	$ 9,615
Net income per common share:			
Basic	$ 1.18	$ 1.06	$ 0.24
Diluted	$ 1.16	$ 1.04	$ 0.23
Net income, reflecting special adjustments (1)			$ 7,036
Net income, per common share to reflect special adjustments (1):			
Basic			$ 0.18
Diluted			$ 0.17

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

(b) Profit Sharing Plans

Prior to April 1, 1998, the Company had qualified contributory and noncontributory 401(k) and profit sharing plans, respectively, for eligible employees. As of April 1, 1998, the Company's profit sharing plan was merged into its 401(k) plan. Assets of the profit sharing plan are now held in self-directed accounts within the 401(k) plan. Contributions to the plans were determined by the Board of Directors and charged to operations during 2000, 1999 and 1998 amounted to $7,305, $6,517, and $6,033, respectively.

(c) Employee Stock Ownership Plan (ESOP)

In 1994, the Company established an ESOP and a related trust as a benefit for substantially all of its domestic employees. This plan supplemented the Company's Profit Sharing Plan. Charges to operations related to this plan were $2,537, $2,283 and $1,400 for 2000, 1999 and 1998, respectively. Under this plan, the Company issued 121,253, 101,233 and 34,720 shares of the Company's Common Stock to the trust in 2000, 1999 and 1998, to satisfy the 1999, 1998 and 1997 contribution, respectively. The Company expects to fund the 2000 accrued contribution in 2001 with shares of the Company's Common Stock. As of April 1, 1998 the Company's ESOP was merged into its 401(k) plan. Shares of the Company's Common Stock are held in trust by the 401(k) plan.

(In thousands, except share data)

Note 13--Employee Benefit Plans--(Continued)

(d) Supplemental Executive Retirement Plan

In 1994, the Company instituted an unfunded non-qualified supplemental executive retirement plan for eligible employees. The increase in value which was charged to operations, were $360, $617 and $283 for 2000, 1999 and 1998, respectively.

Note 14--Commitments and Contingencies

(a) Operating Leases

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

Future minimum annual rental payments under the noncancelable leases at December 30, 2000 are as follows:

2001	$ 20,447
2002	17,646
2003	14,894
2004	13,642
2005	12,963
Thereafter	26,032
Total minimum lease payments	$ 105,624

Total rental expense for 2000, 1999 and 1998 was $29,730, $25,798, and $19,130, respectively.

(b) Capital Leases

The Company leases certain equipment under capital leases. The following is a schedule by years of approximate future minimum lease payments under the capitalized leases together with the present value of the net minimum lease payments at December 30, 2000.

2001	$ 971
2002	549
2003	381
2004	250
2005	145
Thereafter	877
Total minimum lease payments	3,173
Less: Amount representing interest at 6.0% to 10.0%	(713)
	$ 2,460

Note 14--Commitments and Contingencies --(Continued)

(c) Litigation

The manufacture or distribution of certain products by the Company involves a risk of product liability claims, and from time to time the Company is named as a defendant in products liability cases as a result of its distribution of pharmaceutical and other healthcare products. As of the end of fiscal 2000, the Company was named a defendant in approximately 68 such cases. Of these product liability claims, 52 involve claims made by healthcare workers who claim allergic reaction relating to exposure to latex gloves. In each of these cases, the Company acted as a distributor of both brand name and "Henry Schein" private brand latex gloves, which were manufactured by third parties. To date, discovery in these cases has generally been limited to product identification issues. The manufacturers in these cases have withheld indemnification of the Company pending product identification; however, the Company is taking steps to implead those manufacturers into each case in which the Company is a defendant. The Company is also a named defendant in nine lawsuits involving the sale of phentermine and fenfluramin. Plaintiffs in the cases allege injuries from the combined use of the drugs known as "Phen/fen." The Company expects to obtain indemnification from the manufacturers of these products, although this is dependent upon, among other things, the financial viability of the manufacturer and their insurers.

In addition, the Company is subject to other claims, suits and complaints arising in the course of the Company business. In Texas District Court, Travis County, the Company and one of its subsidiaries are defendants in a matter entitled Shelly E. Stromboe & Jeanne N. Taylor, on Behalf of Themselves and All Other Similarly Situated vs. Henry Schein, Inc., Easy Dental Systems, Inc. and Dentisoft, Inc., Case No. 98-00886. This complaint alleges among other things, negligence, breach of contract, fraud and violations of certain Texas commercial statutes involving the sale of certain practice management software products sold prior to 1998 under the Easy Dental(R) name. In October 1999, the Court, on motion, certified both a Windows(R) Sub-Class and a DOS Sub-Class to proceed as a class action pursuant to Tex. R.Civ. P.42. It is estimated that 5,000 Windows(R) customers and 15,000 DOS customers could be covered by the judge's ruling. In November of 1999, the Company filed an interlocutory appeal of the District Court's determination to the Texas Court of Appeals on the issue of whether this case was properly certified as a class action. On September 14, 2000, the Court of Appeals affirmed the District Court's certification order. On January 5, 2001, the Company filed a Petition for Review in the Texas Supreme Court asking this court to find "conflicts jurisdiction" to permit review of the District Court's certification order, which appeal is now pending. During the appeal of the class certification, a trial on the merits is stayed. The Company intends to vigorously defend itself against this claim, as well as all other claims, suits and complaints.

The Company has various insurance policies, including product liability insurance, covering risks and in amounts it considers adequate. In many cases the Company is provided by indemnification by the manufacturer of the product. There can be no assurance that the coverage maintained by the Company is sufficient or will be available in adequate amounts or at a reasonable cost, or that indemnification agreements will provide adequate protection for the Company. In the opinion of the Company, all pending matters are covered by insurance or will not otherwise have a material adverse effect on the Company's financial condition.

(In thousands, except share data)

Note 14--Commitments and Contingencies --(Continued)

(d) Employment, Consulting and Noncompete Agreements

The Company has employment, consulting and noncompete agreements expiring through 2006 (except for a lifetime consulting agreement with a principal stockholder which provides for initial compensation of $283 per year, increasing $25 every fifth year beginning in 2002). The agreements provide for varying base aggregate annual payments of approximately $4,721 per year which decrease periodically to approximately $866 per year. In addition, some agreements have provisions for incentive and additional compensation.

Note 15--Supplemental Cash Flow Information

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

	Years Ended		
	December 30, 2000	December 25, 1999	December 26, 1998
Interest	$ 19,810	$ 19,528	$ 10,047
Income taxes	$ 28,219	$ 23,266	$ 15,420

	Years Ended		
	December 30, 2000	December 25, 1999	December 26, 1998
Fair value of assets acquired, excluding cash	$ 6,838	$ 239,278	$ 22,725
Less liabilities assumed and created upon acquisition	-	106,726	8,842
Net cash paid	$ 6,838	$ 132,552	$ 13,883

(In thousands, except share data)

Note 16--Quarterly Information (Unaudited)

The following presents certain unaudited quarterly financial data:

	Quarters Ended			
	March 25, 2000	June 24, 2000	September 23, 2000	December 30, 2000
Net Sales	$ 554,139	$ 568,631	$ 603,319	$ 655,632
Gross profit	149,116	158,815	161,951	178,019
Operating income	23,477	30,982	28,944	29,186
Net income	11,398	16,381	16,238	12,732
Net income per share:				
Basic	$ 0.28	$ 0.40	$ 0.39	$ 0.31
Diluted	$ 0.28	$ 0.39	$ 0.39	$ 0.30

	Quarters Ended			
	March 27, 1999	June 26, 1999	September 25, 1999	December 25, 1999
Net Sales	$ 536,561	$ 559,438	$ 578,591	$ 609,954
Gross profit	144,243	152,962	152,083	159,308
Operating income	21,445	26,778	26,519	31,023
Net income	9,913	13,337	11,523	15,539
Net income per share:				
Basic	$ 0.25	$ 0.33	$ 0.28	$ 0.38
Diluted	$ 0.24	$ 0.32	$ 0.28	$ 0.38

The Company's business is subject to seasonal and other quarterly influences. Net sales and operating profits are generally higher in the fourth quarter due to timing of sales of software and equipment, year-end promotions and purchasing patterns of office-based healthcare practitioners and are generally lower in the first quarter due primarily to the increased purchases in the prior quarter. Quarterly results also may be materially affected by a variety of other factors, including the timing of acquisitions and related costs, the release of software enhancements, timing of purchases, special promotional campaigns, fluctuations in exchange rates associated with international operations and adverse weather conditions. In the fourth quarter of 2000, the Company recorded non-recurring losses on business disposals relating to the sale of certain practice management software systems and sale of its 50% interest in dental anesthetic manufacturer, HS Pharmaceutical of approximately $1,600 and $1,900, respectively. Restructuring charges of approximately $5,400 and $9,100 were recorded in the third and fourth quarter of 2000, respectively. Merger and integration charges of $600, $2,200, $5,300 and $6,300 were recorded in the first quarter of 2000 and the first, second and third quarters of 1999, respectively.

