

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

FORM 10-Q

(Mark One)

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

For the period ended March 28, 1998

OR

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

Commission File Number: 0-27078

HENRY SCHEIN, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

11-3136595

(I.R.S. Employer Identification No.)

135 Duryea Road
Melville, New York 11747

(Address of principal executive offices)

Telephone Number (516) 843-5500

(Registrant's telephone number, including area code)

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

Yes

No

As of May 6, 1998, there were 35,447,039 shares of the Registrant's Common Stock outstanding.

HENRY SCHEIN, INC.

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PART 1. FINANCIAL INFORMATION
 ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	March 28, 1998 ----- (unaudited)	December 27, 1997 -----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,244	\$ 7,824
Accounts receivable, less reserves of \$12,712 and \$13,048, respectively	258,136	261,665
Inventories	220,065	212,848
Deferred income taxes	13,358	13,323
Other	40,999	39,396
	-----	-----
Total current assets	544,802	535,056
Property and equipment, net of accumulated depreciation and amortization of \$59,974 and \$57,997, respectively	58,301	54,449
Goodwill and other intangibles, net of accumulated amortization of \$11,657 and \$10,395, respectively	127,054	122,217
Investments and other	28,924	29,472
	-----	-----
	\$ 759,081	\$ 741,194
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 116,021	\$ 129,806
Bank credit lines	11,665	11,973
Accruals:		
Salaries and related expenses	22,967	20,729
Merger and integration costs	13,220	17,056
Other	32,586	39,095
Current maturities of long-term debt	8,361	9,370
	-----	-----
Total current liabilities	204,820	228,029
Long-term debt	123,439	93,192
Other liabilities	6,234	6,550
	-----	-----
Total liabilities	334,493	327,771
	-----	-----
Minority interest	2,267	2,225
	-----	-----
Stockholders' equity:		
Common stock, \$.01 par value, authorized 60,000,000; issued 35,410,714 and 35,146,892, respectively	354	352
Additional paid-in capital	328,473	322,998
Retained earnings	98,202	92,238
Treasury stock, at cost (62,479 shares)	(1,156)	(1,156)
Accumulated other comprehensive income	(1,927)	(1,609)
Deferred compensation	(1,625)	(1,625)
	-----	-----
Total stockholders' equity	422,321	411,198
	-----	-----
	\$ 759,081	\$ 741,194
	=====	=====

See accompanying notes to consolidated financial statements.

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

	Three Months Ended	
	March 28, 1998	March 29, 1997 (restated)
Net sales	\$ 403,032	\$ 339,049
Cost of sales	281,541	239,012
Gross profit	121,491	100,037
Operating expenses:		
Selling, general and administrative	107,225	90,402
Merger and integration costs	3,864	2,527
Operating income	10,402	7,108
Other income (expense):		
Interest income	1,712	1,537
Interest expense	(2,157)	(1,020)
Other - net	80	(75)
Income before taxes on income, minority interest and equity in earnings (losses) of affiliates	10,037	7,550
Taxes on income	4,253	4,008
Minority interest in net income (loss) of subsidiaries	1	(14)
Equity in earnings (losses) of affiliates	181	(50)
Net income	\$ 5,964	\$ 3,506
Net income per common share:		
Basic	\$ 0.17	\$ 0.10
Diluted	\$ 0.16	\$ 0.10
Weighted average shares outstanding:		
Basic	35,518	33,640
Diluted	37,606	35,115

See accompanying notes to consolidated financial statements.

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

	Three Months Ended	
	March 28, 1998	March 29, 1997
		(restated)
Cash flows from operating activities:		
Net income	\$ 5,964	\$ 3,506
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	3,554	3,287
Provision (benefit) for losses on accounts receivable	(314)	494
Benefit from deferred income taxes	(99)	(200)
Undistributed (earnings) losses of affiliates	(181)	50
Benefit for merger and integration costs	(3,836)	--
Minority interest in net income (loss) of subsidiaries	1	(14)
Other	(134)	(5)
Changes in assets and liabilities:		
Decrease in accounts receivable	6,407	1,289
(Increase) decrease in inventories	(6,981)	6,727
(Increase) decrease in other current assets	(1,375)	610
Decrease in accounts payable and accruals	(16,477)	(27,981)
Net cash used in operating activities	(13,471)	(12,237)
Cash flows from investing activities:		
Capital expenditures	(6,700)	(2,827)
Business acquisitions, net of cash acquired	(4,353)	(4,377)
Other	(3,160)	(943)
Net cash used in investing activities	(14,213)	(8,147)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	--	1,011
Principal payments on long-term debt	(1,813)	(1,210)
Proceeds from issuance of stock upon exercise of options	3,840	269
Proceeds from borrowings from banks	32,279	1,283
Payments on borrowings from banks	(1,846)	(3,841)
Purchase of treasury stock	--	(341)
Dividends paid	--	(484)
Other	(356)	(1,184)
Net cash provided by (used in) financing activities	32,104	(4,497)
Net increase (decrease) in cash and cash equivalents	4,420	(24,881)
Cash and cash equivalents, beginning of period	7,824	45,814
Cash and cash equivalents, end of period	\$ 12,244	\$ 20,933
	=====	=====

See accompanying notes to consolidated financial statements.

