SCHEDULE 14A
(RULE 14A-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant /X/
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Check the appropriate box:
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/ / Definitive Proxy Statement
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HENRY SCHEIN, INC.
- ---
(Name of Registrant as Specified in Its Charter)

- ---
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant

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[LOGO] HENRY SCHEIN-REGISTERED TRADEMARK-
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 22, 1997

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Henry Schein, Inc. (the "Company"), to be held at 4:00 P.M., on Thursday, May 22, 1997 at the Huntington Hilton, 598 Broadhollow Road, Melville, New York.

The Annual Meeting will be held for the following purposes:

1. To elect 11 directors of the Company for terms expiring in 1998.

2. To amend the Company's Certificate of Incorporation to eliminate the provision providing for a maximum number of directors, to provide authority for the board to establish from time to time the number of directors, to eliminate the provision preventing the board from amending or repealing By-Laws adopted by the stockholders, and to eliminate certain supermajority voting requirements.

3. To amend the Company's By-Laws to permit the directors to fill any board vacancies that arise from time to time and to eliminate the provision preventing the board from amending or repealing By-Laws adopted by the stockholders.

4. To amend the Company's 1994 Stock Option Plan to increase the number of shares issuable under the plan.

5. To ratify the selection of BDO Seidman, LLP as the Company's independent auditors for the fiscal year ending December 27, 1997.

6. To transact such other business as may properly come before the meeting or any adjournments or postponements thereof.

Only stockholders of record at the close of business on April 1, 1997 are entitled to notice of and to vote at the meeting or any adjournments or postponements thereof.

Whether or not you expect to attend the meeting in person, please complete, date and sign the enclosed proxy exactly as your name appears thereon and promptly return it in the envelope provided, which requires no postage if mailed in the United States.

STANLEY M. BERGMAN

Chairman, Chief Executive Officer

and President

Melville, New York

April 18, 1997

HENRY SCHEIN, INC.
135 DURYEA ROAD
MELVILLE, NEW YORK 11747

PROXY STATEMENT

The Board of Directors of Henry Schein, Inc. (the "Company") has fixed the close of business on April 1, 1997 as the record date for determining the holders of the Company's common stock, par value $.01 per share (the "Common Stock"), entitled to notice of and to vote at the 1997 Annual Meeting of Stockholders (the "Annual Meeting"). As of that date, there were outstanding 23,324,085 shares of Common Stock, each entitled to one vote. The Notice of Annual Meeting, this Proxy Statement and the form of proxy are first being mailed to stockholders of record of the Company on or about April 18, 1997. A copy of the Company's 1996 Annual Report to Stockholders is being mailed with this Proxy Statement but is not incorporated herein by reference.

Abstentions are counted in tabulations of the votes cast on proposals presented to stockholders, whereas broker non-votes are not counted for purposes of determining whether a proposal has been approved. Abstentions and broker non-votes will have no effect on the election of directors (Proposal 1) or the ratification of the selection of independent public accountants (Proposal 5). Since approval of the proposed amendments to the Company's Certificate of Incorporation (Proposal 2) requires the affirmative vote of 80% of the outstanding shares, approval of the proposed amendment to the Company's By-Laws (Proposal 3) requires the approval of two-thirds of the outstanding shares, and the amendment to the Company's 1994 Stock Option Plan (Proposal 4) requires the approval of a majority of the outstanding shares, shares abstaining and broker non-votes will effectively be an "against" vote with respect to each such matter.

The expense of this proxy solicitation will be borne by the Company. In addition to solicitation by mail, proxies may be solicited in person or by telephone, telegraph or other means by directors or employees of the Company or its subsidiaries without additional compensation. The Company will reimburse brokerage firms and other nominees, custodians and fiduciaries for costs incurred by them in mailing proxy materials to the beneficial owners of shares held of record by such persons. In addition, the Company has retained D.F. King & Co., Inc. of New York, New York, a proxy solicitation organization, to assist in the solicitation of proxies. The fee of such organization in connection herewith is estimated to be $5,000, plus reasonable out-of-pocket expenses.

The enclosed proxy is solicited by the Board of Directors of the Company. It may be revoked at any time prior to its exercise by giving written notice to the Secretary of the Company, by executing a subsequent proxy and delivering it to the Secretary of the Company, or by attending the meeting and voting in person. Attendance at the Annual Meeting will not in and of itself constitute revocation of a proxy.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table presents certain information regarding beneficial ownership of the Company's Common Stock as of March 31, 1997 by (i) each person known to the Company to be the beneficial owner of more than 5% of the outstanding shares of Common Stock, (ii) each director of the Company, (iii) each executive officer named in the Summary Compensation Table on page 16 of this Proxy Statement and (iv) all directors and executive officers as a group. Unless otherwise indicated, each person in the table has sole voting and investment power as to the shares shown.

	SHARES BENEFICIALLY OWNED	
NAME AND ADDRESS	NUMBER	PERCENT OF CLASS
Stanley M. Bergman (1)(2)	8,424,175	35.6%
Marvin H. Schein, Individually and as Trustee (1)(3)	3,717,006	15.9%
Leslie J. Levine, as Trustee (1)(4)	2,968,347	12.7%
Pamela Schein (1)(5)	1,642,504	7.0%
Irving Shafran and Judith Shafran, as Trustees (1)(5)	1,642,504	7.0%
Marion Bergman, as Trustee (1)(6)	1,429,285	6.1%
Leslie Bergman, as Trustee (1)(7)	1,238,120	5.3%
Barry J. Alperin	2,667	*
Gerald A. Benjamin (8)	87,023	*
James P. Breslawski (9)	195,822	*
Leonard A. David (10)	33,413	*
Pamela Joseph (11)	355,180	1.5%
Donald J. Kabat	2,267	*
Mark E. Mlotek (12)	45,617	*
Steven Paladino (13)	92,023	*
Directors and Executive Officers as a Group (18 persons) (14)	9,112,089	38.5%

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* Represents less than 1%.

(1) Unless otherwise indicated, the address for each person is c/o Henry Schein, Inc., 135 Duryea Road, Melville, New York 11747.

(2) Includes (a) 9,900 shares which Mr. Bergman owns directly and which he has the power to vote and the power to dispose of in accordance with the HSI Agreement (as defined herein), (b) 2,897,020 shares which Mr. Bergman shares the power to vote pursuant to voting trust agreements, (c) options to purchase 367,464 shares of Common Stock exercisable within 60 days by certain executives which shares will be subject to the Voting Trust (as defined herein) and which Mr. Bergman will share the power to vote and (d) an additional 5,149,791 shares held by certain stockholders of the Company, which shares are required by the HSI Agreement to be voted for the eight nominees for director selected by Mr. Bergman in accordance with the HSI Agreement. The shares described in (a) through (c) must also be voted for the nominees for director selected in accordance with the HSI Agreement. See "ELECTION OF DIRECTORS--Certain Voting Arrangements."

(3) Includes (a) 748,659 shares which Mr. Schein owns directly and (b) 2,968,347 shares owned in trusts for the benefit of Mr. Schein and his family members, and/or trusts for charities of which Mr. Schein and Mr. Levine are co-trustees. Mr. Schein has the power to vote and to dispose of such shares in accordance with the HSI Agreement. Mr. Schein has the right to nominate one director to the Board of Directors in accordance with the HSI Agreement. Certain stockholders of the Company (including Mr. Schein) are required to vote for the nominees for director selected in accordance with the HSI Agreement. See "ELECTION OF DIRECTORS--Certain Voting Arrangements."

(4) Mr. Levine holds such shares as co-trustee of trusts for the benefit of Marvin H. Schein and his family members, and/or trusts for charities. Mr. Levine has the power to vote and to dispose of such

shares in accordance with the HSI Agreement. All of such shares must be voted for the nominees for director selected in accordance with the HSI Agreement. See "ELECTION OF DIRECTORS - Certain Voting Arrangements."

(5) The shares are owned by a revocable trust established by Ms. Schein of which Mr. Shafran and Ms. Shafran are co-trustees. Ms. Schein has the power to dispose of such shares if she revokes the trust, subject to the HSI Agreement. Mr. Shafran and Ms. Shafran have the power to dispose of such shares in accordance with the HSI Agreement. All of such shares are subject to the Voting Trust. Ms. Schein has the right to nominate one director to the Board of Directors in accordance with the HSI Agreement. Certain stockholders of the Company (including the trustees of the revocable trust) are required to vote for the nominees for director selected in accordance with the HSI Agreement. See "ELECTION OF DIRECTORS--Certain Voting Arrangements."