To conform to the fourth quarter and full year presentation, certain amounts recorded in the first, second and third quarters of 2000 and all quarters in 1999 have been reclassified as described in Note 1. Diluted earnings per share calculations for each quarter include the effect of stock options, when dilutive to the quarter's average number of shares outstanding for each period, and therefore the sum of the quarters may not necessarily be equal to the full year earnings per share amount.

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

None.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

The information set forth under the caption "Executive Officers of the Registrant" in Part I of this Annual Report on Form 10-K and the information set forth under the caption "Election of Directors" in the Company's definitive 2001 Proxy Statement to be filed pursuant to Regulation 14A is incorporated herein by reference.

ITEM 11. Executive Compensation

The information required by this item is hereby incorporated by reference from the Company's definitive 2001 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management

The information required by this item is hereby incorporated by reference from the Company's definitive 2001 Proxy Statement to be filed pursuant to Regulation 14A.

ITEM 13. Certain Relationships and Related Transactions

The information required by this item is hereby incorporated by reference from the Company's definitive 2001 Proxy Statement to be filed pursuant to Regulation 14A.

PART IV

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

(a) 1. Financial Statements
The Consolidated Financial Statements of the Company filed as a part of this report are listed on the index on page 30.

2. Financial Statement Schedules
Schedule II
No other schedules are required.

3. Exhibits

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

(b) Reports on Form 8-K
None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Melville, State of New York, on March 28, 2001.

Henry Schein, Inc.

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

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

Signature	Capacity	Date
/s/ STANLEY BERGMAN Stanley M. Bergman	Chairman, Chief Executive Officer, President and Director (principal executive officer)	March 28, 2001
/s/ STEVEN PALADINO Steven Paladino	Executive Vice President, Chief Financial Officer and Director (principal financial and accounting officer)	March 28, 2001
/s/ JAMES P. BRESLAWSKI James P. Breslawski	Director	March 28, 2001
/s/ GERALD A. BENJAMIN Gerald A. Benjamin	Director	March 28, 2001
/s/ LEONARD A. DAVID Leonard A. David	Director	March 28, 2001
/s/ MARK. E. MLOTEK Mark E. Mlotek	Director	March 28, 2001
/s/ BARRY ALPERIN Barry Alperin	Director	March 28, 2001
/s/ PAMELA JOSEPH Pamela Joseph	Director	March 28, 2001
/s/ DONALD J. KABAT Donald J. Kabat	Director	March 28, 2001
/s/ MARVIN H. SCHEIN Marvin H. Schein	Director	March 28, 2001
/s/ IRVING SHAFRAN Irving Shafran	Director	March 28, 2001

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

The audits referred to in our report dated March 1, 2001 relating to the consolidated financial statements of Henry Schein, Inc. and subsidiaries, which is contained in ITEM 8 of the Form 10-K included the audit of the financial statement schedule listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based upon our audits.

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

BDO SEIDMAN, LLP

March 1, 2001
New York, New York

Schedule II
Valuation and Qualifying Accounts

Column A	Column B	Column C	Column D
		Add	
Description	Balance at beginning of Period	Charged to costs and expenses	Deductions
Year ended December 26, 1998:			
Allowance for doubtful accounts............	$ 9,469	$ 4,326	$ (588)
Other accounts receivable allowances (1)...	5,453	2,955	(1,479)
	$ 14,922	$ 7,281	$ (2,067)
Year ended December 25, 1999:			
Allowance for doubtful accounts............	$ 13,207	$ 4,861	$ (5,268)
Other accounts receivable allowances (1)...	6,929	1,127	(465)
	$ 20,136	$ 5,988	$ (5,733)
Year ended December 30, 2000:			
Allowance for doubtful accounts............	$ 12,800	$ 10,065	$ (4,834)
Other accounts receivable allowances (1)...	7,591	2,095	(161)
	$ 20,391	$ 12,160	$ (4,995)

Column A	Column E
Description	Balance at end of period
Year ended December 26, 1998:	
Allowance for doubtful accounts............	$ 13,207
Other accounts receivable allowances (1)...	6,929
	$ 20,136
Year ended December 25, 1999:	
Allowance for doubtful accounts............	$ 12,800
Other accounts receivable allowances (1)...	7,591
	$ 20,391
Year ended December 30, 2000:	
Allowance for doubtful accounts............	$ 18,031
Other accounts receivable allowances (1)...	9,525
	$ 27,556

(1) Primarily allowance for sales returns.

Exhibit No.	Description	Page No.

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

3.1	Form of Amended and Restated Articles of Incorporation.	
3.2	Amendments dated November 12, 1997 to Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to HSI's Annual Report on Form 10-K for the fiscal year ended December 27, 1997).	
3.3	Amendment dated June 16, 1998 to Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.3 to Henry Schein, Inc.'s Registration on Form S-3, Reg. No. 333-59793).	
3.4	Form of By-laws.	
3.5	Amendments to Amended and Restated By-laws adopted July 15, 1997.(Incorporated by reference to Exhibit 3.3 to Henry Schein, Inc.'s Registration Statement on Form S-4, Reg. No. 33-36081).	
10.1	Amended and Restated HSI Agreement (the "HSI Agreement"), effective as of February 16, 1994, among the Company, Marvin H. Schein, the Trust established by Marvin H. Schein under Trust Agreement dated September 9, 1994, the Charitable Trust established by Marvin H. Schein under Trust Agreement dated September 12, 1994, the Estate of Jacob M. Schein, the Trusts established by Articles Third and Fourth of the Will of Jacob M. Schein, the Trust established by Pamela Joseph under Trust Agreement dated February 9, 1994, the Trust established by Martin Sperber under Trust Agreement dated September 19, 1994, the Trust established by Stanley M. Bergman under Trust Agreement dated September 15, 1994, Pamela Schein, Pamela Joseph, Martin Sperber, Stanley M. Bergman, Steven Paladino and James P. Breslawski (collectively, the "HSI Parties").	
10.2	HSI Registration Rights Agreement dated September 30, 1994, among the Company, Pamela Schein, the Trust established by Pamela Joseph under Trust Agreement dated February 9, 1994, Marvin H. Schein, the Trust established by Marvin H. Schein under Trust Agreement dated December 31, 1993, the Trust established by Marvin H. Schein under Trust Agreement dated September 19, 1994, the Charitable Trust established by Marvin H. Schein under Trust Agreement dated September 12, 1994, Martin Sperber, the Trust established by Martin Sperber under Trust Agreement dated September 19, 1994, Stanley M. Bergman and the Trust.	
10.3	Letter Agreement dated September 30, 1994 to the Company from Marvin H. Schein, Pamela Joseph, and Pamela Schein.	
10.4	Release to the HSI Agreement dated September 30, 1994.	
10.5	Separation Agreement dated as of September 30, 1994 by and between the Company, Schein Pharmaceutical, Inc. and Schein Holdings, Inc.	