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

Note 1. Basis of Presentation

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

In the opinion of the Company's management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the information set forth therein. These consolidated financial statements are condensed and therefore do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The financial statements include adjustments to give effect to the acquisitions of Micro Bio-Medics, Inc. ("MBMI"), effective August 1, 1997 and Sullivan Dental Products, Inc. ("Sullivan"), effective November 12, 1997, which were accounted for under the pooling of interests method. The consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K and 10-K/A for the year ended December 27, 1997. The Company follows the same accounting policies in preparation of interim reports. The results of operations for the three months ended March 28, 1998 are not necessarily indicative of the results to be expected for the fiscal year ending December 26, 1998 or any other period.

Note 2. Merger and Integration Costs

In connection with certain acquisitions accounted for under the pooling of interests method of accounting, the Company incurred certain merger and integration costs during the three months ended March 28, 1998 and March 29, 1997. These costs consist primarily of investment banking, legal, accounting and advisory fees, compensation and other integration costs associated with these mergers. Net of taxes, for the three months ended March 28, 1998 and March 29, 1997, merger and integration costs were approximately \$0.08 and \$0.07 per share, on a diluted basis, respectively.

Note 3. Comprehensive Income

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

Total comprehensive income for the three months ended March 28, 1998 and March 29, 1997 is as follows:

	Three Months Ended	
	March 28, 1998	March 29, 1997

Net income	\$5,964	\$3,906
Foreign currency translation adjustments	(318)	(978)

Comprehensive income	\$5,646	\$2,928
	=====	

Note 4. Earnings per Share

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

March 28, 1998	Historical

Basic.....	35,518
Effect of assumed conversion of employee stock options.....	2,088

Diluted.....	37,606
	=====
 March 29, 1997	
Basic.....	33,640
Effect of assumed conversion of employee stock options.....	1,475

Diluted.....	35,115
	=====

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

RESULTS OF OPERATIONS

Three Months Ended March 28, 1998 compared to Three Months Ended March 29, 1997

Net sales increased \$64.0 million, or 18.9%, to \$403.0 million for the three

months ended March 28, 1998 from \$339.0 million for the three months ended March 29, 1997. Of the \$64.0 million increase, approximately \$27.8 million represented a 14.9% increase in the Company's dental business, \$20.1 million represented a 21.3% increase in its medical business, \$11.6 million represented a 28.5% increase in its international business, \$2.6 million represented a 36.4% increase in the Company's technology and value-added product business, and \$1.9 million, represented a 19.5% increase in its veterinary business. The increase in dental net sales was primarily the result of the continuing favorable impact of the Company's integrated sales and marketing approach (which coordinates the efforts of its field sales consultants with its direct marketing and telesales personnel), and continued success of the Company's targeted marketing programs and acquisitions completed subsequent to the first quarter of 1997. The increase in medical net sales is primarily attributable to sales to hospitals, acquisitions, and the benefits of a new telesales structure, partially offset by a decline in sales to renal dialysis centers. In the first quarter of 1998 the Company's largest renal dialysis customer, Renal Treatment Centers, Inc., ("RTC") was acquired by Total Renal Care, Inc. which currently is not a customer of the Company. In March of this year, RTC stopped purchasing Epogen from the Company, but continues to purchase other products. During fiscal year 1997, the Company's sales of Epogen to RTC amounted to \$38.7 million. In the international market, the increase in net sales was due to acquisitions, primarily in Germany, the United Kingdom and The Netherlands, and increased account penetration in France, Germany and Spain. Unfavorable exchange rate translation adjustments reduced the net increase in the international market by approximately \$2.0 million. Had net sales for the international market been translated at the same exchange rates in effect during the first quarter of 1997, net sales would have increased by an additional 4.9%. In the veterinary market, the increase in net sales was primarily due to increased account penetration with core accounts and veterinary groups. The increase in technology and value-added product sales was primarily due to acquisitions completed subsequent to the first quarter of 1997.

Gross profit increased by \$21.5 million, or 21.5%, to \$121.5 million for the three months ended March 28, 1998, from \$100.0 million for the three months ended March 29, 1997. Gross profit margin increased by 0.6% to 30.1% from 29.5% last year, with improvements primarily in medical margins, and to a lesser extent, dental and veterinary margins, partially offset by declines in technology and value-added product and international margins, all the result of changes in product mix.

Selling, general and administrative expenses increased by \$16.8 million, or 18.6%, to \$107.2 million for the three months ended March 28, 1998 from \$90.4 million for the three months ended March 29, 1997. Selling and shipping expenses increased by \$11.2 million, or 18.5%, to \$71.8 million for the three months ended March 28, 1998 from \$60.6 million for the three months ended March 29, 1997. As a percentage of net sales, selling and shipping expenses decreased 0.1% to 17.8% for the three months ended March 28, 1998 from 17.9% for the three months ended March 29, 1997. This decrease was primarily due to improvements of the Company's distribution efficiencies. General

and administrative expenses increased \$5.6 million, or 18.8%, to \$35.4 million for the three months ended March 28, 1998 from \$29.8 million for the three months ended March 29, 1997, primarily as a result of acquisitions. As a percentage of net sales, general and administrative expenses remained unchanged at 8.8%.

Other income (expense) - net decreased by \$0.8 million, to (\$0.4) million for the three months ended March 28, 1998, compared to \$0.4 million for the three months ended March 29, 1997 due to an increase in interest expense resulting from an increase in average borrowings, partially offset by an increase in interest income from finance charges and imputed interest arising from non-interest bearing extended payment term sales.