(6) Ms. Bergman holds such shares as a trustee or co-trustee of trusts established by Stanley M. Bergman for the benefit of Stanley M. Bergman and his family members. Ms. Bergman has the power to vote and to dispose of such shares in accordance with the HSI Agreement. All of such shares must be voted for the nominees for director selected in accordance with the HSI Agreement. See "ELECTION OF DIRECTORS -Certain Voting Arrangements."

(7) Leslie Bergman holds such shares as co-trustee of trusts established by Stanley M. Bergman for the benefit of Stanley M. Bergman and his family members. Leslie Bergman has the power to vote and to dispose of such shares in accordance with the HSI Agreement. All of such shares must be voted for the nominees for director selected in accordance with the HSI Agreement. See "ELECTION OF DIRECTORS--Certain Voting Arrangements."

(8) Includes (a) 1,000 shares owned directly, (b) 50,490 shares subject to the Voting Trust and (c) options to purchase 35,533 shares of Common Stock exercisable within 60 days which will be subject to the Voting Trust upon exercise. See "ELECTION OF DIRECTORS--Certain Voting Arrangements."

(9) Mr. Breslawski has the power to dispose of such shares in accordance with the HSI Agreement. All of such shares are subject to the Voting Trust and must be voted for the nominees for director selected in accordance with the HSI Agreement. See "ELECTION OF DIRECTORS - Certain Voting Arrangements."

(10) Includes (a) 2,500 shares owned directly, (b) 14,850 shares subject to the Voting Trust and (c) options to purchase 16,063 shares of Common Stock exercisable within 60 days which will be subject to the Voting Trust upon exercise. See "ELECTION OF DIRECTORS--Certain Voting Arrangements."

(11) Ms. Joseph has the power to dispose of such shares in accordance with the HSI Agreement. All of such shares are subject to the Voting Trust. Ms. Joseph has the right to nominate one director to the Board of Directors in accordance with the HSI Agreement. Certain stockholders of the Company (including Ms. Joseph) are required to vote for the nominees for director selected in accordance with the HSI Agreement. See "ELECTION OF DIRECTORS--Certain Voting Arrangements."

(12) Includes (a) 2,000 shares owned directly, (b) 14,850 shares subject to the Voting Trust, (c) options to purchase 23,967 shares of Common Stock exercisable within 60 days which will be subject to the Voting Trust upon exercise and (d) 4,800 shares which Mr. Mlotek has the power to vote as trustee of trusts for certain third parties. See "ELECTION OF DIRECTORS--Certain Voting Arrangements."

(13) Includes (a) 3,500 shares owned directly, (b) 50,490 shares subject to the Voting Trust and (c) options to purchase 38,033 shares of Common Stock exercisable within 60 days which will be subject to the Voting Trust upon exercise. Mr. Paladino has the power to dispose of such shares in accordance with the HSI Agreement. All of such shares must be voted for the nominees for director selected in accordance with the HSI Agreement. See "ELECTION OF DIRECTORS--Certain Voting Arrangements."

(14) Includes (a) all shares described in the preceding notes (2) through (13), and (b) 670,180 shares held by other executive officers which are not subject to the Voting Trust, and 4,934 shares held by other directors which are not subject to the Voting Trust. See "ELECTION OF DIRECTORS--Certain Voting Arrangements."

PROPOSAL 1
ELECTION OF DIRECTORS

Eleven directors are to be elected at the Annual Meeting to serve until the 1998 Annual Meeting of Stockholders and until their successors are elected and qualified. The Board of Directors has approved the persons named below as nominees and, unless otherwise marked, a proxy will be voted for such persons. Each of the nominees currently serves as a director and was elected by the stockholders at the 1996 Annual Meeting. All nominees have consented to be named and to serve if elected. In the event that any nominee of the Company is unable or declines to serve as a director at the time of the Annual Meeting, the proxies may be voted in the discretion of the persons acting pursuant to the proxy for the election of other nominees. Directors will be elected by plurality vote. Set forth below is certain information concerning the nominees:

NAME	AGE	POSITION
Stanley M. Bergman	47	Chairman, Chief Executive Officer, President and Director
James P. Breslawski	43	Executive Vice President and Director
Gerald A. Benjamin	44	Senior Vice President--Administration and Customer Satisfaction and Director
Leonard A. David	48	Vice President--Human Resources, Special Counsel and Director
Mark E. Mlotek	41	Vice President, General Counsel, Secretary and Director
Steven Paladino	40	Senior Vice President, Chief Financial Officer and Director
Barry J. Alperin	56	Director
Pamela Joseph	54	Director
Donald J. Kabat	61	Director
Marvin H. Schein	55	Founder, Schein Dental Equipment, and Director
Irving Shafran	53	Director

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.

JAMES P. BRESLAWSKI has been Executive Vice President of the Company since 1990, with primary responsibility for the North American Dental Group, the Veterinary Group and corporate creative services, 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.

GERALD A. BENJAMIN has been Senior Vice President of Administration and Customer Satisfaction since January 1993, including responsibility for the worldwide human resource function, and has been a director of the Company since September 1994. Prior to holding his current position, Mr. Benjamin was Vice President of Distribution Operations of the Company from 1990 to December 1992 and Director of Materials Management of the Company from 1988 to 1990. Before joining the Company in 1988, Mr. Benjamin was employed for 13 years in various management positions at Estee Lauder, where his last position was Director of Materials Planning and Control.

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 January 1995 and practiced corporate and business law for eight years prior to joining the Company in 1990. Mr. David has been a director of the Company since September 1994.

MARK E. MLOTEK joined the Company in December 1994 as Vice President, General Counsel and Secretary 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 Goetz & Mendelsohn LLP, specializing in mergers and acquisitions, corporate reorganizations and tax law from 1989 until he joined the Company.

STEVEN PALADINO has been Senior Vice President and Chief Financial Officer of the Company since April 1993 and has been a director of the Company since December 1992. From 1990 to April 1993, Mr. Paladino served as Vice President and Treasurer and from 1987 to 1990 served as Corporate Controller of the Company. Before joining the Company in 1987, 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.

BARRY J. ALPERIN has been a director of the Company since May 1996. Mr. Alperin has been a private consultant since August 1995. Mr. Alperin served as Vice Chairman of Hasbro, Inc. from 1990 through July 1995. Mr. Alperin served as Co-Chief Operating Officer of Hasbro, Inc. from 1989 through 1990 and as its Senior Vice President and Executive Vice President from 1985 through 1989. Mr. Alperin currently serves as a director for Seaman Furniture Company, Inc., a furniture retailing company, and K'nex Industries, Inc., a wholesale toy company.

PAMELA JOSEPH has been a director of the Company since September 1994. For the past five years, Ms. Joseph has been a self-employed artist and is President of Anderson Ranch Arts Center. Ms. Joseph is also a trustee of Alfred University.

DONALD J. KABAT has been a director of the Company since May 1996. Mr. Kabat is President of D.K. Consulting Services, Inc. and served as Chief Financial Officer of Central Park Skaters, Inc. from September 1992 to September 1995. From 1970 to 1992, Mr. Kabat was a partner in Andersen Consulting, an affiliate of Arthur Andersen, LLP.

MARVIN H. SCHEIN has been a director of the Company since September 1994 and has provided consulting services to the Company since 1982. Mr. Schein founded Schein Dental Equipment Corp., a subsidiary of the Company, serving as its President for the past 16 years. Prior to founding Schein Dental Equipment Corp., Mr. Schein held various management and executive positions with the Company.

IRVING SHAFRAN has been a director of the Company since September 1994 and was nominated by Pamela Schein as her designee for director of the Company. Mr. Shafran has been an attorney in private practice for the past 25 years. From 1991 through December 1995, Mr. Shafran was a partner in the law firm of Anderson Kill Olick and Oshinsky, PC.