Exhibit No.	Description	Page No.
10.6	Restructuring Agreement dated September 30, 1994 among Schein Holdings, Inc., the Company, the Estate of Jacob M. Schein, Marvin H. Schein, the Trust established by Marvin H. Schein under Trust Agreement dated December 31, 1993, the Trust established by Marvin H. Schein under Trust Agreement dated September 9, 1994, the Charitable Trust established by Marvin H. Schein under Trust Agreement dated September 12, 1994, Pamela Schein, Pamela Joseph, the Trust established by Pamela Joseph under Trust Agreement dated February 9, 1994; the Trusts under Articles Third and Fourth of the Will of Jacob M. Schein; Stanley M. Bergman, the Trust established by Stanley M. Bergman under Trust Agreement dated September 15, 1994, Martin Sperber, the Trust established by Martin Sperber under Trust Agreement dated December 31, 1993, and the Trust established by Martin Sperber under Trust Agreement dated September 19, 1994.	
10.7	Agreement and Plan of Corporate Separation and Reorganization dated as of September 30, 1994 among Schein Holdings, Inc., the Company, the Estate of Jacob M. Schein, Marvin H. Schein, the Trust established by Marvin H. Schein under Trust Agreement dated December 31, 1993, the Trust established by Marvin H. Schein under Trust Agreement dated September 9, 1994, the Charitable Trust established by Marvin H. Schein under Trust Agreement dated September 12, 1994, Pamela Schein, the Trust established Article Fourth of the Will of Jacob M. Schein for the benefit of Pamela Schein and her issue under Trust Agreement dated September 29, 1994, Pamela Joseph, the Trust established by Pamela Joseph under Trust Agreement dated February 9, 1994, the Trust established by Pamela Joseph under Trust Agreement dated September 28, 1994 and the Trusts under Articles Third and Fourth of the Will of Jacob M. Schein.	
10.8	Henry Schein, Inc. 1994 Stock Option Plan, as amended and restated effective as of April 6, 1999.(t)**	
10.9	Henry Schein, Inc. Amendment and Restatement of the Supplemental Executive Retirement Plan. **	
10.11	Consulting Agreement dated September 30, 1994 between the Company and Marvin H. Schein.**	
10.13	Amended and Restated Stock Issuance Agreement dated as of December 24, 1992 between the Company and Stanley M. Bergman.**	
10.14	Stock Issuance Agreements dated December 27, 1994 between the Company and various executive officers.**	

Exhibit No.	Description	Page No.
10.15	Form of Henry Schein, Inc. Non-Employee Director Stock Option Plan.**	
10.16	Amended Credit Agreement dated December 15, 1995 among the Company, The Chase Manhattan Bank, N.A., Cooperatieve Centrale Raiffeisen Boerenleenbank, B.A. , New York Branch, Natwest Bank, "Rabobank Nederland", N.A.and European American Bank (Incorporated by reference to the Company's Registration Statement on Form S-1 (Commission File No. 33-96528)).	
10.17	First Amendment to the Amended Credit Agreement dated December 15, 1995 among the Company, The Chase Manhattan Bank, N.A., Natwest Bank, N.A., Rabobank Nederland, and European American Bank.	
10.18	Amendments to the Company's 1994 Stock Option Plan effective as of July 15, 1997.	
10.19	Revolving Credit Agreement (the ("Credit Agreement") dated as of January 31, 1997 among the Company, The Chase Manhattan Bank, Fleet Bank, N.A., Cooperative Centrale Raiffeisen Boerenleenbank, B.A., "Rabobank Nederland", New York Branch and European American Bank (Incorporated by reference to Exhibit 10.20 to the Company's Registration Statement on Form S-1 Commission File No. 33-96528)).	
10.20	Employment Agreement dated March 7, 1997, between Bruce J. Haber and the Company (Incorporated by reference to the Company's Registration Statement on Form S-4 (Registration No. 333-30615)).	
10.21	Termination of Employment Agreement, dated March 7, 1997 as revised, between Bruce J. Haber and the Company (Incorporated by reference to Exhibit 10.92 to the Company's Registration Statement on Form S-4 (Registration No. 333-30615)).	
10.22	Amendment dated as of June 30, 1997 to Credit Agreement (Incorporated by reference to Exhibit 10.103 to the Company's Registration Statement on Form S-4 (Commission File No. 333-36081)).	
10.23	Amendment No. 2 and Supplement to Revolving Credit Agreement, dated August 15, 1997 (Incorporated by reference to Exhibit 10.104 to the Company's Registration Statement on Form S-4 (Commission File No. 333-36081)).	
10.24	Lease Agreement dated December 23, 1997, between First Industrial Pennsylvania, L.P. and the Company (Incorporated by reference to Exhibit 10.103 to the Company's 1998 Annual Report on Form 10K).	
10.25	Amendment dated as of May 15, 1998 to Credit Agreement (Incorporated by reference to Exhibit 10.108 to the Company's Quarterly Report on Form 10Q for the quarter ended June 27, 1998).	
10.26	Henry Schein Inc., Senior Executive Group 2001 Performance Incentive Plan Summary. (t)**	
10.27	Stock Purchase Agreement by and among the Company, New River Management Company, L.L.C., Chiron Corporation and Biological & Popular Culture Inc., dated as of December 8, 1998 (Incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K dated December 31, 1998).	

Exhibit No.	Description	Page No.
10.28	Amendment No. 1, dated as of December 30, 1998, to the Stock Purchase Agreement by and among the Company, New River Management Company, L.L.C., Chiron Corporation and Biological & Popular Culture Inc., dated as of December 8, 1998. (Incorporated by reference to Exhibit 2.2 to the Company's Current Report on Form 8-K dated December 31, 1998).	
10.29	Rights Agreement dated as of November 30, 1998, between the Company, and Continental Stock Transfer and Trust Co. (Incorporated by reference to Exhibit to the Company's Current Report on Form 8-K, dated November 30, 1998).	
10.30	Form of the Note Purchase Agreements between the Company and the Purchasers listed on Schedule A thereto relating to an aggregate of $130,000,000 in principal amount of the Company's 6.94% Senior Notes due June 30, 2009 (Incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 26, 1999).	
10.31	Form of Agreements dated January1, 2000 between the Company and Gerald Benjamin, James Breslawski, Leonard David, Mark Mlotek, Steven Paladino, and Michael Zack, respectively. **	
10.32	Employment Agreement dated as of January 1,2000 between the Company and Stanley M. Bergman. **	
10.33	Form of Change in Control Agreements dated January 1, 2000 between the Company and Diane Forrest, Larry Gibson, and Michael Racioppi, respectively. **	
21.1	List of Subsidiaries of the Company.	
22.1	Consent of BDO Seidman, LLP(t)	

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(t) Filed herewith

**Indicates management contract or compensatory plan or agreement

HENRY SCHEIN, INC.

1994 STOCK OPTION PLAN

As Amended and Restated Effective as of May 26, 1999

1. Purposes of the Plan

The purposes of this Henry Schein, Inc. 1994 Stock Option Plan, as amended and restated effective as of May 26, 1999, are to enable Henry Schein, Inc. and its Subsidiaries (as defined herein) to attract, retain and motivate the key executives and consultants who are important to the success and growth of the business of HSI and to create a long-term mutuality of interest between the Key Employees and Consultants (each as defined herein) and the stockholders of HSI by granting the Key Employees and Consultants options (which, in the case of Key Employees, may be either incentive stock options (as defined herein) or non-qualified stock options and, in the case of Consultants, shall be non-qualified options) to purchase HSI Common Stock (as defined herein).

2. Definitions

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

(b) "Act" means the Securities Exchange Act of 1934.

(c) "Board" means the Board of Directors of HSI.

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

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

(f) "Class A Option" means an Option evidenced by a Class A Option Agreement.

(g) "Class A Option Agreement" has the meaning set forth in Section 6(a).

(h) "Class B Option" means an Option evidenced by a Class B Option Agreement.