Equity in earnings of affiliates increased \$0.3 million to \$0.2 million for the three months ended March 28, 1998 from (\$0.1) million for the three months ended March 29, 1997. This increase was primarily due to increased sales volume and improved margins for the products sold by an unconsolidated 50%-owned company.

For the three months ended March 28, 1998 the Company's effective tax rate was 42.4%. Excluding merger and integration costs, the majority of which are not deductible for income tax purposes, the Company's effective tax rate would have been 38.1%. For the three months ended March 29, 1997, the Company's effective tax rate was 53.1%. Excluding merger and integration costs, the Company's effective tax rate would have been 39.8%. The difference between the Company's effective tax rate (excluding merger and integration costs), and the Federal statutory rate relates primarily to state income taxes.

Year 2000

Management has initiated a company-wide program to prepare the Company's computer systems and applications for the year 2000, as well as identify critical third parties which the Company relies upon to operate its business to assess their readiness for the year 2000. The year 2000 issue arises from the widespread use of computer programs that rely on two-digit date codes to perform computations or decision-making functions. The Company expects to incur internal payroll costs as well as consulting costs and other expenses related to infrastructure and facilities enhancements necessary to prepare for the Company's systems for the year 2000. Management estimates that the cost of this program will be between \$2.0 million and \$3.0 million, with approximately \$1.5 million representing incremental costs to the Company. There can be no assurance that the systems of other companies which the Company's systems rely upon will be timely converted, or that such failure to convert by another company would not have a material adverse effect on the Company's systems and results of operations.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash used in operating activities for the three months ended March 28, 1998 of \$13.5 million resulted primarily from a net increase in operating items of working capital of \$18.4 million offset, in part, by net income of \$6.0 million adjusted for non-cash charges of \$1.1 million. The increase in working capital was primarily due to (i) a decrease in accounts payable and other accrued expenses of \$16.5 million resulting primarily from payments to vendors for inventory purchased as part of the Company's year-end inventory forward buy-in program, (ii) a \$7.0 million increase in inventory, and (iii) a \$1.4 million increase in other current assets, offset by a \$6.4 million decrease in accounts receivable. The Company anticipates future increases in working capital as a result of its continued sales growth.

Net cash used in investing activities for the three months ended March 28, 1998 of \$14.2 million resulted primarily from cash outlays for capital expenditures of \$6.7 million and cash paid for acquisitions of \$4.4 million. The increased amount of capital expenditures over the comparable prior year period was due to expenditures for additional operating facilities, as well as the development of new computer systems. The Company expects that it will invest in excess of \$30.0 million during the year ending December 26, 1998, including approximately \$10.0 million to \$12.0 million relating to the consolidation and integration of facilities and systems as a result of recent acquisitions. Thereafter, the Company expects to invest in excess of \$20.0 million per year in capital projects to modernize and expand its facilities and infrastructure systems and integrate operations.

Net cash provided by financing activities for the three months ended March 28, 1998 of \$32.1 million resulted primarily from net borrowings on bank credit lines of \$30.5 million.

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

The Company's cash and cash equivalents as of March 28, 1998 of \$12.2 million consist of bank balances and investments in commercial paper rated AAA by Moodys (or an equivalent rating). These investments have staggered maturity dates, none greater than three months, and have a high degree of liquidity since the securities are actively traded in public markets.

The Company's main credit facility is a \$150.0 million revolving credit facility which has a termination date of August 15, 2002. Borrowings under the

credit facility were \$106.9 million at March 28, 1998. Certain of the Company's subsidiaries have revolving credit facilities that total approximately \$35.3 million under which \$11.7 million have been borrowed at March 28, 1998.

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

Disclosure Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward looking statements. Certain information in this Form 10-Q contains information that is forward looking, such as the Company's opportunities to increase sales through, among other things, acquisitions; its exposure to fluctuations in foreign currencies; its anticipated liquidity and capital requirements; competitive product and pricing pressures and the ability to gain or maintain share of sales in global markets as a result of actions by competitors; and the results of legal proceedings. The matters referred to in forward looking statements could be affected by the risks and uncertainties involved in the Company's business. These risks and uncertainties include, but are not limited to, the effect of economic and market conditions, the impact of the consolidation of healthcare practitioners, the impact of healthcare reform, opportunities for acquisitions and the Company's ability to effectively integrate acquired companies, the acceptance and quality of software products, acceptance and ability to manage operations in foreign markets, the ability to maintain favorable supplier arrangements and relationships, possible disruptions in the Company's computer systems or telephone systems, the Company's ability and its customers' and suppliers' ability to replace, modify or upgrade computer programs in ways that adequately address the Year 2000 issue, possible increases in shipping rates or interruptions in shipping service, the level and volatility of interest rates and currency values, economic and political conditions in international markets, including civil unrest, government changes and restrictions on the ability to transfer capital across borders, the impact of current or pending legislation, regulation and changes in accounting standards and taxation requirements, environmental laws in domestic and foreign jurisdictions, as well as certain other risks described in this Form 10-Q. Subsequent written and oral forward looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere described in this Form 10-Q.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

During the first quarter of 1998, the Company became involved in a dispute with Premier Laser Systems, Inc. ("PLS") involving the alleged purchase of certain products distributed by PLS. The parties are discussing a resolution to the dispute. The Company does not believe that this dispute will have a material adverse effect on the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits.

10.106 Amendment No. 3 dated as of November 10, 1997 to Credit Agreement (filed herein).

10.107 Amendment No. 4 dated as of December 10, 1997 to Credit Agreement (filed herein).

27.1 Financial Data Schedule

(b) Reports on Form 8-K.