CERTAIN VOTING ARRANGEMENTS

The Amended and Restated HSI Agreement (the "HSI Agreement") among certain stockholders of the Company, which was entered into in connection with the Company's reorganization in 1994, provides that until the earlier of January 1, 1999 or the termination of the voting trust established in connection therewith (the "Voting Trust"), Marvin H. Schein, Pamela Joseph and Pamela Schein each have the right to select one nominee for director and Stanley M. Bergman (as voting trustee) or his successor voting trustee has the right to select the remaining nominees. Mr. Schein and Ms. Joseph have chosen to be nominees for director and Ms. Schein has selected Mr. Shafran as a nominee for director. Mr. Bergman has selected the remaining nominees for director. The parties to the HSI Agreement, who currently have the right to vote approximately 35.1% of the Company's outstanding Common Stock, are required to vote for all such nominees. The HSI Agreement provides that, in general, from the earlier of January 1, 1999 or

the termination of the Voting Trust until the earlier of (i) January 1, 2004, (ii) the first date on which Marvin H. Schein and his family group no longer beneficially own at least 25% of the outstanding Common Stock that they owned immediately after the reorganization, or (iii) the date of certain changes in the Company's management, Mr. Bergman (or his successor voting trustee) has the right to select all of the nominees to the Board of Directors; provided, that if Marvin H. Schein does not approve such nominations, Mr. Bergman (or his successor trustee) and Mr. Schein will each select an equal number of nominees (of which one will be an independent nominee) and an additional nominee will be selected by the two independent nominees. If any director previously nominated pursuant to the HSI Agreement ceases to hold office, the individual who nominated such director shall have the right to nominate his or her successor.

The Voting Trust expires on December 31, 1998, unless earlier terminated. The shares subject to the Voting Trust, which includes shares held by certain executives and other stockholders of the Company, are voted by Mr. Bergman, except that the participants in the Voting Trust retain the power to vote their shares in connection with (i) a dissolution or liquidation of the Company, (ii) a merger or consolidation of the Company or (iii) a sale, lease or other transfer of all or substantially all the assets of the Company, whether directly or indirectly, through a transfer of its subsidiaries or a significant business of the Company. Approximately 13.4% of the Company's outstanding Common Stock is held pursuant to the Voting Trust.

BOARD MEETINGS AND COMMITTEES

During the fiscal year ended December 28, 1996 ("fiscal 1996"), the Board of Directors held seven meetings.

The Board of Directors has an Audit Committee which currently consists of Messrs. Alperin and Kabat. The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. In fulfilling its responsibility, the Audit Committee recommends to the Board of Directors, subject to stockholder approval, the selection of the Company's independent public accountants. The Audit Committee also reviews the Company's consolidated financial statements and the adequacy of the Company's internal controls. The Audit Committee meets with the independent public accountants to discuss the results of their audit of the Company, their evaluation of the Company's internal controls and the overall quality of the Company's financial reporting. The Audit Committee held two meetings in fiscal 1996.

The Board of Directors has a Compensation Committee which currently consists of Messrs. Alperin and Kabat. The Compensation Committee makes recommendations regarding the compensation and benefit policies and procedures of the Company. The Compensation Committee held one meeting during fiscal 1996.

The Board of Directors has a Stock Option Committee which currently consists of Messrs. Alperin and Kabat. The Stock Option Committee determines grants under the Company's 1994 Stock Option Plan. The Stock Option Committee held one meeting during fiscal 1996.

COMPENSATION OF DIRECTORS

In fiscal 1996, Messrs. Alperin and Kabat each received a $20,000 annual retainer, plus an additional $500 per board meeting and $250 per committee meeting attended, and were granted options to purchase 5,000 shares of the Company's Common Stock. For fiscal 1997, Messrs. Alperin and Kabat each receive a $25,000 annual retainer, plus an additional $1,000 per board meeting and $500 per committee meeting attended (or $750 if such committee meeting is held on a day other than a day on which a board meeting is held), and were granted options to purchase 1,000 shares of the Company's Common Stock. Directors are reimbursed for their out-of-pocket expenses in attending board meetings and committee meetings.

PROPOSAL 2
AMENDMENT OF THE CERTIFICATE OF INCORPORATION

Article "Fifth" of the Company's amended and restated certificate of incorporation (the "Certificate of Incorporation"), the complete text of which, prior to amendment as proposed hereby, is included as Exhibit A to this Proxy Statement, contains various provisions relating to the governance of the Company. Specifically:

(a) section "A" provides that the number of directors of the Company shall be no less than five and no more than 11 through December 31, 1998, and thereafter the number of directors shall be nine,

(b) section "B" provides, among other things, that stockholders may adopt any By-Law and may amend or repeal any By-Law adopted by the Board of Directors and that the Board of Directors may not amend or repeal any By-Law adopted by the stockholders, and

(c) section "C" requires the affirmative vote of 80% of the outstanding shares to amend or repeal, or to adopt any provisions inconsistent with, Article "Fifth."

See "Election of Directors--Certain Voting Arrangements" regarding certain agreements relating to the governance of the Company.

The proposed amendment to Article "Fifth" of the Certificate of Incorporation would (a) eliminate the limit on the maximum number of directors of the Company, while specifying only that the number of directors shall be as specified in the By-Laws or as fixed from time to time by resolution of the Board of Directors, and that there shall not be fewer than five directors, (b) eliminate the provision preventing the Board of Directors from amending or repealing By-Laws adopted by the stockholders and (c) eliminate the 80% voting requirement with respect to amendments of Article "Fifth."

Sections "A" and "B1" of Article "Fifth," as proposed to be amended, would read in their entirety as follows, and section "C" of Article "Fifth" would be deleted:

FIFTH:

A. The number of directors which shall constitute the entire Board of Directors shall be as provided in the Corporation's By-Laws or as fixed from time to time by resolution of the Board of Directors, but shall not be fewer than five.

B. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

1. To adopt, amend or repeal any By-Law (PROVIDED, HOWEVER, that any By-Law made, amended or repealed by the Board of Directors may be amended or repealed, and that any by-laws may be adopted, by the stockholders of the Corporation);

The current version of section "A" of Article "Fifth" provides that the maximum number of directors shall be 11 through December 31, 1998, which is the number of individuals presently serving as director, and shall thereafter be nine. The Board of Directors believes that it would be desirable to increase the Company's flexibility to obtain the services of one or more additional individuals as a director, by eliminating the limitation in the Certificate of Incorporation on the maximum number of directors. The proposed amendment would permit one or more additional directors to be added to the Board without the need for a Board vacancy to exist as a result of the death, disability, removal or resignation of a current director. In connection with the proposed acquisition (the "Proposed Acquisition") by the Company of Micro Bio-Medics, Inc. ("MBMI"), the Company has agreed with Bruce Haber, the President and Chief Executive Officer of MBMI, pursuant to the terms of an employment agreement with Mr. Haber (the

"Haber Contract") which would become effective at the time the Proposed Acquisition is completed, to use its reasonable best efforts to cause Mr. Haber to be nominated for election as a director of the Company during the term of such employment agreement. Accordingly, the Company intends, following completion of the Proposed Acquisition and assuming stockholder approval of this Proposal and of Proposal 3, to expand the number of directors to twelve and to fill such newly created vacancy by electing Mr. Haber to the Board.

With regard to the proposed amendment to section "B1" of Article "Fifth", section 109 of the Delaware General Corporation Law (the "DGCL") allows a Delaware corporation to confer on its directors the power to adopt, amend or repeal any bylaw, provided that such right of the directors shall not divest the stockholders of the power to adopt, amend or repeal any bylaw. Article "Fifth" currently allows the directors to adopt, amend or repeal any By-Law other than any By-Law adopted by the stockholders of the Company. Since all of the By-Laws of the Company were approved by the stockholders in September 1994, Article "Fifth" effectively prevents the directors from amending or repealing any of the Company's By-Laws. The Board of Directors believes that it would be desirable to increase the Company's flexibility and its ability to respond to changing conditions by permitting the directors to adopt, amend or repeal any of the Company's By-Laws, regardless of the manner in which such By-Laws were originally adopted. The proposed amendment to Article "Fifth" would eliminate any restriction on the power of the directors to adopt, amend or repeal any By-Laws of the Company, and would continue to expressly incorporate the retained power of the stockholders under section 109 of the DGCL to adopt, amend or repeal any By-Law, including any By-Law adopted, amended or repealed by the directors. Proposal 3 includes a conforming amendment of the By-laws provision that corresponds to section "B1" of Article "Fifth" of the Certificate of Incorporation.

Absent a provision in the Certificate of Incorporation requiring a higher percentage vote, under section 242 of the DGCL, a simple majority of the outstanding shares of capital stock is sufficient to authorize any amendment to a corporation's certificate of incorporation. Section "C" of Article "Fifth" currently requires the affirmative vote of 80% of the outstanding shares of Common Stock to amend or repeal, or adopt any provision inconsistent with, that Article. The Board of Directors believes that it is desirable for the Company to have the ability to amend its Certificate of Incorporation without the requirement of an 80% "supermajority" vote and that the 80% supermajority requirement would be inconsistent with the other amendments being made to Article "Fifth," which amendments the directors believe increase the Company's flexibility and its ability to respond to changing conditions. Accordingly, the proposed amendment to Article "Fifth" would eliminate the 80% supermajority requirement.