(i) "Class B Option Agreement" has the meaning set forth in Section 6(a).

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

(k) "Committee" means such committee, if any, appointed by the Board to administer the Plan, consisting of two or more directors as may be appointed from time to time by the Board, each of whom shall qualify as a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Act and as an "outside director" as defined under Section 162(m) of the Code. If the Board does not appoint a committee for this purpose, "Committee" means the Board.

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

(m) "Company" means HSI and its Subsidiaries, any of whose employees or consultants are Participants in the Plan.

(n) "Consultant" means any individual (or any wholly-owned corporate alter ego of any individual) who provides key bona fide consulting or advisory services to the Company, as determined by the Committee, which services are not in connection with the offer and sale of securities in a capital-raising transaction.

(o) "Corporate Transaction" has the meaning set forth in Section 6(f)(i).

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

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

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

> (i) If the Common Stock is listed or admitted to trading on such date on a national securities exchange or quoted through the National Association of Securities Dealers' Automated Quotation ("NASDAQ") National Market System, the closing sales price of a Share as reported on the relevant composite transaction tape, if applicable, or on the principal such exchange (determined by trading value in the Common Stock) or through the National Market System, as the case may be, on such date, or in the absence of reported sales on such day, the mean between the reported bid and asked prices reported on such composite transaction tape or exchange or through the National Market System, as the case may be, on such date; or
>
> (ii) If the Common Stock is not listed or quoted as described in the preceding clause, but bid and asked prices are quoted through NASDAQ, the mean between the bid and asked prices as quoted by the National Association of Securities Dealers through NASDAQ on such date; or
>
> (iii) If the Common Stock is not listed or quoted on a national securities exchange or through NASDAQ or, if pursuant to (i) and (ii) above the Fair Market Value is to be determined based upon the mean of the bid and asked prices and the Committee determines that such mean does not properly reflect the Fair Market Value, by such other method as the Committee determines to be reasonable and consistent with applicable law; or

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

(s) "Family Member" means, with respect to any Participant, any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, trusts for the exclusive benefit of such individuals, and any other entity owned solely by such individuals.

(t) "HSI" means Henry Schein, Inc.

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

(v) "HSI Closing" means the closing of the HSI Public Offering.

(w) "HSI Public Offering" means an initial public offering of shares of HSI Common Stock at a Market Capitalization which is not less than the Minimum Market Capitalization then in effect and as a result of which at least 20% of the common equity of HSI will be publicly held by at least 300 holders and such shares of HSI Common Stock will be listed or admitted to trading on the New York Stock Exchange or the American Stock Exchange or quoted on The NASDAQ National Market or is on such terms and conditions as are approved by Marvin Schein prior to the effective date thereof.

(x) "Incentive Stock Option" means any Option which is intended to qualify as an "incentive stock option" as defined in Section 422 of the Code.

(y) "Incumbent Board" has the meaning set forth in Section 6(f)(ii).

(z) "Key Employee" means any person who is an executive officer or other valuable staff, managerial, professional or technical employee of the Company, as determined by the Committee, including those individuals described in Section 5(d)(iv). A Key Employee may, but need not, be an officer or director (with the exception of a non-employee director) of the Company.

(aa) "Market Capitalization" means (i) the per share initial pubic offering price, multiplied by (ii) the number of shares outstanding immediately prior to the HSI Closing less the aggregate number of shares issued pursuant to the 1994 Stock Purchase Agreement between HSI and the HSI Employee Stock Ownership Plan (the "HSI ESOP") or held by the HSI ESOP which are outstanding on such date.

(bb) "Minimum Market Capitalization" means $48,000,000 on August 15, 1992, which amount shall increase on each day thereafter as follows:

From August 15, 1992 until the 1st anniversary thereof: $15,123 per day;

From the 1st anniversary thereof until the 2nd anniversary thereof: $16,862 per day;

From the 2nd anniversary thereof until the 3rd anniversary thereof: $18,802 per day;

From the 3rd anniversary thereof until the 4th anniversary thereof: $20,964 per day;

From the 4th anniversary thereof until the 5th anniversary thereof: $23,375 per day;

From the 5th anniversary thereof until the 6th anniversary thereof: $26,063 per day;

From the 6th anniversary thereof until the 7th anniversary thereof: $29,060 per day; and

Thereafter: $32,402 per day.

(cc) "Option" means the right to purchase one Share at a prescribed purchase price on the terms specified in the Plan. An Option may be an Incentive Stock Option or a non-qualified option.

(dd) "Option Agreement" means a Class A Option Agreement or Class B Option Agreement.

(ee) "Outstanding HSI Voting Securities" has the meaning set forth in section 6(f)(i).

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

(gg) "Plan" means the Henry Schein, Inc. 1994 Stock Option Plan.

(hh) "Participant" means a Key Employee or Consultant of the Company who is granted Options under the Plan.

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

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

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

(ll) "Subsidiary" means any "subsidiary corporation" within the meaning of Section 424(f) of the Code. An entity shall be deemed a Subsidiary of HSI only for such periods as the requisite ownership relationship is maintained.

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

(nn) "Termination of Employment" means termination of the relationship with HSI and its Subsidiaries so that an individual is no longer an employee or director of HSI or any of its Subsidiaries. In the event an entity shall cease to be a Subsidiary of HSI, any individual who is not otherwise an employee of HSI or another Subsidiary of HSI shall incur a Termination of Employment at the time the entity ceases to be a Subsidiary. A Termination of Employment shall not include a leave of absence approved for purposes of the Plan by the Committee.

(oo) "Termination of Consultancy" means termination of the relationship with HSI and its Subsidiaries so that an individual is no longer a Consultant of HSI or any of its Subsidiaries. In the event an entity shall cease to be a Subsidiary of HSI, any individual who is not otherwise a Consultant of HSI or another Subsidiary of HSI shall incur a Termination of Consultancy at the time the entity ceases to be a Subsidiary; provided, that if a Consultant becomes a Key Employee upon his Termination of Consultancy, the Committee, in its sole discretion, may determine that no Termination of Consultancy shall be deemed to occur until such later time as such Consultant ceases to be either a Key Employee or a Consultant. A Termination of Consultancy shall not include a leave of absence approved for purposes of the Plan by the Committee.

3. Effective Date/Expiration of Plan

The Plan became as originally adopted effective as of September 30, 1994 (the "Effective Date"), and is amended and restated in the form set forth herein effective as of May 26, 1999. Grants of Options under the Plan may be made on and after the Effective Date. No Option shall be granted under the Plan on or after the tenth anniversary of the Effective Date, but Options previously granted may extend beyond that date.

4. Administration

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

(b) Advisors. The Committee may designate the Secretary of HSI, other employees of the Company or competent professional advisors to assist the Committee in the administration of the Plan, and may grant authority to such persons to execute Option Agreements (as defined herein) or other documents on behalf of the Committee; provided, that no Consultant may execute any option agreement granting options to such Consultant. The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan, and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent. Expenses incurred by the Committee in the engagement of such counsel, consultant or agent shall be paid by the Company.

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

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

5. Shares; Adjustment Upon Certain Events

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

(b) Number of Shares. Subject to adjustment as provided in this Section 5, the maximum aggregate number of Shares that may be issued under the Plan shall be 5,179,635 shares of Common Stock of which a maximum of 237,897 of such Shares shall be covered by Class A Options and the balance of such Shares shall be covered by Class B Options. If Options are for any reason canceled, or expire or terminate unexercised, the Shares covered by such Options shall again be available for the grant of Options, subject to the foregoing limit, provided that the number of shares covered by Class A Options shall be reduced by that number of Class A Options that are cancelled, expire or are terminated.

(c) Individual Participant Limitations. The maximum number of Shares subject to any Option which may be granted under this Plan to each Participant on or after the HSI Public Offering shall not exceed 100,000 Shares (subject to any adjustment pursuant to Section 5(d)) during each fiscal year of HSI during the entire term of the Plan. To the extent that Shares for which Options are permitted to be granted to a Participant pursuant to Section 5(c) during a fiscal year are not covered by a grant of an Option to a Participant issued in such fiscal year, such Shares shall automatically increase the number of Shares available for grant of Options to such Participant in the subsequent fiscal year during the term of the Plan.