During the fourth quarter of 1997, the Company filed one Form 8-K: The Report, dated November 12, 1997 and filed on November 26, 1997, reported the Company's acquisition of Sullivan and incorporated by reference Sullivan's audited financial statements filed as part of Sullivan's Annual Report on Form 10-K for the year ended December 31, 1996. On January 26, 1998, the Company filed Amendment No. 1 to the foregoing report on Form 8-K/A which, among other things, included (i) unaudited pro forma combined condensed financial information pursuant to Article 11 of Regulation S-X giving effect to the merger, (ii) Sullivan's unaudited balance sheets as of September 30, 1997 and December 31, 1996 and the related unaudited statements of income and cash flow for the three-month and nine-month periods ended September 30, 1997 and (iii) consolidated balance sheets of the Company as of December 28, 1996 and December 30, 1995, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 28, 1996, restated to give effect to the Company's acquisition of MBMI.

SIGNATURE

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

HENRY SCHEIN, INC.
(Registrant)

By: /s/ STEVEN PALADINO

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

Dated: May 12, 1998

AMENDMENT No. 3 TO REVOLVING CREDIT AGREEMENT, dated as of November 10, 1997, among HENRY SCHEIN, INC., a corporation organized under the laws of the State of Delaware (the "Borrower"), and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), FLEET BANK, NATIONAL ASSOCIATION, a national banking association organized under the laws of the United States of America ("Fleet"), COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A., "RABOBANK NEDERLAND", New York Branch, a cooperative banking organization organized under the laws of The Netherlands ("Rabobank Nederland"), and EUROPEAN AMERICAN BANK, a New York banking corporation ("EAB"; collectively with Chase, Fleet and Rabobank Nederland, the "Banks"), and Chase, as Agent for the Banks.

RECITALS:

A. The parties hereto entered into that Revolving Credit Agreement, dated as of January 31, 1997 (such agreement as it has been amended through the date hereof, the "Credit Agreement").

B. The parties hereto desire to amend the Credit Agreement on the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1. AMENDMENTS TO REVOLVING CREDIT AGREEMENT.

This Amendment shall be deemed to be an amendment to the Credit Agreement and shall not be construed in any way as a replacement or substitution therefor. All of the terms and provisions of this Agreement are hereby incorporated by reference into the Credit Agreement as if such terms were set forth in full therein.

Section 1.1. Section 1.1 of the Credit Agreement is hereby amended by inserting the following defined terms therein in alphabetical order:

"Swing Line Loan Commitment" means \$15,000,000 (U.S.), as such amount may be reduced in accordance to Section 2.4A.

"Swing Line Loans" means the loans made by Chase to the Borrower pursuant to Section 2.4A.

"Swing Line Loan Note" means the promissory note of the Borrower in favor of Chase evidencing the Swing Line Loans and substantially in the form of Exhibit 2.4A hereto as such promissory note may be amended, modified, supplemented, or replaced from time to time.

Section 1.2. The definition of the term "Aggregate Outstandings" contained in Section 1.1 of the Credit Agreement is hereby amended to provide in its entirety as follows:

"Aggregate Outstandings" means, at a particular time, the sum of (a) Aggregate Letters of Credit Outstanding at such time plus (b) Aggregate Banker's Acceptance Outstandings, at such time plus (c) the Dollar Equivalent of the aggregate outstanding principal amount of all Revolving Credit Loans at such time plus (d) without duplication, the aggregate outstanding principal amount of all Swing Line Loans at such time.

Section 1.3. The definition of the term "Loan" contained in Section 1.1 of the Credit Agreement is hereby amended to provide in its entirety as follows:

"Loan" means a Revolving Credit Loan, a Swing Line Loan, a Letter of Credit or Documentary Banker's Acceptance.

Section 1.4. The definition of the term "Notes" contained in Section 1.1 of the Credit Agreement is hereby amended to provide in its entirety as follows:

"Notes" means the Revolving Credit Notes and the Swing Line Note.

Section 1.5. Section 2.4(c) of the Credit Agreement is hereby amended by deleting the phrase "ten (10) different Interest Periods" therefrom and substituting the following in its place:

"twelve (12) different Interest Periods".

Section 1.6. Article 2 of the Credit Agreement is hereby amended by inserting the following new Section 2.4A therein immediately following Section 2.4 thereof:

Section 2.4A. Swing Line Loans.

(a) Swing Line Loan Commitment. Subject to the terms and conditions set forth herein, Chase agrees to make revolving loans to the Borrower in Dollars from time to time from the date hereof to the Revolving Credit Termination Date (each such loan, a "Swing Line Loan" and collectively, the "Swing Line Loans"); provided that (i) the aggregate amount of the Swing Line Loans outstanding at any one time shall not exceed the Swing Line Loan Commitment and (ii) the Aggregate Outstandings at any one time may not exceed the Total Revolving Credit Commitments. The Swing Line Loan Commitment may be reduced or terminated by Chase, in its sole discretion, upon three Business Days' notice to the Borrower. Prior to the Revolving Credit Termination Date, Swing Line Loans may be repaid and reborrowed by the Borrower in accordance with the provisions hereof. Upon the request of any Bank, Chase shall provide such Bank a schedule of Swing Line Loans then outstanding.