On February 27, 1997, the Board of Directors unanimously adopted a resolution approving the foregoing amendment to Article "Fifth" of the Certificate of Incorporation and approving the submission of such amendment to the Company's stockholders.

THE AFFIRMATIVE VOTE OF THE HOLDERS OF 80% OF THE OUTSTANDING SHARES OF THE COMMON STOCK ENTITLED TO VOTE AT THE ANNUAL MEETING IS REQUIRED TO APPROVE THE FOREGOING AMENDMENT TO THE CERTIFICATE OF INCORPORATION.

PROPOSAL 3

AMENDMENT OF THE BY-LAWS

This proposal would effect an amendment of the Company's By-Laws in two respects in a manner consistent with the proposed amendment of the Certificate of Incorporation.

Article VI of the Company's By-Laws provides, in part, that the Board of Directors may not amend or repeal any By-Laws adopted by the stockholders of the Company. The complete text of Article VI of the Company's By-Laws, prior to amendment as proposed hereby, is included as Exhibit B to this Proxy Statement. Consistent with Proposal 2 concerning elimination of the corresponding section of the Certificate of Incorporation, the Board of Directors is proposing amendment of the By-Laws to eliminate such restriction in the By-Laws.

Article VI of the By-Laws, as proposed to be amended, would read in its entirety as follows:

> These By-Laws may be amended or repealed and any By-Laws may be adopted at any annual meeting of the stockholders or at any special meeting thereof if notice of the proposed amendment or repeal, or By-Law or By-Laws to be adopted, be contained in that notice of such special meeting, by the affirmative vote of holders of two-thirds of the shares of the stock issued and outstanding and entitled to vote thereat (unless a greater percentage is provided herein), or at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors, if notice of the proposed amendment or repeal, or By-Law or By-Laws to be adopted, be contained in the notice of such special meeting, by the affirmative vote of two-thirds of the Board of Directors.

Article III, Section 3 of the Company's By-Laws requires vacancies in the Board of Directors to be filled by the affirmative vote of stockholders holding at least 66 2/3% of the outstanding shares entitled to vote in any election of directors. The Board of Directors believes that it is in the interest of the Company to (i) enable the Board of Directors to fill any vacancy as and when deemed by the Board of Directors to be necessary or desirable without the need to call a special meeting of stockholders, and (ii) increase the Board of Directors' flexibility in establishing the size of the Board of Directors and, in particular, electing additional Board members from time to time to fill any vacancy created by an increase in the size of the Board of Directors. Therefore, consistent with the amendments proposed to Article "Fifth" of the Certificate of Incorporation, the proposed amendment to Article III, Section 3 of the By-Laws would eliminate the requirement that 66 2/3% of the outstanding shares entitled to vote in any election is needed to fill any Board vacancies and would allow a majority of the directors to fill any vacancies that may arise. See "Election of Directors--Certain Voting Agreements" regarding certain agreements relating to the nomination of successors to directors who cease to hold office.

The complete text of Article III, Section 3, prior to amendment as proposed hereby, is included as Exhibit C to this Proxy Statement. As proposed to be amended, Article III, Section 3, of the By-Laws would read in its entirety as follows:

> Section 3. VACANCIES. Newly created directorships resulting from any increase in the number of directors and any other vacancies on the Board of Directors, whether resulting from death, disability, resignation, disqualification, removal or any other circumstances, shall be filled by the affirmative vote of a majority of the directors then in office, although less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office until such director's successor shall have been elected and qualified. Without limiting the generality of the foregoing, a vacancy shall also be deemed to exist if the stockholders fail at any annual meeting of stockholders at which any director or directors are required to be elected, to elect the full authorized number of directors to be voted for at that meeting.

On February 27, 1997, the Board of Directors unanimously adopted a resolution approving the foregoing amendment to Article VI and Article III, Section 3 of the By-Laws and approving the submission of such amendment to the Company's stockholders.

THE AFFIRMATIVE VOTE OF THE HOLDERS OF TWO-THIRDS OF THE OUTSTANDING SHARES OF THE COMMON STOCK PRESENT IN PERSON OR REPRESENTED BY PROXY AND ENTITLED TO VOTE AT THE ANNUAL MEETING IS REQUIRED TO APPROVE THE FOREGOING AMENDMENT TO THE BY-LAWS.

PROPOSAL 4

AMENDMENT OF 1994 STOCK OPTION PLAN

The Company maintains the Henry Schein, Inc. 1994 Stock Option Plan ("Stock Option Plan") for the benefit of certain employees of the Company and its designated subsidiaries.

The proposed amendment to the Stock Option Plan would increase the number of shares issuable upon the exercise of Class B Options granted under the Stock Option Plan by approximately 7.0% of the outstanding shares, or 1,600,000 shares. The proposed amendment would not change the number of shares issuable upon the exercise of Class A Options, the maximum number of which have been issued.

The first sentence of Section 5(b) of the Stock Option Plan, as proposed to be amended, would read in its entirety as follows:

> Subject to adjustment as provided in this Section 5, the maximum aggregate number of Shares that may be issued under the Plan shall be 2,279,635 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.

The Board of Directors believes that it is desirable to increase the total number of shares available under the Stock Option Plan in order to attract, motivate and retain key employees or individuals that would be key employees of the Company and its designated subsidiaries.

DESCRIPTION OF THE STOCK OPTION PLAN

The purpose of the Stock Option Plan is to enable the Company and its designated subsidiaries to attract, retain and motivate key employees who are important to the success and growth of the Company and to create a mutuality of interest between the key employees and the stockholders of the Company by granting the key employees options to purchase Common Stock. Under the Stock Option Plan, as currently constituted, 679,635 shares of Common Stock may be issued. The Stock Option Plan provides for two classes of options: Class A Options, which have an exercise price of $4.21 per share, and Class B Options, which have an exercise price of not less than the fair market value of the Common Stock at the time of grant. Class A Options to purchase an aggregate of 221,397 shares of Common Stock are presently outstanding, and Class B Options to purchase an aggregate of 447,400 shares of Common Stock are presently outstanding. If options are canceled, expire or terminate unexercised, the shares of Common Stock shall again be available for the grant of options, provided that the number of shares covered by Class A Options shall be reduced by the number of Class A Options that are canceled, expire or are terminated. Both incentive stock options and non-qualified stock options may be issued under the Stock Option Plan.

The maximum number of shares of Common Stock with respect to which options may be granted under the Stock Option Plan to each participant could not exceed 50,000 shares in 1996, and shall not exceed 50,000 in each year thereafter. To the extent that shares for which options are permitted to be granted to a participant during a year are not covered by a grant of an option in such year, such shares shall

automatically increase the number of shares of Common Stock available for grant of options to the participant in the subsequent year.

The Stock Option Plan is administered by a committee appointed by the Company's Board of Directors, consisting of two or more directors, each of whom qualifies as a disinterested person within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as an outside director within the meaning of Section 162(m) of the Code. The committee has the full authority and discretion, subject to the terms of the Stock Option Plan, to determine those individuals who are eligible to be granted options and the amount and type of options. Terms and conditions of options are set forth in written option agreements, consistent with the terms of the Stock Option Plan. No option shall be granted under the Stock Option Plan on or after September 30, 2004 (the tenth anniversary of the effective date of the Stock Option Plan), but options granted prior to such date may extend beyond that date.

The Stock Option Plan provides that it may be amended by the Company's Board of Directors or the committee, except that no amendment may, without the approval of stockholders of the Company, (i) increase the total number of shares of Common Stock which may be acquired upon exercise of options granted under the Stock Option Plan, (ii) change the types of employees eligible to participate in the Stock Option Plan, (iii) effect any change that would require stockholder approval under securities laws, (iv) effect any change that would require stockholder approval under Section 162(m) of the Code or (v) reduce the purchase price of an outstanding option below the fair market value of a share of Common Stock on the date of such amendment.

The options entitle the holder to purchase a specified number of shares of Common Stock, subject to vesting provisions, at a price set by the committee at the time of grant, subject to certain limitations. The term of each option will be specified by the committee upon grant, but may not exceed ten years from the date of grant (five years in the case of incentive stock options granted to owners of 10% or more of the Company's outstanding voting stock). The committee will determine the time or times at which each option may be exercised. Options may be exercisable in installments, and the exercisability of options may be accelerated in some cases, including upon a change of control of the Company (as defined in the Stock Option Plan).

Under the Stock Option Plan, the committee may grant incentive stock options that qualify under Section 422 of the Code or non-qualified stock options. Incentive stock options are subject to certain requirements under the Stock Option Plan, as well as under the Code.