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

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

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

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

(iv) Subject to Sections 5(b) and (c), the Committee may grant Options under the Plan in substitution for options held by employees or consultants of another corporation who concurrently become employees or consultants of the Company as the result of a merger or consolidation of the employing or engaging corporation with the Company, or as the result of the acquisition by the Company of property or stock of the employing or engaging corporation. The Company may direct that substitute awards be granted on such terms and conditions as the Committee considers appropriate in the circumstances.

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

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

6. Awards and Terms of Options

(a) Grant. The Committee may grant Options, including, in the case of grants to Key Employees, Options intended to be Incentive Stock Options, to Key Employees and Consultants of the Company. Each Option shall be evidenced by a Class A Option agreement ("Class A Option Agreement") or Class B Option agreement ("Class B Option Agreement"), as applicable, in substantially the form attached hereto as Exhibit 1 and Exhibit 2, respectively.

(b) Exercise Price. The Purchase Price deliverable upon the exercise of an Option shall be determined by the Committee, subject to the following: (i) in the case of Class A Options (A) prior to the HSI Public Offering, the Purchase Price shall not be less than $416.67 per Share, and (B) on or after the HSI Public Offering, the Purchase Price shall not be less than the Fair Market Value per Share on the date the Option is granted, and (ii) in the case of Class B Options or Incentive Stock Options, the Purchase Price shall not be less than 100% (110% for an Incentive Stock Option granted to a Substantial Stockholder) of the Fair Market Value per Share on the date the Class B Option or Incentive Stock Option is granted.

(c) Number of Shares. The Option Agreement shall specify the number of Options granted to the Participant, as determined by the Committee in its sole discretion, subject to Section 5(c) hereof.

(d) Exercisability. At the time of grant, the Committee shall specify when and on what terms the Options granted shall be exercisable. In the case of Options not immediately exercisable in full, the Committee may at any time accelerate the time at which all or any part of the Options may be exercised and may waive any other conditions to exercise, subject to the terms of the Option Agreement and the Plan, and provided that the Committee may not accelerate the exercise date prior to the HSI Closing. No Option shall be exercisable after the expiration of ten (10) years from the date of grant (five (5) years in the case of an Incentive Stock Option granted to a Substantial Stockholder). Each Option shall be subject to earlier termination as provided in Section 7 below.

(e) Special Rule for Incentive Options. If required by Section 422 of the Code, to the extent the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by a Key Employee during any calendar year (under all plans of his or her employer corporation and its parent and subsidiary corporations) exceeds $100,000, such Options shall not be treated as Incentive Stock Options. Nothing in this special rule shall be construed as limiting the exercisability of any Option, unless the Committee expressly provides for such a limitation at time of grant.

(f) Acceleration of Exercisability on Change of Control. Upon a Change of Control (as defined herein) of HSI all Options theretofore granted and not previously exercisable shall become fully exercisable. For this purpose, a "Change of Control" shall be deemed to have occurred upon:

(i) an acquisition by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 20% or more of either (A) the then outstanding Shares or (B) the combined voting power of the then outstanding voting securities of HSI entitled to vote generally in the election of directors (the "Outstanding HSI Voting Securities"); excluding, however, the following: (w) any acquisition directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (x) any acquisition by the Company, (y) any acquisition by an employee benefit plan (or related trust) sponsored or maintained by the Company or (z) any acquisition by any corporation pursuant to a reorganization, merger, consolidation or similar corporate transaction (in each case, a "Corporate Transaction"), if, pursuant to such Corporate Transaction, the conditions described in clauses (A), (B) and (C) of paragraph (iii) of this Section 6 are satisfied; or

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

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

Board will constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction; or

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

(g) Exercise of Options.

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

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

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

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

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

7. Effect of Termination of Employment or Termination of Consultancy

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

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

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

(b) Cause or Voluntary Termination. Upon the Termination of Employment or Termination of Consultancy of a Participant for Cause (as defined herein) or by the Participant in violation of an agreement between the Participant and HSI or any of its Subsidiaries, or if it is discovered after such Termination of Employment or Termination of Consultancy that such Participant had engaged in conduct that would have justified a Termination of Employment or Termination of Consultancy for Cause, all outstanding Options shall immediately be canceled. Termination of Employment or Termination of Consultancy shall be deemed to be for "Cause" for purposes of this Section 7(b) if (i) the Participant shall have committed fraud or any felony in connection with the Participant's duties as an employee or consultant (as applicable) of HSI or any of its Subsidiaries, or willful misconduct or any act of disloyalty, dishonesty, fraud or breach of trust or confidentiality as to HSI or any of its Subsidiaries or the commission of any other act which causes or may reasonably be expected to cause economic or reputational injury to HSI or any of its Subsidiaries or (ii) such termination is or would be deemed to be for Cause under any employment or consulting agreement between HSI or any of its Subsidiaries and the Participant.

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

Termination of Employment or Termination of Consultancy, and provided further that no Options that were not exercisable during the period of employment shall thereafter become exercisable.

8. Nontransferability of Options

(a) Except as provided in Section 8(b), no Option shall be transferable by the Participant otherwise than by will or under applicable laws of descent and distribution, and during the lifetime of the Participant may be exercised only by the Participant or his or her guardian or legal representative. In addition, no Option shall be assigned, negotiated, pledged or hypothecated in any way (whether by operation of law or otherwise), and no Option shall be subject to execution, attachment or similar process. Upon any attempt to transfer, assign, negotiate, pledge or hypothecate any Option, or in the event of any levy upon any Option by reason of any execution, attachment or similar process contrary to the provisions hereof, such Option shall immediately become null and void.

(b) Notwithstanding the foregoing or any prohibition on transfer contained in any Option Agreement issued before May 26, 1999, a non-qualified Option may be transferred, in whole or in part, to a Family Member of the Participant by gift or domestic relations order unless, with respect to Options granted on or after May 26, 1999, the Participant's Option Agreement expressly limits or eliminates such transferability. Any Option so transferred may thereafter be transferred by the transferee to any other Family Member of the Participant, and may be exercised by any permitted transferee at such times and to such extent that such Option would have been exercisable by the Participant if no transfer had occurred.

9. Rights as a Stockholder

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

10. Determinations

Each determination, interpretation or other action made or taken pursuant to the provisions of this Plan by the Committee shall be final, conclusive and binding for all purposes and upon all persons, including, without limitation, the Participants, HSI and its Subsidiaries, directors, officers and other employees of HSI and its Subsidiaries, and the respective heirs, executors, administrators, personal representatives and other successors in interest of each of the foregoing.

11. Termination, Amendment and Modification

The Plan shall terminate at the close of business on the tenth anniversary of the Effective Date, unless terminated sooner as hereinafter provided, and no Option shall be granted under the Plan on or after that date. The termination of the Plan shall not terminate any outstanding Options which by their terms continue beyond the termination date of the Plan. At any time prior to the tenth anniversary of the Effective Date, the Board or the Committee may amend or terminate the Plan or suspend the Plan in whole or in part. Notwithstanding the foregoing, however, no such amendment may, without the approval of the stockholders of HSI, (i) increase the total number of Shares which may be acquired upon exercise of Options granted under the Plan; (ii) change the types of employees, consultants or other advisors eligible to be Participants under the Plan; (iii) effect any change that would require stockholder approval under Rule 16b-3 (or any successor provision) promulgated under the Act; (iv) effect any change that would require stockholder approval under Section 162(m) of the Code; or (v) reduce the Purchase Price of any outstanding Options to an amount less than 100% of the Fair Market Value per share on the date of such amendment.