(b) Method of Borrowing Swing Line Loans. By no later than 12:00 noon,

New York City time, on the date of the requested borrowing of a Swing Line Loan, the Borrower shall give written notice (or telephone notice promptly confirmed in writing) to Chase. Each such notice shall be irrevocable and shall state (A) that a Swing Line Loan is requested, (B) the date of the requested Swing Line Loan which shall be a Banking Day) and (C) the principal amount of the Swing Line Loan requested. Each Swing Line Loan shall bear interest at such rate and shall have such maturity date as Chase and the Borrower shall agree upon receipt by Chase of any such notice from the Borrower, provided, that the maturity date for any Swing Line Loan shall not in any event be a date more than five (5) Banking Days from the date such Swing Line Loan is advanced or a date after the Revolving Credit Termination Date.

(c) Payment and Participations of Swing Line Loans. The Borrower agrees to repay all Swing Line Loans then outstanding within one Business Day of demand therefor by Chase, which may be accomplished by the Borrower requesting a Revolving Credit Loan pursuant to Section 2.4 hereof. The parties hereto intend that each Swing Line Loan will be refinanced within five (5) Banking Days of the making of such Swing Line Loan with the proceeds of a Revolving Credit Loan which shall be a LIBOR Loan. In the event that the Borrower shall fail to repay any Swing Line Loan within three Business Days after demand therefor by Chase, and in any event upon (i) a request by Chase, (ii) the occurrence of an Event of Default described in Sections 10.1(f) or 10.1(i) or (iii) the acceleration of any Note or termination of the Revolving Credit Commitments pursuant to Section 10, each other Bank shall irrevocably and unconditionally purchase from Chase, without recourse or warranty, an undivided interest and participation in such Swing Line Loan in an amount equal to such other Bank's Commitment Proportion thereof, by directly purchasing a participation in such Swing Line Loan in such amount (regardless of whether the conditions precedent thereto set forth in Section 5.2 hereof are then satisfied, whether or not the Borrower has requested a Loan and whether or not the Revolving Credit Commitments are then in effect, any Event of Default exists or all the Notes have been accelerated) and paying the proceeds thereof to Chase at 395 North Service Road, Melville, New York 11747, or at such other address as Chase may designate, in lawful money of the United States of America and in immediately available funds. Chase agrees to notify each Bank that is obligated to purchase a participation in Swing Line Loans hereunder of the occurrence of any event described in clauses (ii) or (iii) above promptly after Chase becomes aware thereof, but the failure to give such notice will not affect the obligation of any such Bank to purchase any such participation. Provided that Chase has provided notice to the Banks by 2:00 p.m., New York City time, the Banks shall purchase such participations on the same Banking Day. If any such notice is delivered after 2:00 p.m., New York City time, the Banks shall be obligated to purchase such participations on the next succeeding Banking Day. If such amount is not in fact made available to Chase by any Bank, Chase shall be entitled to recover such amount on demand from such Bank together with accrued interest thereon for each day from the date such amount is require to be paid, at the Federal Funds Rate. If such Bank does not pay

such amount as provided above, and until such time as such Bank makes the required payment, Chase shall be deemed to continue to have outstanding Swing Line Loans in the amount of such unpaid participation obligation for all purposes of the Facility Documents other than those provisions requiring the other Bank to purchase a participation therein. Further, such Bank shall be deemed to have assigned any and all payments made of principal and interest on its Loans, amounts due with respect to any Letters of Credit or Banker's Acceptances (or its participation interests therein) and any other amounts due

to it hereunder to Chase to fund Swing Line Loans in the amount of the participation in Swing Line Loans that such Bank failed to purchase pursuant to this Section 2.4A(c) until such amount has been purchased (as a result of such assignment or otherwise). Upon the purchase of a participation interest in respect of such Swing Line Loan by a Bank pursuant to this Section 2.4A, the amount so funded shall become a Revolving Credit Loan by the purchasing Bank hereunder and shall no longer be a Swing Line Loan. On the date that the Banks are required to purchase participations in Swing Line Loans under this Section 2.4A, Chase's pro rata share of such Swing Line Loans shall no longer be a Swing Line Loan hereunder but shall be a Revolving Credit Loan.

(d) Swing Line Note. The Swing Line Loans made by Chase shall be evidenced by a duly executed promissory note of the Borrower to Chase in the face amount of the Swing Line Loan Commitment and in substantially the form of Exhibit 2.4A.

(e) Funding of Swing Line Loans. Upon receipt of a request for a Swing Line Loan as provided above, Chase will fund such amount to the Borrower by 2:00 p.m., New York City time, on the date specified in such request by crediting an account of the Borrower on the books of Chase.

Section 1.7. Section 2.5 of the Credit Agreement is hereby amended by deleting the title thereto and substituting the following in its place: "Minimum Amounts of Loans" and by inserting the following sentence at the end thereof: "Each Swing Line Loan shall be in a minimum amount of \$500,000 and, if greater in integral multiples of \$100,000 in excess thereof."

Section 1.8. Section 2.8 of the Credit Agreement is hereby amended by inserting a new clause "(c)" at the end thereof which provides as follows:

"(c) Swing Line Loans, The Borrower shall pay interest on the outstanding and unpaid principal amount of each Swing Line Loan made under this Agreement at the fixed rate per annum agreed to by Chase and the Borrower at the time such Loan is made. Interest shall be calculated on the basis of the actual number of days elapsed divided by a year of (360) days and shall be paid to Chase for its own account on maturity of such Swing Line Loan."