A participant may elect to exercise one or more of his or her options by giving written notice to the committee of such election at any time. The participant shall specify the number of options to be exercised and provide payment in full of the aggregate purchase price for the shares of Common Stock for which options are being exercised. Payment may be made (i) in cash or by check, bank draft or money order, (ii) if so permitted by the committee, through delivery of unencumbered shares of Common Stock, a promissory note or a combination of cash and either of the foregoing, or (iii) on such other terms and conditions as may be acceptable to the committee or as set forth in the participant's option agreement.

There were no options granted to the Named Executive Officers under the Stock Option Plan prior to 1995 or in 1996. In 1995, Class A Options to acquire 237,897 common shares were issued to certain executive management, including Class A Options exercisable for 29,700 shares of Common Stock to Messrs. Benjamin and Paladino and Class A Options to acquire 19,800 shares of Common Stock to Mr. Mlotek, all of which are outstanding, at an exercise price of $4.21 per share. Substantially all of the Class A Options became exercisable upon the closing of the Company's initial public offering in 1995.

On November 3, 1995, the Company issued Class B Options to acquire 413,400 shares of common stock to certain employees, including Class B Options to acquire 17,500, 25,000 and 12,500 shares of Common Stock to Messrs. Benjamin, Paladino and Mlotek, respectively, substantially all of which are outstanding, at an exercise price of $16.00 per share. Since substantially all of the Class B Options became

exercisable ratably over three years from the date of issuance approximately one-third of the Class B Options have become exercisable.

The Class A Options and Class B Options granted to the Named Executive Officers are exercisable up to the tenth anniversary of the date of issuance, subject to acceleration upon termination of employment. As of December 28, 1996, substantially all of such options remained unexercised.

Pursuant to the terms of the Proposed Acquisition of MBMI, the Company would assume the currently outstanding options to purchase MBMI common stock. At the closing of the Proposed Acquisition, such options would be converted to options to acquire up to 1,142,454 shares of Company Common Stock and would otherwise be governed by the terms of MBMI's stock option plans. Such options would not be issuable under or governed by the Stock Option Plan. Additionally, pursuant to the terms of the Haber Contract, upon completion of the Proposed Acquisition, Mr. Haber would be issued options having a value of $1,000,000 determined by application of the Black-Sholes formula and, thereafter, during the term of his employment with the Company, would be issued annual options, subject to achievement of certain performance goals. All such options would be issuable under the Stock Option Plan.

A copy of the Stock Option Plan is available upon request from the Company.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES The principal Federal income tax consequences with respect to stock options granted pursuant to the Stock Option Plan are summarized below:

INCENTIVE STOCK OPTIONS. Options granted under the Stock Option Plan may be incentive stock options as defined in the Code, provided that such options satisfy the requirements under the Code therefor. In general, neither the grant nor the exercise of an incentive stock option will result in taxable income to the optionee or a deduction to the Company. The sale of Common Stock received pursuant to the exercise of an option which satisfied all the requirements of an incentive stock option, as well as the holding period requirement described below, will result in a long-term capital gain or loss to the optionee equal to the difference between the amount realized on the sale and the option price and will not result in a tax deduction to the Company. To receive incentive stock option treatment, the optionee must not dispose of the Common Stock purchased pursuant to the exercise of an option either (i) within two years after the option is granted, or (ii) within one year after the date of exercise.

If all requirements for incentive stock option treatment other than the holding period rules are satisfied, the recognition of income by the optionee is deferred until disposition of the Common Stock, but, in general, any gain (in an amount equal to the lesser of (i) the fair market value of the Common Stock on the date of exercise (or, with respect to officers and directors, the date that sale of such stock would not create liability ("Section 16(b) liability") under Section 16(b) of the Exchange Act minus the option price or (ii) the amount realized on the disposition minus the option price) is treated as ordinary income. Any remaining gain is treated as long-term or short-term capital gain depending on the optionee's holding period for the stock disposed of. The Company generally will be entitled to a deduction at that time equal to the amount of ordinary income realized by the optionee.

The Stock Option Plan provides that an optionee may, if permitted by the committee pay for Common Stock received upon the exercise of an option (including an incentive stock option) with other shares of Common Stock. In general, an optionee's transfer stock acquired pursuant to the exercise of a "statutory option," which includes an incentive stock option, to acquire other stock in connection with the exercise of an incentive stock option may result in ordinary income if the transferred stock has not met the minimum statutory holding period necessary for favorable tax treatment as an incentive stock option. For example, if an optionee exercises an incentive stock option and uses the stock so acquired to exercise another incentive stock option with the two-year or one-year holding periods discussed above, the optionee may realize ordinary income under the rules summarized above.

NON-QUALIFIED STOCK OPTIONS. An optionee will realize no income at the time he or she is granted a non-qualified stock option. Such conclusion is predicated on the assumption that, under existing Treasury

Department regulations, a non-qualified stock option, at the time of its grant, has no readily ascertainable fair market value. Ordinary income will be realized when a non-qualified stock option is exercised. The amount of such income will be equal to the excess of the fair market value on the exercise date of the shares of Common Stock issued to an optionee over the option price. The optionee's holding period with respect to the shares acquired will begin on the date of exercise.

The tax basis of the stock acquired upon the exercise of any option will be equal to the sum of (i) the exercise price of such option and (ii) the amount included in income with respect to such option. Any gain or loss on a subsequent sale of the stock will be either long-term or short-term capital gain or loss, depending on the optionee's holding period for the stock disposed of. The Company generally will be entitled to a deduction for Federal income tax purposes at the same time and in the same amount as the optionee is considered to have realized ordinary income in connection with the exercise of the option.

CERTAIN OTHER TAX ISSUES. In addition, (i) any entitlement to a tax deduction on the part of the Company is subject to applicable Federal tax rules (including, without limitation, Code Section 162(m) regarding the $1,000,000 limitation on deductible compensation), (ii) the exercise of an option may have implications in the computation of alternative minimum taxable income, and (iii) in the event that the exercisability or vesting of any option is accelerated because of a change in control, such option (or a portion thereof), either alone or together with certain other payments, may constitute parachute payments under Section 280G of the Code, which excess amounts may be subject to excise taxes.

On February 27, 1997, the Board of Directors unanimously approved for submission to the stockholders the foregoing amendment to the 1994 Stock Option Plan.

THE AFFIRMATIVE VOTE OF THE HOLDERS OF A MAJORITY OF THE OUTSTANDING SHARES OF THE COMMON STOCK PRESENT IN PERSON OR REPRESENTED BY PROXY AND ENTITLED TO VOTE AT THE ANNUAL MEETING IS REQUIRED TO APPROVE THE FOREGOING AMENDMENT TO THE STOCK OPTION PLAN.

COMPENSATION OF EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE

The following table sets forth information concerning annual and long-term compensation for the Company's Chief Executive Officer and the other four most highly paid executive officers (collectively, the "Named Executive Officers") for the fiscal years ended December 31, 1994, December 30, 1995 and December 28, 1996.

		ANNUAL COMPENSATION			LONG-TERM COMPENSATION			
NAME AND PRINCIPAL POSITION	YEAR	SALARY ($)	BONUS ($)	OTHER ANNUAL COMPENSATION ($)(1)	RESTRICTED STOCK AWARDS ($)(2)	STOCK OPTIONS (#)	LTIP PAYOUTS ($)(3)	OTHER COMPENSATION ($)(4)
Stanley M. Bergman.....	1996	504,050	298,523	19,343	--	--	--	37,023
Chairman, Chief	1995	479,050	307,034	19,343	--	--	--	36,144
Executive Officer and President	1994	469,050	260,496	258,259	--	--	17,303,475	24,988
James P. Breslawski.....	1996	285,000	65,000	14,400	--	--	--	20,970
Executive Vice President	1995	270,782	66,000	13,500	--	--	--	21,458
	1994	257,782	60,000	1,000,364	1,171,788	--	382,618	19,184
Gerald A. Benjamin.....	1996	220,000	60,000	14,400	--	47,200	--	16,545
Senior Vice President of	1995	205,000	52,500	13,500	--	--	243,825	15,064
Administration and Customer Satisfaction	1994	185,000	42,500	189,714	220,761			13,722
Steven Paladino.....	1996	220,000	62,500	14,400	--	--	--	16,264
Senior Vice President	1995	205,000	52,500	13,500	--	54,700	--	14,812
and Chief Financial Officer	1994	185,000	42,500	189,714	220,761	--	243,825	13,496
Mark E. Mlotek.....	1996	225,000	50,000	14,400	--	--	--	16,566
Vice President, General	1995	212,000	45,000	13,500	--	32,300	--	8,729
Counsel and Secretary	1994	9,770	--	--	92,758	--	--	--

(1) The 1994 amounts shown in this column include amounts recorded for each of Messrs. Breslawski, Benjamin and Paladino of $986,864, $175,674 and $175,674, respectively, to pay income taxes attributable to the stock issuances made to each of them in 1994. Mr. Bergman was given a cash bonus of $258,259 in 1994 to pay certain additional income taxes attributable to the certain stock issuances described below. In 1995, Mr. Mlotek received $82,434 to pay income taxes attributable to stock issuances made to him in 1995.