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

Notwithstanding anything to the contrary contained in this Section 11, (i) no termination, amendment or modification of the Plan may, without the consent of the Participant or the transferee of such Participant's Option, alter or impair the rights and obligations arising under any then outstanding Option, and (ii) neither the Board nor the Committee may make any determination or interpretation or take any other action which would cause any member of the Committee to cease to be a "disinterested person" with regard to the Plan for purposes of Rule 16b-3 under the Act or an "outside director" with regard to the Plan as defined under Code Section 162(m).

No Options may be granted hereunder and all outstanding Options shall terminate on January 1, 2000 if the HSI Closing has not occurred by such date.

12. Non-Exclusivity

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

13. Use of Proceeds

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

14. General Provisions

(a) Right to Terminate Employment or Consultancy. Neither the adoption of the Plan nor the grant of Options shall impose any obligations on the Company to continue the employment or engagement as a consultant of any Participant, nor shall it impose any obligation on the part of any Participant to remain in the employ of the Company, subject however to the provisions of any agreement between the Company and the Participant.

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

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

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

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

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

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

(h) Controlling Law. The Plan shall be construed and enforced according to the laws of the State of New York.

15. Issuance of Stock Certificates; Legends and Payment of Expenses

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

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

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

16. Listing of Shares and Related Matters

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

17. Withholding Taxes

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

Upon the disposition of Shares acquired pursuant to the exercise of an Incentive Stock Option, HSI shall have the right to require the payment of the amount of any taxes which are required by law to be withheld with respect to such disposition.

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

18. Section 16(b) of the Act

All elections and transactions under the Plan by persons subject to Section 16 of the Act involving Shares are intended to comply with all exemptive conditions under Rule 16b-3. The Committee may establish and adopt written administrative guidelines, designed to facilitate compliance with Section 16(b) of the Act, as it may deem necessary or proper for the administration and operation of the Plan and the transaction of business thereunder.

HENRY SCHEIN, INC.

1994 STOCK OPTION PLAN

As Amended and Restated Effective as of May 26, 1999

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HIGHLY CONFIDENTIAL
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Henry Schein, Inc.

Management Team

2001 Performance Incentive Plan

Plan Summary

1. Introduction

The Performance Incentive Plan ("PIP," or the "Plan") is Henry Schein's incentive-based cash compensation program for its management team. The Plan, formerly limited to senior executives, has been expanded in its coverage to now include the entire management team of directors and above. It has also been redesigned and enhanced to bind all participants together in a concerted effort to drive our business toward achieving common objectives that benefit the Company as a whole, the management team and each participant. The Plan is specifically designed to:

Provide each participating management team member ("Participant") with an annual cash bonus opportunity;

Foster achievement of specific corporate, business unit and individual performance goals ("Goals");

Recognize and reward Participants for individual and management team achievements; and

Reward each Participant with a cash Super Bonus, if measurable Company profitability Goals are exceeded.

The PIP cash bonus award, in conjunction with a Participant's base compensation, is intended to provide Participants with competitive total annual cash compensation that is at or above the median for comparable positions at companies in our industry and at other organizations of our size.

2. Eligibility

The Chief Executive Officer ("CEO") annually determines eligibility for participation in the Plan. Participation is intended to be ongoing. However, changes in assignments may result in a Participant's being ineligible to participate in the Plan. Team Schein Members will be notified at the beginning of each year regarding their eligibility to participate in the Plan.

3. PIP Awards

PIP awards are based on:

The Company's quarterly and annual profitability, specifically measured against earnings per share ("EPS"), net income or other predetermined profitability Goals;

The Company's achievement of other quarterly and annual corporate financial and operating Goals;

The level of achievement of the Participant's business unit or functional area of its financial and other performance Goals; and

Each Participant's achievement of his or her individual Goals.

4. Individual Performance Goals

A Participant's individual performance Goals are classified into three categories:

Company financial performance,

Functional area financial performance, and

MBO performance.

The Company Financial Performance Goals are determined for each quarter and for the year as a whole, with each quarterly Goal and the total annual Goal representing, on a stand alone basis, 20% of each Participant's target for the Company Financial Performance component of his or her program. The Functional Financial Performance Goal and the MBO Performance Goal evaluation and analysis will be on an annual basis. The PIP award payouts and the Super Bonus award payouts corresponding to levels of achievement of Company Financial Performance Goals are set forth on Exhibits A1 - A5. The PIP award payouts for meeting or exceeding Functional Area Financial Goals and each Participant's individualized MBO Performance Goals are set forth on Exhibits B and C, respectively.

The CEO and the person to whom the Participant reports ("Manager") will determine the Participant's Goals at the start of each year. A review of these Goals will be an ongoing process. Any changes during the year must be approved by the Manager and, if appropriate, by the CEO. Each Participant and his or her Manager are encouraged to have performance evaluations during the year to monitor progress and, if necessary, to modify Goals (with the approval of the CEO, if appropriate) for the balance of the year.

The following table illustrates performance Goals for different types of management positions:

Performance Goals Based on Position and Role

Management Segment	Range of Performance Goal Categories		
	Functional Financial Performance	Company Financial Performance	MBO Performance
Corporate Management Participants (e.g. Finance, Supply Chain TSM's, etc)	20% - 40%	15% - 60%	20% - 40%
Major Business Unit Participants (e.g. Dental Group, Medical Group, Veterinary Group TSM's, etc.)	50% - 60%	15% - 30%	20% - 30%
Supporting Corporate Function Participants (e.g. Legal Department, Human Resources Department TSM's, etc.)	20% - 30%	15% - 30%	40% - 50%

Note: This schedule is intended to provide guidelines for development of a specific performance plan for each Participant. Final weighting of performance Goals for each Participant will be determined by the Participant's Manager and, if appropriate, approved by the CEO.

5. Company Financial Performance Goals

Company net income goals will be set for the entire Management Team on a quarterly and annual EPS basis. These are internally developed EPS base Goals as determined by the executive management team. Other metrics to be used as part of the Company's financial performance Goals formula may include pre-tax profits, gross profit improvement from previous periods, etc.

See Exhibits A1 - A5 for PIP award payouts for achieving Company Financial Performance Goals.

6. Functional Area Financial Performance Goals

For Participants managing areas that impact a P&L, these Goals are based on the business unit's financial performance measured against annual financial budgets, in the following areas:

Group/Divisional contribution dollars.

Group/Divisional Pre-Tax income after "service charges."

Group/Divisional net income Goals.

Pre-Tax Income of operating subsidiaries -- sales, gross profit and operating income Goals.

For Participants with infrastructure or supporting responsibilities, these Goals are based on expense performance relative to the budget (after adjustment for volume of business, if appropriate).

See Exhibit B for PIP award payouts for achieving and exceeding Functional Area Financial Goals.

7. MBO Performance Goals

Specific, measurable MBO Performance Goals will be developed for each Participant. These MBO Performance Goals should drive toward and support four enterprise-wide initiatives: Profitability; Process Excellence; Customer Orientation and Strategic Planning.

|_| Profitability - e.g., reduce expenses as a percent of sales; increase business unit sales; reduce inventory.

|_| Process Excellence - e.g., implement a new policy; reduce dockside receiving-to-shelf time; reduce DSO's; increase inventory turns.

|_| Customer Orientation - e.g., increase frequency of salesperson to customer contacts; implement project to develop TSR screen to aid in positive customer interactions; support internal customer by completing all recruits within a reasonable, predetermined time period; develop detailed script and training to improve phone contacts with customers.

|_| Strategic Planning - e.g., design and implement a professional self-development plan; benchmark Participant's unit against similar companies' functions.

See Exhibit C for PIP award payouts for achieving and exceeding MBO Performance Goals.

8. Acquisitions, New Business Ventures

Goals will be adjusted for acquisitions and new business ventures that are not initially considered in developing the original Company target, unless otherwise determined by the CEO and the Chief Financial Officer ("CFO"). If this occurs, it will be timely communicated to the Participant and his or her Manager.

9. The Super Bonus

HSI's enhanced PIP program also includes a Super Bonus opportunity.