Section 1.9. Section 3.3 of the Credit Agreement is hereby amended by inserting the following sentence at the end thereof: "For purposes of making calculations under this Section 3.3 only, the unused portion of the Total Revolving Credit Commitments shall be calculated as if there were no Swing Line Loans outstanding, regardless of the outstanding principal balance of Swing Line Loans."

Section 1.10. Section 3.7(a) of the Credit Agreement is hereby amended by inserting the following phrase at the beginning thereof: "Except as provided in the last sentence of this Section 3.7(a)," and by inserting the following sentence at the end thereof: "Notwithstanding the foregoing, all payments under this Agreement on the Swing Line Note shall be made in Dollars in immediately available funds to Chase for its own account not later than 1:00 p.m. New York City time to the office of Chase specified above."

Section 1.11. Section 11.16 of the Credit Agreement is hereby amended by deleting the phrase "Except to the extent otherwise provided in this Agreement" therefrom and substituting the following in its place: "Except with respect to Swing Line Loans which shall be made by, and shall be repaid to, Chase for its own account, and except as otherwise provided in this Agreement."

ARTICLE 2. SUPPLEMENT TO THE CREDIT AGREEMENT

The Credit Agreement is hereby supplemented as follows:

Section 2.1. Simultaneously with the execution and delivery of this Amendment, the Borrower shall execute and deliver to Chase a Swing Line Note in the form annexed hereto as Exhibit 2.4A.

Section 2.2. All references in the Credit Agreement and in the Facility Documents to the "Agreement" shall be deemed to refer to the Agreement as amended and supplemented hereby; and unless the context otherwise requires all references in such documents to the Notes shall be deemed to include the Swing Line Note.

Section 2.3. The Credit Agreement and the Facility Documents shall each be deemed amended, to the extent necessary, to give effect to the provisions of this Amendment.

ARTICLE 3. REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants to the Banks that:

Section 3.1. Each and every of the representations and warranties set forth in Article 6 of the Credit Agreement is true in all material respects as of the date hereof with respect to the Borrower and, to the extent applicable, the Guarantors and each of their Subsidiaries and with the same effect as though made on the date hereof (except when such representation or warranty by its terms relates to a specific date other than the date hereof), and is hereby incorporated herein in full by reference as if fully restated herein in its entirety. In addition, in order to induce the Banks to enter into this Amendment, the Borrower hereby covenants, represents and warrants to the Banks that since December 31, 1996, there has been no material adverse change in the business, operations, assets or financial or other condition of the Borrower or of the Borrower, the Guarantors and their Subsidiaries, taken as a whole.

Section 3.2. No Default or Event of Default, as defined in the Agreement now exists except as specifically waived hereby.

Section 3.3. The Borrower has the requisite corporate power and authority to enter into, perform and deliver this Amendment and the Swing Line Note, and any other documents, instruments, agreements or other writings to be delivered in connection herewith. This Amendment and the Swing Line Note, and all documents contemplated hereby or delivered in connection herewith, have each been duly authorized, executed and delivered and the transactions contemplated herein have been duly authorized by all necessary corporate action.

Section 3.4. This Amendment and the Swing Line Note and any other documents, agreements or instruments now or hereafter executed and delivered to the Banks by the Borrower in connection herewith constitute (or shall, when delivered, constitute) valid and legally binding obligations of Borrower, each of which is and shall be enforceable against Borrower in accordance with their respective terms except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency or other similar laws affecting creditors rights generally or by the effect of general principles of equity which may limit the enforceability of

equitable remedies (whether in a proceeding at law or in equity).

Section 3.5. No representation, warranty or statement by the Borrower contained herein or in any other document to be furnished by the Borrower in connection herewith contains, or at the time of delivery shall contain, any untrue statement of material fact, or omits or at the time of delivery shall omit to state a material fact necessary to make such representation, warranty or statement not misleading.

Section 3.6. No consent, waiver or approval of any entity is or will be required in connection with the execution, delivery, performance, validity or enforcement or priority of this Amendment and the Swing Line Note, or any other agreements, instruments or documents to be executed and/or delivered in connection herewith or pursuant hereto.

Section 3.7. Except as previously disclosed to the Banks, there is no claim, litigation, investigation or proceeding pending or threatened against or otherwise materially affecting the Borrower's business. The Borrower's performance of its obligations hereunder and/or the validity or enforceability of this Amendment and the Swing Line Note are not the subject of any suit, investigation or proceeding, and the Borrower has no knowledge of

any circumstances indicating that any such suit, investigation or proceeding is likely or imminent.

ARTICLE 4. CONDITIONS

This Amendment shall become effective only upon satisfaction of the following conditions precedent:

(a) Chase shall have received each of the following documents, in form and substance reasonably satisfactory to Chase and its counsel:

i. this Amendment and the Swing Line Note, duly executed by the Borrower;

ii. a certificate of the Secretary of the Borrower, dated the date of this Amendment, attesting to all corporate action taken by such entity, including resolutions of its Board of Directors authorizing the execution, delivery and performance of this Amendment, the Swing Line Note and each other document to be delivered pursuant to this Amendment, together with a certification that the certificate, articles of incorporation and the by-laws of the Borrower has not been amended, modified, revoked or rescinded since the Closing Date;

iii. a certificate of the Secretary of the Borrower dated the date of this Amendment certifying the names and true signatures of the officers of such entity authorized to sign this Amendment, the Swing Line Note and the other documents to be delivered by such entity under this Amendment; and

iv. such other documents, instruments, approvals, opinions and evidence as the Banks may reasonably require;

(b) the Borrower shall have obtained all consents, permits and approvals (if any) required in connection with the execution, delivery and performance by the Borrower of its obligations hereunder and such consents, permits and approvals shall continue in full force and effect; and

(c) all legal matters in connection with this financing shall be reasonably satisfactory to the Banks and their counsel.