(2) At the end of fiscal 1996, Messrs. Breslawski, Benjamin, Paladino and Mlotek held 195,822, 50,490, 50,490 and 14,850 shares of restricted common stock, respectively, with an aggregate value of $6,731,381, $1,735,594, $1,735,594 and $510,469 respectively.

(3) Mr. Bergman was issued 1,466,685 shares of Common Stock and was issued shares of common stock of Schein Pharmaceutical, Inc. on December 24, 1992. The value of these shares on September 30, 1994 was $17.3 million in the aggregate. These shares when issued had a value of $6.2 million and $2.6 million, respectively, the entire amount of which was charged as deferred compensation. The

issuances to Mr. Bergman are being included herein at their fair market value on September 30, 1994 because, on that date, certain contingencies relating to the stock were eliminated and the shares became fully vested. Accordingly, the deferred compensation which was charged in 1992 and a mark-to-market adjustment to fair market value on such date was recorded in 1994. Mr. Breslawski received $382,618 in 1994 in satisfaction of his Executive Incentive Plan balance, payable with 30,294 shares of Common Stock with an aggregate value of $214,454 on December 31, 1994 and a $168,164 cash payment. Each of Messrs. Benjamin and Paladino received $243,825 in 1994 in satisfaction of their Executive Incentive Plan balance, payable with 19,305 shares of Common Stock with an aggregate value of $136,662 on December 31, 1994 and $107,163 in cash.

(4) The 1994 amounts shown in this column represent (i) profit sharing contributions made by the Company on behalf of Mr. Bergman and Mr. Breslawski of $9,434, on behalf of Mr. Benjamin of $7,519 and on behalf of Mr. Paladino of $7,524, (ii) Employee Stock Ownership Plan ("ESOP") contributions made by the Company on each executives' behalf of $4,500, and (iii) excess life insurance and Supplemental Executive Retirement Plan ("SERP") contributions of $1,186 and $9,868 for Mr. Bergman, $950 and $4,300 for Mr. Breslawski, $653 and $1,050 for Mr. Benjamin, and $422 and $1,050 for Mr. Paladino, respectively. The 1995 amounts shown in this column represent (i) profit sharing contributions made by the Company on behalf of each of Messrs. Bergman, Breslawski, Benjamin and Paladino of $6,000 and on behalf of Mr. Mlotek of $4,566, (ii) ESOP contributions made by the Company on behalf of each of Messrs. Bergman, Breslawski, Benjamin and Paladino of $4,500 and on behalf of Mr. Mlotek of $3,425, (iii) excess life insurance and SERP contributions of $2,610 and $23,034 for Mr. Bergman, $1,003 and $8,455 for Mr. Breslawski, $714 and $3,850 for Mr. Benjamin, $462 and $3,850 for Mr. Paladino, and $738 and $0 for Mr. Mlotek, respectively, and (iv) an anniversary bonus to Mr. Breslawski of $1,500. The 1996 amounts shown in this column represent (i) profit sharing contributions made by the Company on each executive's behalf of $6,000, (ii) ESOP contributions made by the Company on each executive's behalf of $4,500, and (iii) excess life insurance and SERP contributions of $1,740 and $24,783 for Mr. Bergman, $1,020 and $9,450 for Mr. Breslawski, $795 and $5,250 for Mr. Benjamin, $514 and $5,250 for Mr. Paladino, and $816 and $5,250 for Mr. Mlotek, respectively.

AGGREGATED FISCAL 1996 YEAR-END OPTION VALUES

The following table summarizes the number of all shares subject to options held by the Named Executive Officers at the end of fiscal 1996, and their value at that date if they were in-the-money. No stock options were exercised in fiscal 1996.

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT 12/28/96		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT 12/28/96			
			EXERCISABLE		UNEXERCISABLE	
NAME	EXERCISABLE (#)	UNEXERCISABLE (#)	SHARES (#)	TOTAL ($)	SHARES (#)	TOTAL ($)
Gerald A. Benjamin.....	35,533	11,667	35,533	1,034,173	11,667	224,590
Steven Paladino.....	38,033	16,667	38,033	1,082,298	16,667	320,840
Mark E. Mlotek.....	23,966	8,334	23,966	694,787	8,334	160,430

EMPLOYMENT AND OTHER AGREEMENTS

The Company and Stanley M. Bergman entered into an employment agreement dated as of January 1, 1992 (the "Employment Agreement"), providing for his continued employment as Chairman of the Board, President and Chief Executive Officer until December 31, 1999. The Employment Agreement provides Mr. Bergman with a base salary of $519,050 for 1997, $544,050 for 1998, and $559,050 for 1999. In addition, the Employment Agreement provides for incentive compensation to be determined by the

Compensation Committee of the Board of Directors (or, if there is no Compensation Committee, the Board of Directors). Based on the range of incentive compensation provided for in the employment agreement, it is anticipated that incentive compensation for 1997 will be in the range of $75,000 to $445,000. The range of incentive compensation increases to $80,000 to $465,000 in 1998, and $85,000 to $485,000 in 1999. The Employment Agreement also provides that Mr. Bergman will continue to participate in all benefit, welfare and perquisite plans, policies and programs generally available to either the Company's employees or the Company's senior executive officers. The Company provides Mr. Bergman with the use of an automobile and expenses related thereto, and other miscellaneous benefits. If Mr. Bergman's employment with the Company is terminated by the Company without cause or terminated by Mr. Bergman following a material breach by the Company of the Employment Agreement which is not cured during the requisite period for cure of such breach, Mr. Bergman will receive all amounts then owed to him as salary and deferred compensation and any benefits accrued and owed to him or his beneficiaries under the then applicable benefit plans, programs and policies of the Company. In addition, Mr. Bergman will receive as severance pay, 100% of his then annual base salary and a payment equal to the account balance or accrued benefit Mr. Bergman would have been credited with under each pension plan maintained by the Company, in each case assuming the Company would have continued contributions until the natural expiration of the Employment Agreement, less Mr. Bergman's vested account balance or accrued benefits under each pension plan. Unless the Employment Agreement is terminated for cause or pursuant to Mr. Bergman's voluntary resignation, the Company will continue the participation of Mr. Bergman and his family in the health and medical plans, policies and programs in effect with respect to senior executive officers of the Company and their families. Coverage for Mr. Bergman and his spouse will continue from the end of Mr. Bergman's employment until their respective deaths, and coverage for his children will continue until their attainment of the age of twenty-one.

The Company has entered into agreements with the Named Executive Officers to provide that if an executive's employment is terminated by the Company or by the executive without cause or for good reason, respectively, and not within two years after a change in control of the Company, the Company will pay to the executive severance pay equal to one month's base salary for each month the executive has been employed by the Company, with a minimum of six months and a maximum of twelve months, subject to offset for remuneration for subsequent employment. If the executive is terminated within two years following a change in control of the Company which has not been approved by a supermajority of the Board of Directors, the executive's severance pay will equal three times the severance pay the executive would have received had no change of control occurred, plus three times the amount of executive's incentive bonus for the year preceding the year of termination.

In September 1994, the Company, Schein Pharmaceutical, Inc. and Marvin Schein, a director and principal stockholder of the Company, agreed to terminate a lifetime consulting agreement entered into in 1982 between the Company's predecessor and Mr. Schein, and the Company and Mr. Schein agreed to continue the consulting arrangement on the terms set forth in a new lifetime consulting agreement (the "Consulting Agreement"). The current Consulting Agreement modified certain of the terms of the 1982 agreement, including the elimination of a provision limiting Mr. Schein's compensation to $100,000 per annum if the Company's pre-tax income were less than $3.5 million for two consecutive years. The 1982 agreement provided, and the current Consulting Agreement provides, for Mr. Schein's consulting services to the Company with respect to the marketing of dental supplies and equipment, from time to time. The consulting Agreement currently provides for initial compensation of $258,000 per year, increasing $25,000 every fifth year beginning in 1997. The Consulting Agreement also provides that Mr. Schein will participate in all benefit, compensation, welfare and perquisite plans, policies and programs generally available to either the Company's employees or the Company's senior executive officers, excluding the Company's Stock Option Plan, that Mr. Schein's spouse, and his children until they attain the age of 21, will be covered by the Company's health plan, and that the Company will provide Mr. Schein with the use of an automobile and expenses related thereto. The Consulting Agreement was originally entered into as part of a recapitalization of the Company's predecessor in 1982 among Mr. Schein and its other stockholders, and

to secure for the Company the consulting services of Mr. Schein, who had served the Company in various executive capacities for more than the prior twenty years.