If the Company as a whole exceeds its quarterly and annual internal EPS base Goals, each Participant has the opportunity to earn a Super Bonus of up to 200% of the Company Financial Performance component of his or her PIP award. See Exhibits A1 - A5 for Super Bonus award payouts for exceeding Company Financial Performance Goals.

10. Plan Awards

During the first fiscal quarter of each year, individual performance for the previous year is evaluated by quarter and annually (as appropriate) relative to Goals, and PIP and Super Bonus awards are determined for each performance category, as applicable. A Participant's total Plan award will equal the sum of the awards earned in each category for the previous year's performance.

In order to receive any PIP or Super Bonus award, Participants must be actively employed on March 15 of the year the Plan award is to be paid out. A prorated Plan award may be available, at the discretion of the CEO, if a Participant in the Plan dies, becomes permanently disabled, retires at the normal retirement age during the Plan year, or in other special circumstances.

PIP and Super Bonus awards, less applicable withholdings, will generally be made by the end of the first fiscal quarter of each year.

11. The PIP Fund

The annual PIP Fund consists of the total monies earned each year for Participants' PIP and Super Bonus awards for Goal achievement in the three performance categories.

This summary is a general description of the Henry Schein, Inc. Performance Incentive Plan for the Management Team as of January 1, 2001. This summary is not intended to, nor does it constitute, a contract or guarantee of continued employment. The Company reserves the right to change or terminate the Plan at any time without notice

EXHIBIT A1

Henry Schein, Inc.
Performance Incentive Plan
2001 Award Levels for Achievement of Company Financial Goals

A Participant's PIP award and Super Bonus award for achieving and exceeding Company Financial Performance Goals is based on HSI's actually achieved Earnings Per Share (EPS) measured against the internal EPS Base Goals determined by the executive management team.

The 2001 base annual EPS target is $1.93. The quarterly EPS targets are as follows: Q1 - $.31; Q2 - $.46; Q3 - $.55 and Q4 - $.61. These targets will be adjusted for acquisitions and new business ventures that are not initially considered in developing the original Company target unless otherwise determined by the CEO and CFO.

2001 Company Financial Goals and Resulting PIP Awards Q1 EPS GOALS	PIP AWARD PAYOUT	SUPER BONUS AWARD PAYOUT	TOTAL COMPOUNDED PAYOUT
$.41 and above	160%	200%	480.0%
$.40	154%	180%	431.2%
$.39	148%	160%	384.8%
$.38	142%	140%	340.8%
$.37	136%	120%	299.2%
$.36	130%	100%	260.0%
$.35	124%	80%	223.2%
$.34	118%	60%	188.8%
$.33	112%	40%	156.8%
$.32	106%	20%	127.2%
$.31	100%	0%	100%
$.30	75%	0%	75%
$.29	73%	0%	73%
$.28	71%	0%	71%
$.27	70%	0%	70%
$.26	68%	0%	68%
$.25	66%	0%	66%
$.24	65%	0%	65%
$.23	60%	0%	60%
$.22	52%	0%	52%
$.21	50%	0%	50%
Below $.21	0%	0%	0%

Achievement of lack of achievement of Goals beyond the ranges stated is discretionary.

The above quarterly Goals comprise 20% of each Participant's target for the Company Financial Performance Goal category.

EXHIBIT A2

Henry Schein, Inc.
Performance Incentive Plan
2001 Award Levels for Achievement of Company Financial Goals

A Participant's PIP award and Super Bonus award for achieving and exceeding Company Financial Performance Goals is based on HSI's actually achieved Earnings Per Share (EPS) measured against the internal EPS Base Goals determined by the executive management team.

The 2001 base annual EPS target is $1.93. The quarterly EPS targets are as follows: Q1 - $.31; Q2 - $.46; Q3 - $.55 and Q4 - $.61. These targets will be adjusted for acquisitions and new business ventures that are not initially considered in developing the original Company target unless otherwise determined by the CEO and CFO.

2001 Company Financial Goals and Resulting PIP Awards Q2 EPS GOALS	PIP AWARD PAYOUT	SUPER BONUS AWARD PAYOUT	TOTAL COMPOUNDED PAYOUT
$.56 and above	160%	200%	480.0%
$.55	154%	180%	431.2%
$.54	148%	160%	384.8%
$.53	142%	140%	340.8%
$.52	136%	120%	299.2%
$.51	130%	100%	260.0%
$.50	124%	80%	223.2%
$.49	118%	60%	188.8%
$.48	112%	40%	156.8%
$.47	106%	20%	127.2%
$.46	100%	0%	100%
$.45	75%	0%	75%
$.44	73%	0%	73%
$.43	71%	0%	71%
$.42	70%	0%	70%
$.41	68%	0%	68%
$.40	66%	0%	66%
$.39	65%	0%	65%
$.38	60%	0%	60%
$.37	52%	0%	52%
$.36	50%	0%	50%
Below $.36	0%	0%	0%

Achievement of lack of achievement of Goals beyond the ranges stated is discretionary.

The above quarterly Goals comprise 20% of each Participant's target for the Company Financial Performance Goal category.

EXHIBIT A3

Henry Schein, Inc.
Performance Incentive Plan
2001 Award Levels for Achievement of Company Financial Goals

A Participant's PIP award and Super Bonus award for achieving and exceeding Company Financial Performance Goals is based on HSI's actually achieved Earnings Per Share (EPS) measured against the internal EPS Base Goals determined by the executive management team.

The 2001 base annual EPS target is $1.93. The quarterly EPS targets are as follows: Q1 - $.31; Q2 - $.46; Q3 - $.55 and Q4 - $.61. These targets will be adjusted for acquisitions and new business ventures that are not initially considered in developing the original Company target unless otherwise determined by the CEO and CFO.

2001 Company Financial Goals and Resulting PIP Awards Q3 EPS GOALS	PIP AWARD PAYOUT	SUPER BONUS AWARD PAYOUT	TOTAL COMPOUNDED PAYOUT
$.65 and above	160%	200%	480.0%
$.64	154%	180%	431.2%
$.63	148%	160%	384.8%
$.62	142%	140%	340.8%
$.61	136%	120%	299.2%
$.60	130%	100%	260.0%
$.59	124%	80%	223.2%
$.58	118%	60%	188.8%
$.57	112%	40%	156.8%
$.56	106%	20%	127.2%
$.55	100%	0%	100%
$.54	75%	0%	75%
$.53	73%	0%	73%
$.52	71%	0%	71%
$.51	70%	0%	70%
$.50	68%	0%	68%
$.49	66%	0%	66%
$.48	65%	0%	65%
$.47	60%	0%	60%
$.46	52%	0%	52%
$.45	50%	0%	50%
Below $.45	0%	0%	0%

Achievement of lack of achievement of Goals beyond the ranges stated is discretionary.

The above quarterly Goals comprise 20% of each Participant's target for the Company Financial Performance Goal category.

EXHIBIT A4

Henry Schein, Inc.
Performance Incentive Plan
2001 Award Levels for Achievement of Company Financial Goals

A Participant's PIP award and Super Bonus award for achieving and exceeding Company Financial Performance Goals is based on HSI's actually achieved Earnings Per Share (EPS) measured against the internal EPS Base Goals determined by the executive management team.

The 2001 base annual EPS target is $x.xx. The quarterly EPS targets are as follows: Q1 - $.31; Q2 - $.46; Q3 - $.55 and Q4 - $.61. These targets will be adjusted for acquisitions and new business ventures that are not initially considered in developing the original Company target unless otherwise determined by the CEO and CFO.