ARTICLE 5. MISCELLANEOUS

Section 5.1. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Amendment by signing any such counterpart.

Section 5.2. This Amendment shall be governed by, and interpreted and construed in accordance with, the laws of the State of New York.

Section 5.3. Except as specifically amended hereby, the Credit Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have caused this
Amendment to be duly executed as of the day and year first above written.

HENRY SCHEIN, INC.

By:

Name: Steven Paladino
Title: Senior Vice President and
Chief Financial Officer

THE CHASE MANHATTAN BANK, as
Agent and a Bank

By:

Name: Emelia K. Teige
Title: Vice President

FLEET BANK, NATIONAL ASSOCIATION

By:

Name:
Title:

COOPERATIEVE CENTRALE RAIFFEISEN-
BOERENLEENBANK B.A., "RABOBANK
NEDERLAND", NEW YORK BRANCH

By:

Name:
Title:

By:

Name:
Title:

EUROPEAN AMERICAN BANK

By:

Name:
Title:

FORM OF
SWING LINE LOAN NOTE

\$15,000,000

November 10, 1997

FOR VALUE RECEIVED, HENRY SCHEIN, INC., a Delaware corporation (the "Borrower"), hereby promises to pay to the order of THE CHASE MANHATTAN BANK (the "Lender") at the office of the Lender (or at such other place or places as the holder of this Swing Line Loan Note may designate) as set forth in that certain Revolving Credit Agreement dated as of January 31, 1997 (as the same may be amended, modified, extended or restated from time to time, the "Agreement") among the Borrower and the Lender, FLEET BANK, NATIONAL ASSOCIATION, CENTRALE RAIFFEISEN-BOERENLEEN BANK B.A. "RABOBANK NEDERLAND" and EUROPEAN AMERICAN BANK and the Lender as Agent for the Banks, \$20,000,000 or such lesser amount as shall equal the aggregate principal amount of all Swing Line Loans made by the Lender (and not otherwise repaid), pursuant to Section 2.4A of the Agreement, in lawful money and in immediately available funds, on the dates and in the principal amounts provided in the Agreement, and to pay interest on the unpaid principal amount of each Swing Line Loan made by the Lender at such office, in like money and funds, for the period commencing on the date of each Swing Line Loan until each Swing Line Loan shall be paid in full, at the rates per annum and on the dates provided in the Agreement.

This Note is the Swing Line Loan Note referred to in the Agreement and evidences Swing Line Loans made by the Lender thereunder. The Lender shall be entitled to the benefits of the Agreement. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Agreement and the terms and conditions of the Agreement are expressly incorporated herein and made a part hereof.

The Agreement provides for the acceleration of the maturity of the Swing Line Loans evidenced by this Swing Line Loan Note upon the occurrence of certain events (and for payment of collection costs in connection therewith) and for prepayments of Swing Line Loans upon the terms and conditions specified therein. In the event this Swing Line Loan Note is not paid when due at any stated or accelerated maturity, the Borrower agrees to pay, in addition to the principal and interest, all costs of collection, including reasonable attorney fees.

The date, amount and interest rate of each Swing Line Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books; provided that the failure of the Lender to make any such recordation shall not affect the obligations of the Borrower to make a payment when due of any amount owing hereunder or under this Swing Line Loan Note in respect to the Swing Line Loans to be evidenced by this Swing Line Loan Note, and each such recordation shall be prima facie evidence

of the obligations owing under this Swing Line Loan Note absent manifest error.

THIS SWING LINE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

IN WITNESS WHEREOF, the Borrower has caused this Note to be executed by its duly authorized officer as of the date first above written.

HENRY SCHEIN, INC.

By: _____
Name:
Title:

AMENDMENT No. 4 TO REVOLVING CREDIT AGREEMENT, dated as of December 10, 1997, among HENRY SCHEIN, INC., a corporation organized under the laws of the State of Delaware (the "Borrower"), and THE CHASE MANHATTAN BANK, a New York banking corporation ("Chase"), FLEET BANK, NATIONAL ASSOCIATION, a national banking association organized under the laws of the United States of America ("Fleet"), COOPERATIEVE CENTRALE RAIFFEISEN-BOERENLEENBANK B.A., "RABOBANK NEDERLAND", New York Branch, a cooperative banking organization organized under the laws of The Netherlands ("Rabobank Nederland"), and EUROPEAN AMERICAN BANK, a New York banking corporation ("EAB"; collectively with Chase, Fleet and Rabobank Nederland, the "Banks"), and Chase, as Agent for the Banks.

RECITALS:

- A. The parties hereto entered into that Revolving Credit Agreement, dated as of January 31, 1997 (such agreement as it has been amended through the date hereof, the "Credit Agreement").
- B. The parties hereto desire to amend the Credit Agreement on the terms and conditions hereinafter set forth.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE 1. AMENDMENTS TO REVOLVING CREDIT AGREEMENT.

This Amendment shall be deemed to be an amendment to the Credit Agreement and shall not be construed in any way as a replacement or substitution therefor. All of the terms and provisions of this Agreement are hereby incorporated by reference into the Credit Agreement as if such terms were set forth in full therein.