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

The principal focus of the Compensation Committee of the Board of Directors has been consideration of, and recommendations to, the Board of Directors concerning annual incentive compensation for the Named Executive Officers of the Company in respect of fiscal 1996.

In the view of the Committee, the goal of executive compensation generally is to help the Company attract, motivate and retain the executive talent the Company needs to maximize stockholder value. As a key element of such program, incentive compensation is intended to reward superior financial performance, recognize individuals' contributions to such performance and bring an executive's total annual cash compensation (base salary plus annual incentive compensation) above the average for comparable positions at similar-sized companies.

The Committee considered the financial performance of the Company in fiscal 1996, including its growth in net sales and pro forma operating income, net income, and earnings per share, and the Company's progress in executing its five growth strategies: increased sales to existing dental accounts; increased penetration of medical and veterinary markets; continued international expansion; enhanced value-added products and services; and completing strategic acquisitions. With respect to the performance of the Named Executive Officers in fiscal 1996, the Committee discussed with Mr. Bergman, the Chairman, Chief Executive Officer and President of the Company, the performance of each of the other Named Executive Officers and exchanged views about these matters with other members of the Board of Directors. The Committee also consulted with a recognized compensation consulting firm in connection with its determination.

On the basis of the foregoing, and other factors, the Committee recommended to the Board of Directors the 1996 bonus awards to the Named Executive Officers reflected in the Summary Compensation Table. In addition, with respect to Mr. Bergman, the Committee referred to the provisions of Mr. Bergman's Employment Agreement which provide that the Committee shall consider the range of bonuses set forth in the Agreement.

Respectfully submitted,
BARRY J. ALPERIN
DONALD J. KABAT

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Stanley M. Bergman, James P. Breslawski, Gerald A. Benjamin, Leonard A. David, Mark E. Mlotek and Steven Paladino are executive officers of the Company and members of the Board of Directors which approved incentive compensation for the Named Executive Officers for fiscal 1996 based upon the recommendations of the Compensation Committee. None of the Named Executive Officers participated in any deliberations of the Board of Directors with respect to their own compensation for fiscal 1996.

CERTAIN TRANSACTIONS

In the ordinary course of its business, the Company buys products from and sells products to Schein Pharmaceutical, Inc. in arms-length transactions. In 1996, the Company's purchases from Schein Pharmaceutical, Inc. amounted to approximately $7.0 million. Certain of the Company's stockholders and directors, including Stanley M. Bergman, Marvin H. Schein, Pamela Schein, and Pamela Joseph, and related persons thereto, own approximately 70% of the outstanding shares of common stock of Schein Pharmaceutical, Inc.

STOCK PERFORMANCE GRAPH

The graph below compares the cumulative total stockholder return on $100 invested on November 3, 1995, the date of the initial public offering of the Company's Common Stock, through the end of fiscal 1995, and through the end of fiscal 1996, with the cumulative total return for the same periods on the same amount invested in the Nasdaq Stock Market (U.S. Companies) Composite Index and an index of peer companies selected by the Company. The Peer Group Index consists of 27 companies (including the Company) based on the same Standard Industrial Code.*

EDGAR REPRESENTATION OF DATA POINTS USED IN PRINTED GRAPHIC

	HENRY SCHEIN, INC.	SIC CODE INDEX	NASDAQ MARKET INDEX
11-3-95	100.00	100.00	100.00
30-Dec-95	129.67	108.16	101.13
12-28-96	151.65	103.14	125.67

	November 3, 1995	December 30, 1995	December 28, 1996
Henry Schein, Inc.	100.00	129.67	151.65
Peer Group	100.00	108.16	103.14
NASDAQ Composite	100.00	101.13	125.67

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* Allegiance Corporation, American Homepatient, Inc., BEC Group, Inc., Biodynamics International Inc., Cantel Industries, Inc., Cyberonics Inc., Electroscope, Inc., Elron Electronic Industries Ltd., ESC Medical Systems Ltd., Graham-Field Health Products, Inc., Gulf South Medical Supply, Henry Schein, Inc., Innovative Medical Services, Micro Bio-Medics, Inc., Netmed Inc., Novoste Corporation, Owens & Minor, Inc., Patterson Dental Company, Physician Sales & Services, Inc., Prime Capital Corporation, Pro-Dex Inc., Strategic Distribution, Inc., Suburban Ostomy Supply Co., Inc., Sullivan Dental Products, Inc., Thermo-Mizer Environmental Corp., US-China Industrial Exchange, Inc., Vallen Corporation.

PROPOSAL 5
RATIFICATION OF INDEPENDENT PUBLIC ACCOUNTANTS

Upon the recommendation of the Audit Committee, the Board of Directors has selected BDO Seidman, LLP as independent auditors for the Company for the year ending December 27, 1997, subject to ratification of such selection by the stockholders at the Annual Meeting. If the stockholders do not ratify the selection of BDO Seidman, LLP, another firm of independent public accountants will be selected by the Board of Directors. Representatives of BDO Seidman, LLP will be present at the Annual Meeting, will have an opportunity to make a statement if they desire to do so, and will be available to respond to appropriate questions from stockholders in attendance.

THE AFFIRMATIVE VOTE OF THE HOLDERS OF A MAJORITY OF THE OUTSTANDING SHARES OF THE COMMON STOCK PRESENT IN PERSON OR REPRESENTED BY PROXY AND ENTITLED TO VOTE AT THE ANNUAL MEETING IS REQUIRED TO RATIFY THE SELECTION OF BDO SEIDMAN, LLP AS INDEPENDENT AUDITORS FOR THE COMPANY FOR THE YEAR ENDING DECEMBER 27, 1997.

VOTING OF PROXIES AND OTHER MATTERS

The Board of Directors recommends that an affirmative vote be cast in favor of each of the proposals listed on the proxy card.

The Board of Directors knows of no other matters that may be brought before the meeting which require submission to a vote of the stockholders. If any other matters are properly brought before the meeting, however, the persons named in the enclosed proxy or their substitutes will vote in accordance with their best judgment on such matters.

A complete list of stockholders entitled to vote at the Annual Meeting will be available for inspection on May 12, 1997 at the Company's headquarters located at 135 Duryea Road, Melville, New York 11747.

STOCKHOLDER PROPOSALS

Stockholders wishing to present proposals for action by the stockholders at the next Annual Meeting must present such proposals at the principal offices of the Company not later than December 19, 1997. It is suggested that any such proposals be submitted by certified mail, return receipt requested.

BY ORDER OF THE BOARD OF DIRECTORS

STANLEY M. BERGMAN
Chairman, Chief Executive Officer
and President

Melville, New York
April 18, 1997

HENRY SCHEIN, INC.

135 DURYEA ROAD

MELVILLE, NEW YORK 11747

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned, having duly received the Notice of Annual Meeting of Stockholders and the Proxy Statement, dated April 18, 1997, hereby appoints Stanley M. Bergman and Mark E. Mlotek, as proxies (each with the power to act alone and with the power of substitution and revocation), to represent the undersigned and to vote, as designated below, all shares of Common Stock of Henry Schein, Inc. held of record by the undersigned on April 1, 1997, at the Annual Meeting of Stockholders to be held at 4:00 pm on Thursday, May 22, 1997 at the Huntington Hilton, 598 Broadhollow Road, Melville, New York and at any adjournments or postponements thereof. The undersigned hereby revokes any previous proxies with respect to the matters covered by this Proxy.