2001 Company Financial Goals and Resulting PIP Awards Q4 EPS GOALS	PIP AWARD PAYOUT	SUPER BONUS AWARD PAYOUT	TOTAL COMPOUNDED PAYOUT
$.71 and above	160%	200%	480.0%
$.70	154%	180%	431.2%
$.69	148%	160%	384.8%
$.68	142%	140%	340.8%
$.67	136%	120%	299.2%
$.66	130%	100%	260.0%
$.65	124%	80%	223.2%
$.64	118%	60%	188.8%
$.63	112%	40%	156.8%
$.62	106%	20%	127.2%
$.61	100%	0%	100%
$.60	75%	0%	75%
$.59	73%	0%	73%
$.58	71%	0%	71%
$.57	70%	0%	70%
$.56	68%	0%	68%
$.55	66%	0%	66%
$.54	65%	0%	65%
$.53	60%	0%	60%
$.52	52%	0%	52%
$.51	50%	0%	50%
Below $.51	0%	0%	0%

Achievement of lack of achievement of Goals beyond the ranges stated is discretionary.

The above quarterly Goals comprise 20% of each Participant's target for the Company Financial Performance Goal category.

EXHIBIT A5

Henry Schein, Inc.
Performance Incentive Plan
2001 Award Levels for Achievement of Company Financial Goals

A Participant's PIP award and Super Bonus award for achieving and exceeding Company Financial Performance Goals is based on HSI's actually achieved Earnings Per Share (EPS) measured against the internal EPS Base Goals determined by the executive management team.

The 2001 base annual EPS target is $1.93. The quarterly EPS targets are as follows: Q1 - $.31; Q2 - $.46; Q3 - $.55 and Q4 - $.61. These targets will be adjusted for acquisitions and new business ventures that are not initially considered in developing the original Company target unless otherwise determined by the CEO and CFO.

2001 Company Financial Goals and Resulting PIP Awards Annual EPS Goals	PIP AWARD PAYOUT	SUPER BONUS AWARD PAYOUT	TOTAL COMPOUNDED PAYOUT
$2.03 and above	160%	200%	480.0%
$2.02	154%	180%	431.2%
$2.01	148%	160%	384.8%
$2.00	142%	140%	340.8%
$1.99	136%	120%	299.2%
$1.98	130%	100%	260.0%
$1.97	124%	80%	223.2%
$1.96	118%	60%	188.8%
$1.95	112%	40%	156.8%
$1.94	106%	20%	127.2%
$1.93	100%	0%	100%
$1.92	75%	0%	75%
$1.91	73%	0%	73%
$1.90	71%	0%	71%
$1.89	70%	0%	70%
$1.88	68%	0%	68%
$1.87	66%	0%	66%
$1.86	65%	0%	65%
$1.85	60%	0%	60%
$1.84	52%	0%	52%
$1.83	50%	0%	50%
Below $1.83	0%	0%	0%

Achievement of lack of achievement of Goals beyond the ranges stated is discretionary.

The above quarterly Goals comprise 20% of each Participant's target for the Company Financial Performance Goal category.

EXHIBIT B

Henry Schein Inc.
Performance Incentive Plan
2001 PIP Award Levels for Achievement of
Functional Financial Goals

SALES & CONTRIBUTIONS Size of Functional Financial Goal	Less Than Plan	Less Than Plan	@ 95% of Plan	100% Incentive Award	Expected	Out-Standing	Extra-Ordinary
>$500mm sales							
Performance Achievement	75%	90%	95%	99%	100%	110%	120%
Incentive Award Payout	25%	50%	75%	100%	110%	135%	165%
$250mm - $500mm sales							
Performance Achievement	75%	90%	95%	99%	100%	115%	130%
Incentive Award Payout	25%	50%	75%	100%	110%	135%	165%
$75mm - $250mm sales							
Performance Achievement	75%	90%	95%	99%	100%	140%	170%
Incentive Award Payout	25%	50%	75%	100%	110%	135%	165%
$0 - $75mm sales							
Performance Achievement	70%	85%	95%	99%	100%	170%	200%
Incentive Award Payout	25%	50%	75%	100%	110%	135%	165%

PRE-TAX PROFIT & AFTER-TAX GOALS Size of Functional Financial Goal	Less Than Plan	Less Than Plan	@ 95% of Plan	100% Incentive Award	Expected	Above Avg	Out-Standing	Extra-Ordinary
>$20mm pre-tax profit								
Performance Achievement	50%	90%	95%	99%	100%	110%	125%	135%
Incentive Award Payout	20%	50%	75%	100%	110%	150%	175%	200%
$10mm - $20mm pre-tax profit								
Performance Achievement	50%	90%	95%	99%	100%	115%	130%	150%
Incentive Award Payout	20%	50%	75%	100%	110%	150%	175%	200%
$2mm - $10mm pre-tax profit								
Performance Achievement	50%	90%	95%	99%	100%	120%	140%	175%
Incentive Award Payout	20%	50%	75%	100%	110%	150%	175%	200%
$0 - $2mm pre-tax profit								
Performance Achievement	50%	85%	95%	99%	100%	125%	150%	200%
Incentive Award Payout	20%	50%	75%	100%	110%	150%	175%	200%

EXPENSE BUDGETS

Size of Overhead Expense Budget	Less than Plan	@ 95-98% of Plan	Expected	Over Budget	Over Budget
>$50mm expense budget					
Performance Achievement	95%	98%	100%	101%	102.5%
Incentive Award Payout	135%	120%	110%	80%	50%
$25mm - $50mm expense budget					
Performance Achievement	95%	98%	100%	102%	105%
Incentive Award Payout	135%	120%	110%	85%	50%
$500m - $25mm expense budget					
Performance Achievement	90%	95%	100%	103%	110%
Incentive Award Payout	135%	120%	110%	90%	50%
$0 - $500m expense budget					
Performance Achievement	90%	95%	100%	105%	115%
Incentive Award Payout	125%	115%	110%	95%	50%

Achievement or lack of achievement of Goals beyond the ranges stated are discretionary

There will be a proration of awards that fall between the levels listed.

EXHIBIT C

Henry Schein, Inc.
Performance Incentive Plan

2001 Award Levels for Achievement of
MBO Performance Goals

MBO Goals Achievement Level	% of MBO Award Earned by Participant
70%	50%
80%	75%
90%	95%
92.5%	100%
95%	105%
100%	Up to 120%

Achievement or lack of achievement of Goals (measured quantitatively and/or qualitatively) beyond the ranges stated are discretionary. In order to obtain an award of 120% of the original MBO target amount, the participant must have successfully achieved quantitative and qualitative elements of the MBO goal such that the MBO goal could not have been materially improved upon, subject to the discretion of the evaluating Manager.

* There will be a proration of awards that fall between the levels listed.

2001 RECEIPT AND ACKNOWLEDGMENT OF HENRY SCHEIN, INC.
PERFORMANCE INCENTIVE PLAN

This Performance Incentive Plan document is highly confidential. It serves as a guide to the administration of the PIP program. Because the general business environment in which HSI operates is always changing, the Plan may be changed at any time at the discretion of HSI's executive management.

By signing below, you acknowledge that you have received a copy of this PIP document, understand that the Plan is subject to change at the discretion of the Company's executive management, acknowledge that the contents of the Plan are highly confidential and understand that the content and the impact of the Plan on the management of HSI is critical to the success of the Company. Accordingly, the details and content of the PIP program must not be disseminated or used outside of the Company or discussed with anyone other than your immediate family.

Your signature below indicates that you have read, understand and agree to the above.

- --

Participant's Printed Name	Participant's Signature	Date

[TO COME]

Consent of Independent Certified Public Accountants

Henry Schein, Inc.
New York, New York

We hereby consent to the incorporation by reference to the Registration Statements of Henry Schein, Inc. and Subsidiaries (the "Company") on Forms S-3 dated February 28, 2001, August 22, 2000 and October 5, 2000 and Forms S-8 dated April 19, 2000, November 20, 1997, August 8, 1997, June 7, 1997 and June 7, 1996, filed with the Securities and Exchange Commission, respectively, of our reports dated March 1, 2001 on the consolidated financial statements and schedule of the Company. appearing in the Annual Report on Form 10-K as of and for the year ended December 30, 2000.

BDO Seidman, LLP

New York, New York
March 1 , 2001