Section 1.1. The last sentence of Section 9.1 of the Credit Agreement is hereby amended and restated to provide in its entirety as follows: "For purposes of calculating compliance with this covenant, Consolidated Net Worth and Net Income shall each be adjusted to add back non-recurring merger and acquisition costs; provided, that the cumulative adjustment made pursuant to this Section 9.1 during the term of this Agreement shall not exceed \$65,000,000."

Section 1.2. The last sentence of Section 9.3 of the Credit Agreement is hereby amended and restated to provide in its entirety as follows: "For purposes of calculating compliance with this covenant, Consolidated Net Profit shall be adjusted to add back non-recurring merger and acquisition costs; provided, that the cumulative adjustment made pursuant to this Section 9.3 during the term of this Agreement shall not exceed \$65,000,000."

Section 1.3. The last sentence of Section 9.4 of the

Credit Agreement is hereby amended and restated to provided in its entirety as

follows: "For purposes of calculating compliance with this covenant, Consolidated Operating Income shall be adjusted to add back non-recurring merger and acquisition costs; provided, that the cumulative adjustment made pursuant to this Section 9.4 during the term of this Agreement shall not exceed \$65,000,000."

Section 1.4. The last sentence of Section 9.5 of the Credit Agreement is hereby amended and restated to provide in its entirety as follows: "For purposes of calculating compliance with this covenant, Consolidated EBITDA shall be adjusted to add back non-recurring merger and acquisition costs; provided, that the cumulative adjustment made pursuant to this Section 9.5 during the term of this Agreement shall not exceed \$65,000,000."

ARTICLE 2. REPRESENTATIONS AND WARRANTIES

The Borrower hereby represents and warrants to the Banks that:

Section 2.1. Each and every of the representations and warranties set forth in Article 6 of the Credit Agreement is true in all material respects as of the date hereof with respect to the Borrower and, to the extent applicable, the Guarantors and each of their Subsidiaries and with the same effect as though made on the date hereof (except when such representation or warranty by its terms relates to a specific date other than the date hereof), and is hereby incorporated herein in full by reference as if fully restated herein in its entirety. In addition, in order to induce the Banks to enter into this Amendment, the Borrower hereby covenants, represents and warrants to the Banks that since December 31, 1996, there has been no material adverse change in the business, operations, assets or financial or other condition of the Borrower or of the Borrower, the Guarantors and their Subsidiaries, taken as a whole.

Section 2.2. No Default or Event of Default, as defined in the Agreement now exists except as specifically waived hereby.

Section 2.3. The Borrower has the requisite corporate power and authority to enter into, perform and deliver this Amendment, and any other documents, instruments, agreements or other writings to be delivered in connection herewith. This Amendment, and all documents contemplated hereby or delivered in connection herewith, have each been duly authorized, executed and delivered and the transactions contemplated herein have been duly authorized by all necessary corporate action.

Section 2.4. This Amendment and any other documents, agreements or instruments now or hereafter executed and delivered to the Banks by the Borrower in connection herewith constitute (or shall, when delivered, constitute) valid and legally binding obligations of Borrower, each of which is and shall be enforceable against Borrower in accordance with their respective terms except to

the extent that such enforcement may be limited by applicable bankruptcy, insolvency or other similar laws affecting creditors rights generally or by

the effect of general principles of equity which may limit the enforceability of equitable remedies (whether in a proceeding at law or in equity).

Section 2.5. No representation, warranty or statement by the Borrower contained herein or in any other document to be furnished by the Borrower in connection herewith contains, or at the time of delivery shall contain, any untrue statement of material fact, or omits or at the time of delivery shall omit to state a material fact necessary to make such representation, warranty or statement not misleading.

Section 2.6. No consent, waiver or approval of any entity is or will be required in connection with the execution, delivery, performance, validity or enforcement or priority of this Amendment or any other agreements, instruments or documents to be executed and/or delivered in connection herewith or pursuant hereto.

Section 2.7. Except as previously disclosed to the Banks, there is no claim, litigation, investigation or proceeding pending or threatened against or otherwise materially affecting the Borrower's business. The Borrower's performance of its obligations hereunder and/or the validity or enforceability of this Amendment are not the subject of any suit, investigation or proceeding, and the Borrower has no knowledge of any circumstances indicating that any such suit, investigation or proceeding is likely or imminent.

ARTICLE 3. MISCELLANEOUS

Section 3.1. This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and any party hereto may execute this Amendment by signing any such counterpart.

Section 3.2. This Amendment shall be governed by, and interpreted and construed in accordance with, the laws of the State of New York.

Section 3.3. Except as specifically amended hereby, the Credit Agreement shall remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

HENRY SCHEIN, INC.

By: -----

Name:
Title:

THE CHASE MANHATTAN BANK, as
Agent and a Bank

By: -----
Name: Emelia K. Teige
Title: Vice President

FLEET BANK, NATIONAL ASSOCIATION

By: -----
Name:
Title:

COOPERATIEVE CENTRALE RAIFFEISEN-
BOERENLEENBANK B.A., "RABOBANK
NEDERLAND", NEW YORK BRANCH

By: -----
Name:
Title:

By: -----
Name:
Title:

EUROPEAN AMERICAN BANK

By: -----
Name:
Title:

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

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	DEC-28-1997	
	MAR-28-1998	
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