HENRY SCHEIN, INC.'S BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE FOLLOWING PROPOSALS

1. PROPOSAL TO ELECT ELEVEN DIRECTORS FOR TERMS EXPIRING AT THE 1998 ANNUAL MEETING.

/ / FOR all nominees listed below (except as marked to the contrary)

/ / WITHHOLD AUTHORITY to vote for all nominees listed below

Stanley M. Bergman, James P. Breslawski, Gerald A. Benjamin, Leonard A. David, Mark E. Mlotek, Steven Paladino, Barry J. Alperin, Pamela Joseph, Donald J. Kabat, Marvin H. Schein and Irving Shafran

INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL, WRITE THAT NOMINEE'S NAME ON THE SPACE PROVIDED BELOW:

- ----------

2. PROPOSAL TO APPROVE AMENDMENT OF CERTIFICATE OF INCORPORATION

/ / FOR / / AGAINST / / ABSTAIN

3. PROPOSAL TO APPROVE AMENDMENT OF THE BY-LAWS

/ / FOR / / AGAINST / / ABSTAIN

4. PROPOSAL TO APPROVE AMENDMENT OF THE 1994 STOCK OPTION PLAN

/ / FOR / / AGAINST / / ABSTAIN

5. PROPOSAL TO RATIFY THE APPOINTMENT OF BDO SEIDMAN, LLP AS INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING DECEMBER 27, 1997.

/ / FOR / / AGAINST / / ABSTAIN

6. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED ON THE PROXY BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ELECTION OF ALL NOMINEES FOR DIRECTOR LISTED IN PROPOSAL 1 AND FOR PROPOSALS 2, 3, 4 AND 5.

Please sign exactly as names appear on this proxy. Where shares are held by joint tenants, both should sign. If signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by president or other authorized person. If a partnership, please sign in partnership name by an authorized person.

Dated: _____

_____

(Signature)

PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY PROMPTLY USING THE ENCLOSED ENVELOPE.

INDEX TO EXHIBITS

Exhibit A: Article Fifth of the Company's Restated Certificate of Incorporation Prior to the Proposed Amendment

Exhibit B: Article VI of the Company's Amended and Restated By-Laws Prior to the Proposed Amendment

Exhibit C: Article III, Section 3 of the Company's Amended and Restated By-Laws Prior to the Proposed Amendment

EXHIBIT A

ARTICLE FIFTH OF THE COMPANY'S RESTATED CERTIFICATE
OF INCORPORATION PRIOR TO THE PROPOSED AMENDMENTS

FIFTH:

A. The business and affairs of the Corporation shall be managed by its Board of Directors whose members need not be residents of the State of Delaware nor stockholders of the Corporation. The number of directors which shall constitute the entire Board of Directors shall be no less than five and no more than 11 through December 31, 1998; thereafter the number of directors which shall constitute the entire Board of Directors shall be nine.

B. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

1. To adopt, amend or repeal any By-Law (PROVIDED, HOWEVER, that (a) any By-Law made, amended or repealed by the Board of Directors may be amended or repealed, and that any by-laws may be adopted, by the stockholders of the Corporation and (b) the Board of Directors may not amend or repeal any By-Law adopted by the stockholders of the Corporation);

2. To authorize and cause to be executed mortgages and liens upon the real and personal property of the Corporation;

3. To set apart out of any of the funds of the Corporation available for dividends a reserve or reserves for any proper purpose and to abolish any such reserve in the manner in which it was created; and

4. By resolution passed by a majority of the whole Board, to designate one or more committees, each committee to consist of two or more of the directors of the Corporation, which, to the extent provided in such resolution or in the By-Laws of the Corporation, shall have and may exercise all the powers and the authority of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. Such committee or committees shall have such name or names as may be stated in the By-Laws of the Corporation or as may be determined from time to time by resolution adopted by the Board of Directors.

C. The affirmative vote of the holders of 80% or more of the shares entitled to vote in the election of directors shall be required to amend or repeal, or adopt any provisions inconsistent with, this Article FIFTH.

EXHIBIT B

ARTICLE VI OF THE COMPANY'S AMENDED AND
RESTATED BY-LAWS PRIOR TO THE PROPOSED AMENDMENT

These By-Laws may be amended or repealed and any By-Laws may be adopted at any annual meeting of the stockholders or at any special meeting thereof if notice of the proposed amendment or repeal, or By-Law or By-Laws to be adopted, be contained in that notice of such special meeting, by the affirmative vote of holders of two-thirds of the shares of the stock issued and outstanding and entitled to vote thereat (unless a greater percentage is provided herein), or at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors, if notice of the proposed amendment or repeal, or By-Law or By-Laws to be adopted, be contained in the notice of such special meeting, by the affirmative vote of two-thirds of the board of Directors, provided that the Board of Directors may not amend or repeal any By-Laws adopted by the stockholders of the Corporation.

EXHIBIT C

ARTICLE III, SECTION 3 OF THE COMPANY'S AMENDED AND RESTATED BY-LAWS PRIOR TO THE PROPOSED AMENDMENT

Section 3. VACANCIES. Subject to the provisions of the Corporation's Restated Certificate of Incorporation and except as otherwise provided by law, vacancies in the Board of Directors may be filled by the affirmative vote of stockholders holding at least 66 2/3% of the outstanding shares entitled to vote in any election of directors, and any director so chosen shall hold office for the remainder of the full term of the director whose place he or she has been elected to fill and until his or her successor shall be elected and qualified. If there are no directors in office, then an election of directors may be held in the manner provided by law.

Further subject to the Corporation's Restated Certificate of Incorporation, a vacancy or vacancies shall be deemed to exist in case of the death, resignation or removal of any director, or if the stockholders fail at any annual meeting of stockholders at which any director or directors are required to be elected, to elect the full authorized number of directors to be voted for at that meeting, or if there are newly created directorships resulting from any increase in the authorized number of directors.

HENRY SCHEIN, INC.

1994 STOCK OPTION PLAN

AS AMENDED AND RESTATED EFFECTIVE AS OF JULY 1, 1995

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HENRY SCHEIN, INC.

1994 STOCK OPTION PLAN
AS AMENDED AND RESTATED EFFECTIVE JULY 1, 1995

1. PURPOSES OF THE PLAN

The purposes of this Henry Schein, Inc. 1994 Stock Option Plan, as amended and restated effective July 1, 1995, are to enable Henry Schein, Inc. and its Subsidiaries (as defined herein) to attract, retain and motivate the key executives 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 (as defined herein) and the stockholders of HSI by granting the Key Employees options (which may be either incentive stock options (as defined herein) or non-qualified stock 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 "disinterested person" 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 are Participants in the Plan.

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

(o) "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.

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

(q) "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.

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

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

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

(u) "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.

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

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

(x) "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.

(y) "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 Stock Purchase Agreement dated _____, 1994 between HSI and the HSI Employee Stock Ownership Plan (the "HSI ESOP") or held by the HSI ESOP which are outstanding on such date.

(z) "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.

(aa)"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.

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

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

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

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

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

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

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

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

(jj)"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.

(kk)"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.

(ll)"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.

3. EFFECTIVE DATE/EXPIRATION OF PLAN

The Plan became effective as of September 30, 1994 (the "Effective Date"), and is amended and restated in the form set forth herein effective as of July 1, 1995. 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 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. 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 6,865 shares of Common Stock of which a maximum of 2,403 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 _____ 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 of another corporation who concurrently become employees of the Company as the result of a merger or consolidation of the employing corporation with the Company, or as the result of the acquisition by the Company of property or stock of the employing 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 Options intended to be Incentive Stock Options, to Key Employees 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 the Participant 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

(a) DEATH, DISABILITY, RETIREMENT, ETC. Except as otherwise provided in the Participant's Option Agreement, upon Termination of Employment, all outstanding Options then exercisable and not exercised by the Participant prior to such Termination of Employment (and any Options not previously exercisable but made exercisable by the Committee at or after the Termination of Employment) 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.

(b) CAUSE OR VOLUNTARY TERMINATION. Upon the Termination of Employment 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 that such Participant had engaged in conduct that would have justified a Termination of Employment for Cause, all outstanding Options shall immediately be canceled.

Termination of Employment 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 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 agreement between HSI or any of its Subsidiaries and the Participant.

(c) OTHER TERMINATION. In the event of Termination of Employment 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 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, and provided further that no Options that were not exercisable during the period of employment shall thereafter become exercisable.

8. NONTRANSFERABILITY OF OPTIONS

No Option shall be transferable by the Participant otherwise than by will or under applicable laws of descent and distribution, and during the lifetime of the 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.

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 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. Neither the adoption of the Plan nor the grant of Options shall impose any obligations on the Company to continue the employment 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 subject to any claim, lien, security interest, community property right or other right of spouses or present or former family members, pledge, option, voting agreement or other restriction or

encumbrance of any nature whatsoever) having an aggregate Fair Market Value, determined as of the date the withholding 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.